STARLITE

HOLDINGS LIMITED

星光集團有限公司*

A Member of the Starlite Group

(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, 2008

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, 2008 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31st March, 2008

	Note	**2008**	2007
		HK$'000	HK$'000
Revenue	2	**1,170,617**	1,128,021
Cost of sales		**(914,756)**	(881,378)
Gross profit		**255,861**	246,643
Other gains – net	3	**1,982**	393
Selling and distribution costs		**(64,207)**	(62,913)
General and administrative expenses		**(121,219)**	(125,194)
Operating profit	4	**72,417**	58,929
Finance costs – net	5	**(15,276)**	(17,304)
Profit before income tax		**57,141**	41,625
Income tax expense	6	**(13,027)**	(9,084)
Profit for the year attributable to the equity holders of the Company		**44,114**	32,541
Earnings per share for profit attributable to the equity holders of the Company during the year			
(expressed in HK cents per share)	7		
- Basic		**10.27**	7.58
- Diluted		**10.26**	7.58
Dividends	8	**14,187**	12,884

Consolidated Balance Sheet

As at 31st March, 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**30,539**	28,344
Property, plant and equipment		**480,000**	448,017
Other non-current assets		**1,393**	1,543
Prepayments for property, plant and equipment		**3,998**	-
		515,930	477,904
Current assets			
Inventories		**112,313**	105,274
Trade and bill receivables	9	**237,627**	195,017
Prepayments and deposits		**12,489**	13,575
Cash and cash equivalents		**125,632**	107,043
		488,061	420,909
LIABILITIES			
Current liabilities			
Borrowings		**197,854**	172,529
Finance lease obligations, current portion		**2,447**	2,565
Trade and bill payables	10	**141,406**	154,211
Accruals and other payables		**81,814**	49,260
Current income tax liabilities		**26,439**	22,035
		449,960	400,600
Net current assets		**38,101**	20,309
Total assets less current liabilities		**554,031**	498,213
Non-current liabilities			
Borrowings		**107,640**	106,974
Finance lease obligations, non-current portion		**804**	2,858
Deferred income tax liabilities		**12,428**	13,303
		120,872	123,135
Net assets		**433,159**	375,078
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**43,029**	42,947
Reserves	11	**390,130**	332,131
Shareholders' equity		**433,159**	375,078

Notes:

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of 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) Standards, amendments to Standards and interpretations effective during the year ended 31st March, 2008

During the year, the Group adopted the following Standards, amendments to Standards and interpretations of HKFRS issued by the Hong Kong Institute of Certified Public Accountants, which became effective for accounting periods beginning on or after 1st April, 2007.

- HKFRS 7 "Financial Instruments: Disclosures" and the complementary amendment to HKAS 1, "Presentation of financial statements – Capital disclosures"

- HK(IFRIC) – Int 8 "Scope of HKFRS 2"

- HK(IFRIC) – Int 10 "Interim Financial Reporting and Impairment"

(b) Interpretations of HKFRS effective during the year but not relevant to the Group's operations

The following interpretations to published Standards are mandatory for accounting periods beginning on or after 1st April, 2007 but they are not relevant to the Group's operations.

- HK(IFRIC) – Int 7 "Applying the Restatement Approach Under HKAS 29, Financial Reporting in Hyper-Inflationary Economies"

- HK(IFRIC) – Int 9 "Re-assessment of Embedded Derivatives"

- HK(IFRIC) – Int 11 "HKFRS 2 – Group and Treasury Share Transaction" *(c) Standards, amendments to Standards and interpretations to existing Standards that have been issued but are not yet effective during the year and have not been early adopted by the Group*

The following Standards, amendments to Standards and interpretations to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st April, 2008 or later periods, but the Group has not early adopted them.

