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, 2018

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, 2018 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31st March, 2018

	Note	2018	2017
		HK$'000	HK$'000
Revenue	2	**1,533,094**	1,445,870
Cost of sales		**(1,287,456)**	(1,174,219)
Gross profit		**245,638**	271,651
Other losses - net	3	**(3,456)**	(7,673)
Selling and distribution costs		**(97,351)**	(87,533)
General and administrative expenses		**(187,110)**	(155,823)
Operating (loss)/profit	4	**(42,279)**	20,622

**For identification purpose only.*

Consolidated Income Statement (Continued)

For the year ended 31st March, 2018

	Note	**2018**	2017
		HK$'000	HK$'000
Finance income		**443**	350
Finance costs		**(7,813)**	(7,579)
Finance costs – net	5	**(7,370)**	(7,229)
(Loss)/profit before income tax		**(49,649)**	13,393
Income tax expense	6	**(4,787)**	(22,577)
Loss for the year attributable to the owners of the Company		**(54,436)**	(9,184)
Losses per share attributable to the owners of the Company for the year			
(expressed in HK cents per share)	7		
- Basic		**(10.37)**	(1.75)
- Diluted		**(10.37)**	(1.75)
Dividends	8	**-**	5,251

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2018

	2018	2017
	HK$'000	HK$'000
Loss for the year	**(54,436)**	(9,184)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Increase in fair value of available-for-sale financial assets	**532**	280
Currency translation differences	**42,815**	(23,904)
Other comprehensive income/(loss) for the year, net of tax	**43,347**	(23,624)
Total comprehensive loss for the year attributable to the owners of the Company	**(11,089)**	(32,808)

Consolidated Statement of Financial Position

As at 31st March, 2018

	Note	**As at 31st March, 2018 HK$'000**	As at 31st March, 2017 HK$'000
ASSETS			
Non-current assets			
Land use rights		**22,558**	21,346
Property, plant and equipment		**358,664**	336,360
Prepayments for non-current assets		**6,425**	6,825
Deferred income tax assets		**3,818**	5,620
Available-for-sale financial assets		**14,690**	10,636
Long-term bank deposit		**1,312**	-
		407,467	380,787
Current assets			
Inventories		**146,815**	118,107
Trade and bill receivables	9	**238,326**	244,125
Prepayments and deposits		**31,058**	26,905
Tax recoverable		**4,041**	4,150
Bank deposits with maturity over 3 months from date of deposits		**15,165**	14,106
Cash and cash equivalents		**314,233**	250,334
		749,638	657,727
Total assets		**1,157,105**	1,038,514
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**52,514**	52,514
Reserves	11	**480,294**	491,383
Total equity		**532,808**	543,897
LIABILITIES			
Non-current liabilities			
Borrowings		**110,369**	72,457
Deferred revenue		**1,152**	1,249
Deferred income tax liabilities		**7,260**	6,264
		118,781	79,970
Current liabilities			
Trade and bill payables	10	**184,612**	131,338
Current income tax liabilities		**20,621**	23,095
Borrowings		**139,674**	113,466
Accruals and other payables		**160,379**	146,540
Deferred revenue		**230**	208
		505,516	414,647
Total liabilities		**624,297**	494,617
Total equity and liabilities		**1,157,105**	1,038,514

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) Amended standards adopted by the Group

The following amendment to standards have been adopted by the Group for the first time for the financial year beginning 1st April, 2017.

HKAS 7 (Amendments)	Statement of Cash Flows: Disclosure Initiative
HKAS 12 (Amendments)	Income Taxes
Annual improvement project (HKFRS 12 (Amendments))	Disclosure of Interest in other entities

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 and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st April, 2017 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
Annual improvements project	Annual Improvements 2014-2016 Cycle	1st January, 2018
Annual improvements project	Annual Improvements to HKFRSs 2015-2017 Cycle	1st January, 2019
HKAS 19 (Amendments)	Employee Benefits	1st January, 2019
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures	1st January, 2019
HKAS 40 (Amendments)	Transfers of Investment Property	1st January, 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1st January, 2018
HKFRS 4 (Amendments)	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 (Amendments)	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
HKFRS 17	Insurance Contracts	1st January, 2021
HKFRIC – Int 22	Foreign Currency Transactions and Advance Consideration	1st January, 2018
HKFRIC – Int 23	Uncertainty over Income Tax Treatments	1st January, 2019

The Group has commenced an assessment of the impact of these new standards and amendments to existing standards and interpretations. Except as discussed below, 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.

1. Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 9, "Financial instruments"

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities introduces new rules for hedge accounting and new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and the financial assets held by the Group include equity instruments currently classified as available-for-sale financial assets for which a fair value through other comprehensive income ("FVOCI") election is available. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The Group does not apply any hedge accounting, therefore the management expects no financial impact regarding the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1st January, 2018. The Group will apply the new rules retrospectively from 1st April 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

1. Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 15, "Revenue from contracts with customers"

This standard replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from sales of goods – the application of HKFRS 15 may result in the identification of separate performance obligation which could affect the timing of the recognition of revenue;
- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

The Group is assessing the impact of this standard by analysing the above criteria regarding the revenue recognition and currently has not identified any material impact to the Group.

HKFRS 15 is mandatory for financial years commencing on or after 1st January, 2018. The Group intends to adopt the standards using the modified retrospective approach, which means the cumulative impact of the adoption will be recognised in retained earnings as at 1st April 2018 and the comparatives will not be restated.

1. Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$14,433,000. The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The new standard is mandatory for financial years commencing on or after 1st January, 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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) Analysis of revenue by category:

	2018	2017
	HK$'000	HK$'000
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,505,126**	1,423,005
Others	**27,968**	22,865
	1,533,094	1,445,870

(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 (loss)/profit, (loss)/profit 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, 2018 and 2017 are as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Year ended 31st March, 2018				
Segment revenue	1,176,044	352,041	157,714	1,685,799
Inter-segment revenue	(9,910)	(142,795)	-	(152,705)
Revenue from external customers	1,166,134	209,246	157,714	1,533,094
Operating (loss)/profit	(27,127)	(23,054)	7,902	(42,279)
Finance income	307	120	16	443
Finance costs	(6,442)	(1,299)	(72)	(7,813)
Income tax expense	(1,778)	-	(3,009)	(4,787)
(Loss)/profit for the year	(35,040)	(24,233)	4,837	(54,436)
Other information :				
Additions to property, plant and equipment	34,822	16,166	1,152	52,140
Depreciation and amortisation	33,948	12,021	8,013	53,982
Capital expenditure	32,825	16,966	1,949	51,740

	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

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, 2018 and 2017 is as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2018				
Segment assets	768,226	211,051	177,828	1,157,105
Segment liabilities	464,686	134,424	25,187	624,297

	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

3. Other losses - net

	2018	2017
	HK$'000	HK$'000
Provision for impairment of property, plant and equipment	**-**	(10,000)
Net exchange (losses)/gains	**(10,547)**	1,374
Loss on disposals of property, plant and equipment	**(2,854)**	(4,569)
Others	**9,945**	5,522
	(3,456)	(7,673)

4. Operating (loss)/ profit

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

	2018	2017
	HK$'000	HK$'000
Employment benefit expenses (including directors' emoluments)	**493,859**	467,348
Amortisation of land use rights	**725**	711
Depreciation of property, plant and equipment	**53,257**	54,158
Provision/(write-back of provision) for impairment of trade receivables	**2,196**	(3,119)
Provision for inventory obsolescence	**991**	933

5. Finance costs – net

	2018	2017
	HK$'000	HK$'000
Finance costs		
Interest expense on bank borrowings	**7,813**	7,579
Finance income		
Interest income on bank deposits	**(443)**	(350)
	7,370	7,229

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% (2017: 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 (2017: 25%).

The subsidiaries established in Singapore and Malaysia are subject to Singapore Corporate Income Tax at a rate of 17% (2017: 17%) and Malaysia Corporate Income Tax at a rate of 24% (2017: 24%) respectively.

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

	2018	2017
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**4,034**	6,004
- PRC Corporate Income Tax	**4,023**	8,874
- Overseas Corporate Income Tax	**913**	261
(Over)/under provision in prior years	**(7,403)**	324
Withholding tax	**-**	4,550
	1,567	20,013
Deferred income tax	**3,220**	2,564
Income tax expense	**4,787**	22,577

7. Losses per share

Basic

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

	2018	2017
Loss attributable to the owners of the Company (HK$'000)	**(54,436)**	(9,184)
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic losses per share (HK cents)	**(10.37)**	(1.75)

Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. For the year ended 31st March, 2018 and 31st March, 2017, diluted losses per share equals basic losses per share as there were no dilutive potential shares.

