STARLITE
HOLDINGS LIMITED
星光集團有限公司*
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

STOCK CODE 股份代號: 403

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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2018

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, 2018, together with the unaudited comparative figures for the corresponding period in the year 2017, as follows:

Condensed Consolidated Income Statement
For the six months ended 30th September, 2018

		Unaudited Six months ended 30th September,	
	Note	**2018**	2017
		HK$'000	HK$'000
Revenue	4	**839,356**	879,909
Cost of sales		**(707,043)**	(714,898)
Gross profit		**132,313**	165,011
Other gains/(losses) – net	6	**16,633**	(1,000)
Selling and distribution costs		**(45,281)**	(46,421)
General and administrative expenses		**(96,156)**	(94,665)
Operating profit	7	**7,509**	22,925

* *For identification purpose*

Condensed Consolidated Income Statement (Continued)
For the six months ended 30th September, 2018

	Note	Unaudited Six months ended 30th September, 2018 HK$'000	2017 HK$'000
Finance income		**371**	220
Finance costs		**(5,257)**	(3,669)
Finance costs – net	8	**(4,886)**	(3,449)
Profit before income tax		**2,623**	19,476
Income tax expense	9	**(10,063)**	(9,902)
(Loss)/profit for the period, attributable to the owners of the Company		**(7,440)**	9,574
(Losses)/earnings per share attributable to the owners of the Company during the period			
(expressed in HK cents per share)	10		
- Basic		**(1.42)**	1.82
- Diluted		**(1.42)**	1.82
Dividends	11	**-**	-

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th September, 2018

	Unaudited Six months ended 30th September, 2018	2017
	HK$'000	HK$'000
(Loss)/profit for the period	**(7,440)**	9,574
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Increase in fair value of available-for-sale financial assets	**-**	156
Currency translation differences	**(34,738)**	15,826
Items that will not be reclassified to profit or loss:		
Increase in fair value of financial assets at fair value through other comprehensive income	**31**	-
Other comprehensive (loss)/income for the period, net of tax	**(34,707)**	15,982
Total comprehensive (loss)/income for the period, attributable to the owners of the Company	**(42,147)**	25,556

Condensed Consolidated Statement of Financial Position
As at 30th September, 2018

	Note	**Unaudited As at 30th September, 2018 HK$'000**	Audited As at 31st March, 2018 HK$'000
ASSETS			
Non-current assets			
Land use rights		**20,428**	22,558
Property, plant and equipment		**332,313**	358,664
Prepayments for non-current assets		**3,407**	6,425
Deferred income tax assets		**3,593**	3,818
Financial assets at fair value through other comprehensive income		**14,721**	-
Available-for-sale financial assets		**-**	14,690
Long-term bank deposit		**1,206**	1,312
		375,668	407,467
Current assets			
Inventories		**122,814**	146,815
Trade and bill receivables	12	**385,630**	238,326
Prepayments and deposits		**31,009**	31,058
Tax recoverable		**-**	4,041
Bank deposits with maturity over 3 months from date of deposits		**14,555**	15,165
Cash and cash equivalents		**243,159**	314,233
		797,167	749,638
Total assets		**1,172,835**	1,157,105
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**52,514**	52,514
Reserves	14	**438,147**	480,294
Total equity		**490,661**	532,808
LIABILITIES			
Non-current liabilities			
Borrowings		**103,476**	110,369
Deferred revenue		**945**	1,152
Deferred income tax liabilities		**7,254**	7,260
		111,675	118,781
Current liabilities			
Trade and bill payables	13	**240,121**	184,612
Current income tax liabilities		**25,138**	20,621
Borrowings		**137,154**	139,674
Accruals and other payables		**167,876**	160,379
Deferred revenue		**210**	230
		570,499	505,516
Total liabilities		**682,174**	624,297
Total equity and liabilities		**1,172,835**	1,157,105

Notes:

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2018 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, 2018, 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, 2018 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards and interpretation adopted by the Group

The following new and amended standards and interpretation, which are mandatory for the first time for the financial year beginning 1st April, 2018 and currently relevant to the Group:

Annual improvement project	Annual Improvements to HKFRS 2014-2016 Cycle
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HKFRIC - Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transaction
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKAS 40 (Amendments)	Transfer of Investment Property

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" disclosed in Note 3 below.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that 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) New, amended standards and interpretations not yet adopted

The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1st April, 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
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
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1st January, 2019
HKFRS 16	Leases	1st January, 2019
HKFRS 17	Insurance Contracts	1st January, 2021
HKFRIC – Int 23	Uncertainty over Income Tax Treatments	1st January, 2019

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

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$9,297,000. 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.