- HKAS 1 (Revised) "Presentation of Financial Statements"
- HKAS 23 (Revised) "Borrowing Costs"
- HKAS 27 (Revised) "Consolidated and Separate Financial Statements"
- HKAS 32 and HKAS 1 (Amendment) "Puttable Financial Instruments and Obligations Arising on Liquidation"
- HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations"
- HKFRS 3 (Revised) "Business Combination"
- HKFRS 8 "Operating Segments"
- HK(IFRIC) – Int 12 "Service Concession Arrangements"
- HK(IFRIC) – Int 13 "Customer Loyalty Programmes"
- HK(IFRIC) – Int 14 "HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"
- HKFRS 1 (Amendment) "First-time Adoption of Hong Kong Financial Reporting Standards" and HKAS 27 (Amendment) "Consolidated and Separate Financial Statements"

2. Segment information

(a) Revenue is analysed as follows:

	2008 HK$'000	2007 HK$'000
Sales of packaging materials, labels, paper products and environmentally friendly products	**1,158,913**	1,116,374
Others	**11,704**	11,647
	1,170,617	1,128,021

(b) Primary reporting format - business segment

The Company is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels, paper products, and environmentally friendly products. No business segment information is provided as substantially all of the assets, sales and contribution to the Group's results are attributable to the printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products.

(c) Secondary reporting format - geographical segments

The Group primarily operates in Hong Kong, the People's Republic of China (the "PRC") and Singapore.

An analysis of the Group's revenue and profit for the year attributable to the equity holders of the Company is as follows:

	Revenue		**Profit for the year**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
- Hong Kong and the PRC	**501,670**	488,078	**22,854**	9,981
- South East Asia	**140,462**	142,799	**9,522**	12,754
- U.S.A.	**325,892**	339,482	**7,450**	6,101
- Europe	**154,702**	115,353	**2,645**	2,724
- Others	**47,891**	42,309	**1,643**	981
	1,170,617	1,128,021	**44,114**	32,541

Revenue by geographical location is determined by the destination of shipments/deliveries of merchandise.

An analysis of the total assets and capital expenditure by geographical segment is as follows:

	Total assets		**Capital expenditure**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
- Hong Kong and the PRC	**900,796**	813,489	**66,527**	72,303
- Singapore	**103,195**	85,324	**1,408**	1,686
	1,003,991	898,813	**67,935**	73,989

Total assets and capital expenditure are allocated based on where the assets are located.

3 Other gains – net

	2008	2007
	HK$'000	HK$'000
Net exchange gains	**2,750**	414
Net loss on disposal of property, plant and equipment	**(1,110)**	(21)
Gain on disposal of other non-current assets	**319**	-
Others	**23**	-
	1,982	393

4. Operating profit

The following items have been charged to the operating profit during the year:

	2008	2007
	HK$'000	HK$'000
Provision for impairment of receivables	**3,223**	19,280
Write-down of inventories	**2,720**	2,344
Amortisation of leasehold land and land use rights	**695**	487
Depreciation of other property, plant and equipment		
- owned assets	**60,944**	54,880
- assets held under finance leases	**959**	2,580

5. Finance costs – net

	2008	2007
	HK$'000	HK$'000
Interest expense on bank loans wholly repayable within five years	**16,277**	17,912
Interest expense on bank loans not wholly repayable within five years	**23**	5
Interest element of finance leases	**223**	534
Interest income from bank deposits	**(1,247)**	(1,147)
	15,276	17,304

6. Income tax expense

The Company is exempted from taxation in Bermuda until 2016. 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 17.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Subsidiaries established and operated in the PRC are subject to the PRC Enterprise Income Tax at rates ranging from 15% to 27% during the year (2007: 15% to 27%). In accordance with the applicable laws and regulations, the Group's subsidiaries established in the PRC as wholly foreign owned enterprises or contractual joint ventures are entitled to full exemption from Enterprise Income Tax for the first two years and a 50% reduction in Enterprise Income Tax for the next three years, commencing from the first profitable year or 1st January, 2008, whichever is earlier, after offsetting unexpired tax losses carried forward from previous years.