8. Dividends

	2018	2017
	HK$'000	HK$'000
Interim dividend – Nil (2017 : HK$0.01) per share	**-**	5,251
Proposed final dividend – Nil (2017: Nil) per share	**-**	-
	-	5,251

9. Trade and bill receivables

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

	2018	2017
	HK$'000	HK$'000
1 to 90 days	**198,831**	199,580
91 to 180 days	**28,150**	34,708
181 to 365 days	**9,223**	5,926
Over 365 days	**12,877**	12,210
	249,081	252,424
Less: provision for impairment of trade receivables	**(10,755)**	(8,299)
	238,326	244,125

10. Trade and bill payables

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

	2018	2017
	HK$'000	HK$'000
1 to 90 days	**166,262**	117,185
91 to 180 days	**11,019**	6,844
181 to 365 days	**639**	365
Over 365 days	**6,692**	6,944
	184,612	131,338

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, 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 the 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
As at 31st March, 2017 and 1st April, 2017	127,796	1,792	12,160	1,832	26,209	321,594	491,383
Comprehensive income							
Loss attributable to the owners of the Company	-	-	-	-	-	(54,436)	(54,436)
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	532	-	-	532
- Currency translation differences	-	-	-	-	42,815	-	42,815
Total comprehensive loss for the year	-	-	-	532	42,815	(54,436)	(11,089)
Transactions with the owners in their capacity as owners							
Transfer to statutory reserve	-	-	1,299	-	-	(1,299)	-
	-	-	1,299	532	42,815	(55,735)	(11,089)
As at 31st March, 2018	127,796	1,792	13,459	2,364	69,024	265,859	480,294

RESULTS

For the year ended 31st March, 2018, the Group's revenue increased by 6% to approximately HK$1,533 million. A loss of HK$54 million was recorded by the Group, which was notably higher than the loss of HK$9 million incurred in the previous year.

The lower than expected growth in revenue was due to intense competition in the printing and packaging industry as well as the Group's strategic move to reduce exposure to the sectors with unfavourable pricing.

The Group's profit margin was adversely affected by the drastically rising price of paper and the higher labour costs in the PRC. An increase in outsourcing costs incurred by the Group's Shaoguan plant to meet customers' delivery schedules, together with the slower than expected recovery of the Suzhou plant, brought further pressure on the Group's profitability.

Notwithstanding the unsatisfactory results, the Group made progress during the year in expanding Team Green, the Group's eco-friendly design products brand operating the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses. This innovation driven subsidiary is seeking to further develop the education sector in Hong Kong and the PRC while introducing new features and technology to its products.

On the operational side, the Group's subsidiary Qianhai Larsemann Intelligence System (Shenzhen) Limited is actively developing automated equipment to facilitate the Group in improving its productivity and reducing its reliance on labour. By transforming itself to embrace Industry 4.0 (the fourth industrial revolution), embedding intelligent automation and data exchanges in its operations, the Group is striving for higher cost competitiveness and market adaptability to gain long term sustainable performance. In the meantime, the Group is exploring means to consolidate its PRC plants to increase their overall operational efficiency. 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, 2018 (2017: Nil). No interim dividend was paid for the six months ended 30th September, 2017 (30th September, 2016: HK1 cent per share).

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

During the year under review, competition in the printing and packaging industry further intensified. Many competitors aggressively reduced their price to gain market share. The situation was aggravated as customers adopted a more rigid stance on the pricing of orders due to prevailing uncertainties in major markets.

Under the circumstances, the Group had to absorb most of the additional costs in production with little room to pass such costs on to customers. The most notable increase was seen in paper, a major component in the Group's production, whose price soared drastically by double digits during the year. 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.

The slackened performance of some of the Group's manufacturing plants aggravated the Group's profitability. Late deliveries and backlog of orders were seen in the Shaoguan plant, which resulted in higher outsourcing costs and airfreight charges being incurred to meet delivery schedules. The recovery pace of the Suzhou plant was slower than expected and stockpiling of orders and relatively higher labour costs affected the profit margins.

On the sales front, the Group revised its sales strategy by reducing exposure to the industries with unfavourable pricing while expanding sales to high growth sectors. This had a temporary pull back effect on the Group's revenue growth, but the management believes the strategy is beneficial to the Group's long-term development.

During the year, children's books and greeting cards recorded an increase in sales. More orders were secured from the technology sector while sales to the toys industry declined. Traditional packaging saw a decrease in orders due to unhealthy competition.

Team Green, the Group's eco-friendly design products brand, has teamed up with Insight Editions, an international company known for lavishly illustrated books on arts, entertainment and history to launch new products. Named IncrediBuilds, the newly launched 3D wooden puzzle collection comprises do-it-yourself, customizable, freestanding models. Team Green is also integrating new features and new technology into its products.

Qianhai Larsemann Intelligence System (Shenzhen) Limited, the subsidiary specializing in intelligent automation, has developed more than 100 smart machines primarily for the Group's internal use with the potential of selling them to third parties. The management is hopeful that the use of intelligent automation would help enhance the operational efficiency of the Group's manufacturing plants and reduce their reliance on labour.

Adopting a long term view, the management believes the Group is on the right track to generate sustainable growth in sales and profit. Solid action is being taken to enhance the Group's customer mix as well as manufacturing model as the Group steps up to embrace Industry 4.0. As part of this endeavour, the Group is exploring means to consolidate its PRC plants to increase their overall operational efficiency. The Group is also tightening the management control of the Shaoguan plant and Suzhou operation to improve their performance.