2. **Accounting policies (Continued)**

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

HKFRS 16 “Leases” (Continued)

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.

3. **Changes in accounting policies**

The following explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial information and also disclose the new accounting policies that have been applied from 1st April, 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the condensed consolidated interim statement of financial position as at 31st March, 2018, but are recognized in the opening balance sheet on 1st April, 2018.

The following table show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, subtotals disclosed cannot be recalculated from the number provided. The adjustments are explained in more details by standard below.

Condensed consolidated interim statement of financial position (extract)	31st March, 2018 as originally presented	Effect of the adoption of HKFRS 9	1st April, 2018 (Restated)
	HK$'000	HK$'000	HK$'000
Non-current assets			
Available-for-sale financial assets	14,690	(14,690)	-
Financial assets at fair value through other comprehensive	-	14,690	14,690

3. Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

(i) Classification and measurements

On 1st April, 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and classified its financial assets into the approximate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as available-for-sale financial assets in other comprehensive income.

The impact of the reclassification is as follows:

	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income
	HK$'000	HK$'000
Opening balance — HKAS 39	14,690	-
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(14,690)	14,690
Opening balance — HKFRS 9	-	14,690

3. Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments — Impact of adoption (Continued)

(i) Classification and measurements (Continued)

The impact of these changes on the Group's equity is as follows:

	Available-for-sale financial assets fair value reserve	Financial assets at fair value through other comprehensive income fair value reserve
	HK$'000	HK$'000
Opening balance — HKAS 39	2,364	-
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(2,364)	2,364
Opening balance — HKFRS 9	-	2,364

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Deposits
- Trade and bill receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group makes estimates and assumption concerning the futures which are discussed below:

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents, and bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3. Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments — Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

Deposits

The impairment loss on deposits was immaterial.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1st April, 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

3. **Changes in accounting policies (Continued)**

HKFRS 9 Financial Instruments – Accounting policies

(i) Classification

From 1st April, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

3. **Changes in accounting policies (Continued)**

HKFRS 9 Financial Instruments – Accounting policies (Continued)

(ii) Measurement (Continued)

(a) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in income statement.

(b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

(c) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instrument

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3. Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments – Accounting policies (Continued)

(iii) Impairment

From 1st April, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The standard is mandatory for financial years commencing on or after 1st January, 2018. The Group has adopted HKFRS 9 from 1st April, 2018.

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. The Group adopts the standards using the modified retrospective approach, which means that the cumulative impact of the adoption will be recognized in retained earnings as at 1st April, 2018 and that comparatives will not be restated.

The Group has considered the following areas regarding HKFRS 15:

- 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 standard is mandatory for financial years commencing on or after 1st January, 2018. The Group has adopted HKFRS 15 from 1st April, 2018. The impact of this new standard on the Group’s unaudited condensed consolidated interim financial information is not significant.

4. Revenue

The Company is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels, and paper products, including environmentally friendly paper products. Revenues is analysed as follows :

	Unaudited Six months ended 30th September,	
	2018	2017
	HK$'000	HK$'000
Sales of packaging materials, labels, and paper products, including environmentally friendly paper products	**822,229**	865,951
Others	**17,127**	13,958
	839,356	879,909

5. Segment information

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

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

(i) The segment results for the six months ended 30th September, 2018 and 2017 are as follows:

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30th September, 2018 (Unaudited)				
Segment revenue	685,405	148,611	73,541	907,557
Inter-segment revenue	(9,151)	(59,050)	-	(68,201)
Revenue from external customers	676,254	89,561	73,541	839,356
Operating profit/(loss)	17,561	(9,513)	(539)	7,509
Finance income	234	114	23	371
Finance costs	(4,477)	(780)	-	(5,257)
Income tax expense	(10,063)	-	-	(10,063)
(Loss)/profit for the period	3,255	(10,179)	(516)	(7,440)
Other information :				
Additions to property, plant and equipment	10,066	13,155	786	24,007
Depreciation and amortisation for the period	16,689	7,273	4,329	28,291
Capital expenditure	9,103	11,239	647	20,989

5. Segment information (Continued)

(i) The segment results for the six months ended 30th September, 2018 and 2017 are as follows: (Continued)

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

5. Segment information (Continued)

(ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2018 and 31st March, 2018 is as follows:-

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30th September, 2018				
Segment assets	824,705	179,359	168,771	1,172,835
Segment liabilities	542,244	120,009	19,921	682,174