On 16th March, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). For foreign invested enterprises established in the PRC which are subject to income tax rate lower than 25% in 2007, their corporate income tax rate will be changed to 18%, 20%, 22% and 24% in 2008, 2009, 2010 and 2011 respectively. 25% standard rate will apply from year 2012 onwards. For enterprises which are subject to tax rate higher than 25%, 25% standard rate will apply in 2008 onwards. The new CIT Law has provided grandfathering treatments to foreign investment enterprise established before 16th March, 2007, which allows unused tax holidays to be carried forward to 2008 and after until expiry. The gradual increase of the tax rate from 15% to 25% will overlay with any unused holidays. All entities are required to start utilisation of tax holiday in year 2008.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 18% (2007: 18%).

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

	2008	2007
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**9,698**	5,724
- PRC Enterprise Income Tax	**1,226**	2,949
- Singapore Corporate Income Tax	**3,130**	3,055
	14,054	11,728
Deferred taxation	**(1,027)**	(2,644)
	13,027	9,084

7. Earnings per share

Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to the equity holders of the Company (HK$'000)	**44,114**	32,541
Weighted average number of ordinary shares in issue ('000)	**429,505**	429,476
Basic earnings per share (HK cents)	**10.27**	7.58

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. Shares issuable under the employee share option scheme are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
Profit attributable to the equity holders of the Company (HK$'000)	**44,114**	32,541
Weighted average number of ordinary shares in issue ('000)	**429,505**	429,476
Adjustments for share options ('000)	**556**	40
Weighted average number of ordinary shares for diluted earnings per share ('000)	**430,061**	429,516
Diluted earnings per share (HK cents)	**10.26**	7.58

8. Dividends

	2008	2007
	HK$'000	HK$'000
Interim dividend - HK$0.015 (2007: HK$0.015) per share	**6,442**	6,442
Proposed final dividend - HK$0.015 (2007: HK$0.015) per share	**7,745**	6,442
	14,187	12,884

The amount of proposed final dividend for 2008 was based on 516,355,186 shares in issue as at 18th July, 2008.

9. Trade and bill receivables

The Group grants to its customers credit terms generally ranging from 30 to 120 days.

The aging analysis of trade and bill receivables is as follows:

	2008	2007
	HK$'000	HK$'000
1 to 90 days	**202,100**	168,780
91 to 180 days	**38,134**	22,759
181 to 365 days	**1,201**	22,583
Over 365 days	**22,674**	4,022
	264,109	218,144
Less: Provision for impairment of receivables	**(26,482)**	(23,127)
	237,627	195,017

10. Trade and bill payables

The aging analysis of trade and bills payable is as follows:

	2008	2007
	HK$'000	HK$'000
1 to 90 days	**121,305**	124,209
91 to 180 days	**16,663**	20,740
181 to 365 days	**2,073**	8,038
Over 365 days	**1,365**	1,224
	141,406	154,211

11. Reserves

Movements were:

	Share premium HK$'000	Capital reserve HK$'000	Share-based compensation reserve HK$'000	Investment reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1st April, 2006	104,157	1,169	975	359	(1,814)	197,628	302,474
Increase in fair value of other non-current assets	-	-	-	363	-	-	363
Currency translation differences	-	-	-	-	9,476	-	9,476
Net income recognised directly in equity	-	-	-	363	9,476	-	9,839
Profit attributable to the equity holders of the Company	-	-	-	-	-	32,541	32,541
Total recognised income for the year	-	-	-	363	9,476	32,541	42,380
Dividends paid	-	-	-	-	-	(12,884)	(12,884)
Employee share options scheme							
- Share based payments	-	-	161	-	-	-	161
As at 31st March, 2007	104,157	1,169	1,136	722	7,662	217,285	332,131
As at 1st April, 2007	104,157	1,169	1,136	722	7,662	217,285	332,131
Increase in fair value of other non-current assets	-	-	-	254	-	-	254
Realisation of reserve upon disposal of other non-current assets	-	-	-	(319)	-	-	(319)
Currency translation differences	-	-	-	-	26,116	-	26,116
Net income recognised directly in equity	-	-	-	(65)	26,116	-	26,051
Profit attributable to the equity holders of the Company	-	-	-	-	-	44,114	44,114
Total recognised income for the year	-	-	-	(65)	26,116	44,114	70,165
Dividends paid	-	-	-	-	-	(12,884)	(12,884)
Employee share options scheme							
- Share based payments	-	-	410	-	-	-	410
- Issue of shares upon exercise of employee share options	370	-	(62)	-	-	-	308
As at 31st March, 2008	104,527	1,169	1,484	657	33,778	248,515	390,130