Southern China Operation

The Group's southern China operation recorded a loss for the year ended 31st March, 2018. The higher price of paper and higher wages 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.

Team Green, the Group's eco-friendly design products brand, expanded its product range during the year, both on its own as well as through collaborations with brands of hit movie icons to create product series. Its product lines cover 3D paper puzzles and 3D wooden puzzles, including the latest IncrediBuilds collection. The team is seeking to further develop the education sector in Hong Kong and the PRC while introducing new features and new technology to its products. It received the Corporate Group Merit Award of Hong Kong Smart Design Award 2017 from The Hong Kong Exporter's Association, and attended the Hong Kong Gifts & Premium Fair held by the Trade Development Council in late April 2018.

Qianhai Larsemann Intelligence System (Shenzhen) Limited, the Group's subsidiary spearheading the intelligent automation business, continued to work 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 business development of intelligent automation machines catering for the consumer market.

Moving forward, the southern China operation will take measures to increase its operational efficiency, including the further implementation of Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES) to integrate the manufacturing, purchasing, sales, and accounting functions. It will continue to expand its clientele and reduce exposure to the unfavourable pricing sectors.

Eastern China Operation

The eastern China operation recorded a higher loss during the year under review. Its turnaround pace was slower than expected as the strengthening actions taken by the new management team took more time to show results. The incurrence of foreign exchange loss due to sudden exchange fluctuation of Renminbi against US dollars and the extra costs in reworking particular orders at sales destination due to quality issues put additional pressure on the operation's profit margins.

The printing and packaging business saw an increase in revenue. However, sales of specialty printing significantly dropped due to intense market competition, while orders for greeting cards levelled. Growth in domestic business was recorded as international brands improved their sales to China.

Looking forward, cost efficiency remain a major challenge confronting the eastern China operation. The eastern China operation aims to enlarge its clientele in growth sectors, targeting multinational customers and established Chinese enterprises, while strengthening its production and management to resume profit.

Southeast Asia Operation

The southeast Asia operation recorded a decline in profit during the year under review. With strong competition in the printing and packaging industry across the region, and the rising price of paper, the profit margin of the southeast Asia operation was affected.

The southeast Asia operation is utilizing the Group's intelligent automation technology to increase its competitive advantages. It seeks to increase penetration in markets such as Australia, New Zealand and ASEAN countries, while actively 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, 2018, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$329 million.

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

As at 31st March, 2018, the Group had a working capital surplus of approximately HK$244 million compared to a working capital surplus of approximately HK$243 million as at 31st March, 2017. The Group was in net cash position as at 31st March 2018 and 31st March 2017. The Group's gearing ratio as at 31st March, 2018 was 47% (2017 : 34%), based on short-term and long-term bank borrowings, bill payables and shareholders' funds of approximately HK$533 (2017: HK$544 million).

CHARGE ON ASSETS

As at 31st March, 2018, certain assets of the Group with an aggregate book carrying value of approximately HK$10 million (31st March, 2017: HK$11 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 5,000 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:

— Support to The 29th World Hakka Conference
— Donation to Jingyang County Student Financial Aid Management Centre
— Donation to Polar Museum Foundation
— Donation to Dance Drama Hong Kong
— 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

The threat of a trade war has clouded the global economy. According to the latest World Trade Outlook Indicator (WTOI) released by the World Trade Organization (WTO) in May 2018, while global trade expansion is likely to continue this year, the softening of the indicator from 102.3 in February to 101.8 in May suggested that the pace of growth is slowing in the second quarter compared to the first quarter. “The recent dip in the WTOI reflects declines in component indices for export orders in particular, which may be linked to rising economic uncertainty due to increased trade tensions.” The latest results are broadly in line with the WTO's trade forecast issued in April 2018, which predicted a moderation of merchandise trade volume growth from 4.7% in 2017 to 4.4% in 2018.

Given the threat of protectionism and the volatility in consumer confidence, the management expects the pricing of orders to remain under pressure, driven by customers’ rigid stance as well as the more intense competition in the printing and packaging industry. The Group is actively developing Team Green and Larsemann Intelligence System to improve its business model and to embrace Industry 4.0, while exploring means to consolidate its PRC plants to increase their overall operational efficiency. The management remains positive about the Group’s prospects in spite of the current setback in its performance.

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, 2018.

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, 2018 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, 2018 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, *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 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, 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 17th August, 2018 to Tuesday, 21st August, 2018 (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 Tuesday, 21st August, 2018, 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 Thursday, 16th August, 2018.

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, 2018 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, 27th June, 2018

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, SBS, JP and Mr. Tam King Ching, Kenny.