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

6. Other gains/(losses) - net

	Unaudited Six months ended 30th September,	
	2018	2017
	HK$'000	HK$'000
Other gains/(losses) – net		
Net exchange gains/(losses)	**12,801**	(5,314)
Net loss on disposal of property, plant and equipment	**(1,113)**	(252)
Others	**4,945**	4,566
	16,633	(1,000)

7. Operating profit

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

	Unaudited Six months ended 30th September,	
	2018	2017
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**260,028**	258,631
Depreciation of property, plant and equipment and amortisation of land use rights	**28,291**	27,489
Provision for impairment of trade receivables – net	**4,223**	2,799

8. Finance costs – net

	Unaudited Six months ended 30th September,	
	2018	2017
	HK$'000	HK$'000
Finance costs		
Interest expense on bank borrowings	**5,257**	3,669
Finance income		
Interest income from bank deposits	**(371)**	(220)
	4,886	3,449

9. 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.

Subsidiaries established and operated in the Mainland China are subject to the PRC Corporate Income Tax at rate of 25% during the period (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.

	Unaudited Six months ended 30th September,	
	2018	2017
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**3,930**	4,374
- Mainland China Corporate Income Tax	**6,133**	3,365
- Singapore Corporate Income Tax	**-**	425
- Malaysia Corporate Income Tax	**-**	1,107
	10,063	9,271
Deferred income tax	**-**	631
	10,063	9,902

10. (Losses)/earnings per share

Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/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,	
	2018	2017
(Loss)/profit attributable to owners of the Company (HK$'000)	**(7,440)**	9,574
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic (losses)/earnings per share (HK cents)	**(1.42)**	1.82

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 period ended 30th September, 2017 and 30th September, 2018, diluted (losses)/earnings per share equals basic (losses)/earnings per share as there were no dilutive potential shares.

11. Dividends

The Board of Directors of the Company does not recommend the payment of an interim dividend for the six months ended 30th September, 2018 (Six months ended 30th September, 2017 : Nil).

12. Trade and bill receivables

	Unaudited As at 30th September, 2018	Audited As at 31st March, 2018
	HK$'000	HK$'000
Trade receivables	**397,985**	248,957
Less: provision for impairment of trade receivables	**(12,588)**	(10,755)
Trade receivables - net	**385,397**	238,202
Bill receivables	**233**	124
Trade and bill receivables	**385,630**	238,326

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

	Unaudited As at 30th September, 2018	Audited As at 31st March, 2018
	HK$'000	HK$'000
1 to 90 days	**342,056**	198,831
91 to 180 days	**39,091**	28,150
181 to 365 days	**3,265**	9,223
Over 365 days	**13,806**	12,877
	398,218	249,081
Less: provision for impairment of trade receivables	**(12,588)**	(10,755)
	385,630	238,326

13. Trade and bill payables

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

	Unaudited As at 30th September, 2018	Audited As at 31st March, 2018
	HK$'000	HK$'000
1 to 90 days	**212,791**	166,262
91 to 180 days	**11,037**	11,019
181 to 365 days	**9,392**	639
Over 365 days	**6,901**	6,692
	240,121	184,612

14. Reserves

Movements were:

	Share premium HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Available-for-sale financial assets fair value reserve HK$'000	Financial assets at fair value through other comprehensive income fair value reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Group								
As at 1st April, 2018	127,796	1,792	13,459	2,364	-	69,024	265,859	480,294
Change in accounting policies (Note 3)	-	-	-	(2,364)	2,364	-	-	-
Comprehensive income								
Loss attributable to the owners of the Company	-	-	-	-	-	-	(7,440)	(7,440)
Other comprehensive income								
- Increase in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	31	-	-	31
- Currency translation differences	-	-	-	-	-	(34,738)	-	(34,738)
Total comprehensive loss for the period	-	-	-	-	31	(34,738)	(7,440)	(42,147)
As at 30th September, 2018 (Unaudited)	127,796	1,792	13,459	-	2,395	34,286	258,419	438,147
As at 1st April, 2017	127,796	1,792	12,160	1,832	-	26,209	321,594	491,383
Comprehensive income								
Profit attributable to the owners of the Company	-	-	-	-	-	-	9,574	9,574
Other comprehensive income								
- Increase in fair value of available-for-sale financial assets	-	-	-	156	-	-	-	156
- Currency translation differences	-	-	-	-	-	15,826	-	15,826
Total comprehensive income for the period	-	-	-	156	-	15,826	9,574	25,556
As at 30th September, 2017 (Unaudited)	127,796	1,792	12,160	1,988	-	42,035	331,168	516,939

RESULTS

The Group recorded a loss of approximately HK$7.4 million for the six months ended 30th September, 2018, compared to a profit of HK$9.6 million for the same period last year. Revenue decreased by 4.6% to approximately HK$839 million.