RESULTS

The Group recorded a turnover of approximately HK$1,171 million for the year ended 31st March, 2008, which represented a growth of 4% over last year. Net profit for the year was approximately HK$44 million, representing an increase of 36% over last year.

The satisfactory results reflected the Group's success in safeguarding its sales and profit against challenges brought by the subprime mortgage crisis in the United States and the safety issue concerning made-in-China consumer products. Moreover, the results also reflected the Group's further improvement in cost efficiency, which mitigated the impact of higher operating costs in China.

In terms of geographic operation, south China remained the largest contributor to the Group's turnover as well as the Group's primary production base, providing financial and sales support to the Suzhou subsidiary which recorded its second year of profit. The Singapore subsidiary secured a higher turnover and reported a profit for the year.

With rising inflation and further economic slowdown on the horizon, the Group is facing new challenges to its development. Nonetheless, new opportunities are also expected to emerge. By capitalizing on its strength as a high quality and reliable manufacturer, the Group is prepared to meet the challenges and seize the opportunities.

DIVIDENDS

The Directors recommend a final dividend of HK1.5 cents (2007: HK1.5 cents) per share for the year ended 31st March, 2008 payable on Friday, 12th September, 2008 to shareholders whose names appear on the Register of Members on Thursday, 28th August, 2008. Together with the interim dividend of HK1.5 cents (2007: HK1.5 cents) paid, full year dividends for the financial year would be HK3 cents per share (2007: HK3 cents).

BUSINESS REVIEW AND PROSPECTS

The most significant economic event that took place during the year under review was the subprime mortgage crisis in the United States, which adversely affected the financial markets worldwide and threatened the global economy. For the Hong Kong/China printing and packaging sector, the crisis created great uncertainty among customers and consumers; the former became more cautious in placing orders and the latter became more reluctant to spend.

With regard to orders, a more direct impact was brought by the safety issue concerning made-in-China consumer products following large-scale recalls in the United States. It affected the Group's sales in the first half of the financial year, and is expected to remain a potential issue in the coming year.

The third challenge confronting the Group during the year was the higher operating costs in China. These included higher wages, the higher costs brought by the implementation of the new Labour Contract Law, rising prices of raw materials, and soaring costs of electricity. While the phenomenon could be attributed partly to the rise in oil and other commodity prices, it was also driven by the Chinese government policies to maintain social stability and encourage inland development. Such phenomenon took place amidst the further appreciation of the Renminbi, which resulted in a general increase in costs.

Facing these challenges, the Group adopted a three-pronged strategy. First, in order to address customers' concern about product quality, the Group adopted more stringent quality assurances and product certifications. This, coupled with other sales and marketing initiatives, have enabled the Group to further expand its product range and customer base. Second, the Group further utilized the competitive advantages of its manufacturing plants in southern and eastern China, and in Singapore. By capitalizing on the strength of each subsidiary, the Group was able to increase its overall sales while containing costs. Third, as price climbs became more recognized, customers and consumers became more receptive to price adjustments. Hence, the Group was able to negotiate better prices for some of the orders.

Hong Kong/Mainland China Operations

Given their relatively larger size in the Group's operations, the Group's printing and packaging divisions in southern China are more susceptible to the adverse effect of higher operating costs (particularly labour costs) in China. For the same reason, they were more affected by the safety issue concerning made-in-China consumer products sold in the United States, and such impact was more severe in the first half of the financial year. By capitalizing on the Group's strength as a high quality and reliable manufacturer, the southern China divisions recorded only a marginal drop in sales on a full year basis. However, given the situation as explained above, the profitability of the divisions was affected.

In terms of product range, paper products reversed its decline in the first half and recorded a marginal growth in turnover for the year. The environmentally friendly products division continued with the production of interior packaging products and “Greenworks” products and further diversified to other paper products. In terms of market, while the United States remained the Group’s largest export destination, the Group has increased its sales to the European market.

The Group will continue to capitalize on the safety issue to increase its market share. Moreover, in view of the rising operating costs in China, the Group is exploring the possibility of further realigning its China operations and replacing some of the labour intensive production work with automation.

Suzhou Operation

As a beneficiary of the Group’s sales and financial support, the Suzhou subsidiary was able to record its second year of profit by undertaking orders transferred by the southern China subsidiaries and by securing orders on its own from the vicinity of Jiangsu province.

Equipped with advanced machinery and sophisticated technology, the Suzhou subsidiary has gained greater benefits from its enlarged economies of scale, and was able to gain further penetration in the Yangtze River delta. Moving forward, it will strive to further increase its efficiency and strengthen its sales and marketing in order to exploit the huge and booming domestic market in eastern China.

Shaoguan Operation

The Shaoguan plant played an essential role in the Group’s operations during the year as the Group further increased its subcontracting works to the Shaoguan plant which helped mitigate the impact brought by the higher labour costs in Shenzhen and Guangzhou where the Group’s southern China operations are headquartered.

Providing support to the Group’s environmentally friendly products division and paper products division, the Shaoguan plant remains a favourable choice of the Group to integrate the two divisions under a single roof in Shaoguan. It is also a sensible option that the Group can expand the Shaoguan operation and centralize its labour-intensive products in Shaoguan, which may form part of the Group’s overall plan to realign its production facilities in southern China. However, such plan involves the consideration of how to utilize the Group’s assets in a more efficient manner and the management is prudently exploring the options.

Singapore Operation

The Singapore subsidiary recorded a growth in sales as it benefited from an increase in regional trade and a mild growth of the world economy. However, due to strong price competition from other Asian-based companies, the Singapore subsidiary experienced a contraction in profit margin.

In spite of its decision to abort the acquisition of a Malaysian printing company last year, the Singapore subsidiary is still looking for similar opportunities to increase its capacity and to expand its business in the Asian and Oceania regions.

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, 2008, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$126 million.

During the year under review, the interest expense of the Group amounted to approximately HK$17 million compared to approximately HK$18 million recorded last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB83 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 31st March, 2008, the Group had a working capital surplus of approximately HK$38 million compared to a working capital surplus of approximately HK$20 million as at 31st March, 2007. The Group's net gearing ratio as at 31st March, 2008 was 44% (31st March, 2007: 52%), based on short-term and long-term bank borrowings, bill payables and finance lease obligations, net of cash and cash equivalents of approximately HK$192 million (31st March, 2007: HK$195 million) and shareholders' funds of approximately HK$433 million (31st March, 2007: HK$375 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 31st March, 2008, certain assets of the Group with an aggregate book carrying value of approximately HK$74 million (31st March, 2007: HK$71 million) were pledged to secure the bank borrowings and finance lease obligations of the Group.

EXCHANGE RATE EXPOSURE

All the Group's assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars, Chinese Renminbi, Japanese Yen, 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 Mainland China. Transaction values involving Japanese Yen or Euro were primarily related to the Group's purchase of machinery and such exposures were generally hedged by forward contracts.

HUMAN RESOURCES DEVELOPMENT

Currently the Group has more than 8,000 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 of the Company) as incentive for their contribution to the Group. Following the opening of the "Starlite Institute of Management", 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.