The loss was mainly attributable to the following: (i) Cutback of customers' orders and pricing amidst the escalating trade war between the United States and the PRC, the intensified competition in the printing and packaging industry, and the Group's strategic move to reduce sales to industries with unfavourable pricing; (ii) the higher price of paper and labor costs in the PRC which could not be fully passed on to customers; and (iii) a higher loss incurred by the Group's eastern China operation as its recovery pace was held back by the deteriorating business sentiment.

Mixed performance was seen in the manufacturing plants comprising the Group's southern China operation, with the Shaoguan and Guangzhou plants recording positive results while the Shenzhen plant suffered a setback. Overall, the southern China operation posted a decline in revenue but maintained a profit, albeit a significantly lower one.

The eastern China operation posted a higher loss compared to the same period last year as its growth measures were hindered by cutback of customers' orders and pricing and the slow progress in its improvement in operational efficiency. The southeast Asian operation experienced a loss due to stronger competition generally in the printing and packaging industry across the region.

In terms of sales, there was a significant decline in orders from the toys sector as the Group reduced exposure to industries with unfavourable pricing. Orders from the technology sector also softened due to intensified price competition in the printing and packaging industry as competitors fought for market share. On the other hand, luxury packaging saw an increase in revenue as the Group adopted a proactive strategy to gain orders from the cosmetics industry. Children's books recorded an increase in sales while greeting cards posted a mild decline. The United States and Europe remained the Group's top two largest markets.

Facing a highly challenging market environment, the Group is exploring means to consolidate its PRC plants to increase their overall efficiency. Moreover, the Group is developing automated equipment through its subsidiary Qianhai Larsemann Intelligence System (Shenzhen) Limited to help increase its operational efficiency and reduce its reliance on labour. Details of these measures are described in the "Business Review and Prospects" section.

INTERIM DIVIDEND

In order to retain resources for the Group's future development, the Directors have resolved not to pay an interim dividend for the six months ended 30th September, 2018 (30th September, 2017: Nil).

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

The escalating trade war between the United States and the PRC has had an adverse impact on market sentiment and trade confidence in major economies during the six months ended 30th September, 2018. Customers generally adopted a more rigid stance on the pricing of orders while cutting back the quantities in view of the higher tariffs and growing uncertainties. Under these circumstances, competition among printing and packaging companies in the PRC and the Asian region intensified, which further pushed down the profit margin and bargaining power of the industry.

Against this unfavourable business environment, the Group's operating costs in the PRC increased. During the period under review, the price of paper, a major component in the Group's production, rose by double digits on average at the Group's PRC plants. Moreover, the minimum wages at the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants further rose by single digit. Given customers' opposition on the price increase of orders and the intense competition in the printing and packaging industry, there was little room for the Group to pass on these additional costs to customers.

The Group's Shaoguan plant made a turnaround to profit as the issue of late deliveries and backlog of orders was resolved. The Guangzhou plant posted a higher profit by expanding sales to the growth industries. However, the Shenzhen plant slid to loss as sales from the traditional packaging business dropped due to unhealthy competition. Overall, the southern China operation posted a decline in revenue but maintained a profit, albeit a significantly lower one.

The eastern China operation incurred a higher loss as its strengthening actions for higher operational efficiency were counteracted by the adverse business environment. The southeast Asian operation recorded a loss and lower sales due to stronger competition among printers in the region as well as the rising price of paper and other costs which affected the profit margins of the southeast Asian operation.

In the face of the negative environment, the Group is taking measures to enhance its manufacturing model and customer mix. Through its subsidiary Qianhai Larsemann Intelligence System (Shenzhen) Limited, the Group is developing new custom-made machinery and automated equipment. Such effort aims at improving the operational efficiency of the Group's manufacturing plants and reduce their reliance on labour.

Southern China Operation

The Group's southern China operation recorded a significant decline in profit during the six months ended 30th September, 2018. Competition in the printing and packaging intensified as the trade war between the United States and the PRC escalated, which, together with the higher price of paper and higher wages in the PRC, reduced the profit margins of the southern China operation.

On the sales side, significantly less orders were received from the toys sector as the Group strategically scaled down its exposure to industries with unfavourable pricing. Orders from the technology sector also declined due to intensified competition in the printing and packaging sector.

Team Green (JIGZLE), the Group's eco-friendly design products brand, expanded its product range during the period under review, both on its own as well as through collaborations with international brands. Its product lines cover 3D paper puzzles and 3D wooden puzzles, including the latest IncrediBuilds collection. The team is seeking to further develop the distribution network in the PRC while introducing new features and new technology to its products.

Eastern China Operation

The eastern China operation recorded a higher loss and lower revenue during the period under review. Its turnaround pace was hindered by customers' more rigid stance on pricing and the intensified competition among printers in the Yangtze River Delta. The prevailing high price of paper and the increase in wages also put pressure on the profit of the eastern China operation.

In terms of sales category, printing and packaging saw higher revenue. However, sales of specialty printing dropped significantly due to intense market competition; orders for greeting cards also declined. Domestic sales remained stable notwithstanding the weakened sentiment in the PRC market.

The eastern China operation is taking measures to improve its performance through more vigorous implementation of lean management and automation. It strives to target multinational customers and established Chinese enterprises and enlarge its clientele in growth sectors.

Southeast Asia Operation

The southeast Asian operation slid to loss during the period under review with a decline in revenue. Due to stronger competition in the printing and packaging industry across the region, and the rising price of paper, performance of the southeast Asian operation was adversely affected.

Utilizing the Group's intelligent automation technology to increase its competitive advantages, the southeast Asian operation is seeking 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. Moreover, some companies might consider switching their production orders from the PRC to other Asian countries in light of the trade war between the United States and the PRC, which hopefully may provide business opportunities for the Group's southeast Asian operation.

Prospects

In its Interim Economic Outlook published in September 2018, the Organisation for Economic Cooperation and Development ("OECD") called for immediate action to halt the "slide towards protectionism", noting that trade tensions were already having an impact on confidence and investment. "Confidence has eased and investment and trade growth have proved softer than anticipated. Business survey data point to slower growth in both advanced and emerging-market economies, and incoming new orders have eased, especially manufacturing export orders." The report warned: "The global economic expansion appears to have peaked, with diverging growth prospects worldwide and intensifying risks." It projected that the global economy will grow by 3.7 percent in both 2018 and 2019, which were down by 0.1 percentage points and 0.3 percentage points respectively from the OECD forecast in May.

The weakening economic outlook presents severe challenges to the printing and packaging industry in the PRC. The weakening of confidence among customers is poised to exert extra pressure on the quantity and pricing of orders. The Group is actively exploring means to consolidate its PRC plants and enhance the employment of resources to increase its overall operational efficiency. The Group will also strengthen the implementation of automation and lean manufacturing in its plants to increase their operational efficiency.

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, 2018, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$258million.

During the period under review, the interest expense of the Group amounted to approximately HK$5.3 million compared to approximately HK$3.7 million recorded in the same period of 2017.

As at 30th September, 2018, the Group had a working capital surplus of approximately HK$227 million compared to a working capital surplus of approximately HK$262 million as at 30th September, 2017. The Group was in net cash position as at 30th September, 2018 and 2017. The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2018, certain assets of the Group with an aggregate book carrying value of approximately HK$23 million (30th September, 2017: 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 either in Hong Kong dollars, US dollars, Chinese Renminbi, Malaysian Ringgit, Singapore dollars or Euro. The exchange rate of US dollars/ Hong Kong dollars is relatively stable due to the current peg system in Hong Kong. On the other hand, the existing Renminbi denominated sales revenue helps to reduce the Group's commitments of Renminbi-denominated operating expenses in China. Transaction values involving Euro were primarily related to the Group's purchase of machinery.

HUMAN RESOURCES DEVELOPMENT

Currently the Group has approximately 5,000 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, risk management and internal control system, and financial reporting matters, including the review of unaudited interim financial statements for the six months ended 30th September, 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.

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, 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 would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board believes that the balance of power and authority is adequately ensured by the operating of the Board which comprises experienced and high caliber individuals with a sufficient number thereof being Non-Executive Directors.

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

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

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Kwok Lam-Kwong, Larry, *SBS, JP* was unable to attend the Annual General Meeting of the Company held on 21st August, 2018 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, 2018.

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, 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, 28th November, 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, the non-executive director is Ms. Yeung Chui, and the independent non-executive directors are Mr. Chan Yue Kwong, Michael, Mr. Kwok Lam-Kwong, Larry, SBS, JP and Mr. Tam King Ching, Kenny.