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 the 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 made financial and other support to the following organizations:

- The Liaison Office of the Central People's Government in the Hong Kong S.A.R., with donation made to the Special Account For Flood Relief In China
- Federation of Hong Kong Guangdong Community Organizations Charitable Foundation Ltd., with donation made to snowstorm relief in China
- Guangdong Wuhua Chinese Medicine Hospital, for the improvement of the hospital's medical equipment
- Hong Kong Heyuan Residents in Hong Kong Association, for financial support to the Heyuan Hospital
- Meizho Nankou Central Hospital, for the improvement of the hospital's medical equipment
- Support Scheme to Students in Inner Mongolia University and Jiaying University
- China Star Light Charity Fund Association

LOOKING AHEAD

The global economy is facing major challenges as a result of the subprime mortgage crisis and higher prices of oil and other commodities. These circumstances present new uncertainties to the Hong Kong/China printing and packaging industry. First, there has been growing evidence of a lack of liquidity in the financial system, which is gradually being felt by end borrowers as banks have started to increase interest rates on existing rate-adjustable loans and new loans. Secondly, inflation may become a long-term issue. This is due to several reasons, including the strong demand for goods and raw materials from emerging economies like India and China. While the Chinese government is making efforts to stem inflation, it is also allowing an increase in wages to prevent social unrest. As an example, the minimum wage of workers in Shenzhen was increased again in July this year, from RMB750 to RMB900. Other operating costs and prices of raw materials, such as paper, also show signs of further escalation in China.

On the other hand, there is psychological preparation for higher prices among customers and consumers. This recognition comes at a time when two major happenings are taking place in the printing and packaging industry. First, with the stringent demand from customers for quality assurances and certifications, smaller printing and packaging companies find it increasingly difficult to oblige while larger and reputable operators such as the Group are favoured. Second, there are changes taking place in the shareholder profile and organization structure of some major printing houses, which are also reshaping the landscape of competition. One of the consequences is that customers become more inclined to place orders with companies that produce high quality products and have stable finance.

In view of these new challenges and opportunities, the Group has taken new initiatives to reinforce its strength as a high quality and reliable manufacturer with solid financial resources. To that end, the Company announced in May 2008 an open offer of new shares to strengthen the financial position of the Group and expand the capital base of the Company. The open offer was successfully completed in June 2008 raising a net amount of approximately HK$29 million.

Moreover, in order to build up new edges to differentiate itself from its competitors, the Group has adopted "Innovation and Change" as its new development direction for 2008. "Innovation" stresses new thinking, new concepts and new method to ensure a responsive, controllable and high quality production system, while "Change" stresses the seeking of breakthrough from traditional operating models. By applying these two concepts throughout its workflow, the Group is now building a new platform for its future development, and the management believes such platform will enable the Group to meet the new challenges and seize new opportunities.

EVENT AFTER THE BALANCE SHEET DATE

On 18th June, 2008, the Company issued 86,059,197 ordinary shares of HK$0.1 each at a subscription price of HK$0.35 per offer share in connection with an open offer. The net proceeds of the open offer were approximately HK$29 million.

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, internal control and financial reporting matters, including the review of financial statements for the year ended 31st March, 2008.

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 AND THE MODEL CODE

In the opinion of the Board, the Company has complied with the Code Provisions in Code on Corporate Governance Practices (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, 2008 except for the deviations a 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.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.

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, in respect of the year ended 31st March, 2008, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 25th August, 2008 to Thursday, 28th August, 2008 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for final dividend, shareholders must deliver their share transfer forms and share certificates to Tricor Secretaries Limited, the Company's Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 22nd August, 2008.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at http://www.hkstarlite.com. The annual report for the year ended 31st March, 2008 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, 18th July, 2008

As at the date of this announcement, the executive directors of the Company are Mr. Lam Kwong Yu, Ms. Yeung Chui, Mr. Tai Tzu Shi, Angus, Mr. Cheung Chi Shing, Charles and Mr Lim Pheck Wan, Richard, 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.

* *For identification purpose.*