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, 2010

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, 2010 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement
For the year ended 31st March, 2010

	Note	**2010**	2009
		HK$'000	HK$'000
Revenue	2	**1,182,639**	1,303,404
Cost of sales		**(955,219)**	(1,011,864)
Gross profit		**227,420**	291,540
Other gains – net	3	**308**	1,823
Selling and distribution costs		**(59,637)**	(63,060)
General and administrative expenses		**(113,864)**	(144,535)
Operating profit	4	**54,227**	85,768

Consolidated Income Statement (Continued)

For the year ended 31st March, 2010

	Note	**2010**	2009
		HK$'000	HK$'000
Finance income		**295**	686
Finance costs		**(7,563)**	(17,743)
Finance costs – net	5	**(7,268)**	(17,057)
Profit before income tax		**46,959**	68,711
Income tax expense	6	**(5,747)**	(9,113)
Profit for the year attributable to the equity holders of the Company		**41,212**	59,598
Earnings per share for profit attributable to the equity holders of the Company during the year			
(expressed in HK cents per share)	7		
- Basic		**7.92**	11.92
- Diluted		**7.80**	11.92
Dividends	8	**13,081**	12,909

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2010

	2010	2009
	HK$'000	HK$'000
Profit for the year	**41,212**	59,598
Other comprehensive income:		
Increase/(decrease) in fair value of available-for-sale financial assets	**315**	(457)
Currency translation differences	**11,154**	(7,250)
Other comprehensive income/(loss) for the year	**11,469**	(7,707)
Total comprehensive income for the year attributable to equity holders of the Company	**52,681**	51,891

Consolidated Statement of Financial Position

As at 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**29,555**	30,011
Property, plant and equipment		**439,977**	475,130
Prepayments for property, plant and equipment		**14,703**	2,345
Available-for-sale financial assets		**1,251**	936
Deferred income tax assets		**5,816**	3,835
		491,302	512,257
Current assets			
Inventories		**132,152**	108,538
Trade and bill receivables	9	**210,561**	172,744
Prepayments and deposits		**14,731**	8,256
Tax recoverable		**1,940**	3,392
Derivative financial instruments		**72**	639
Bank balances and cash		**184,976**	113,694
		544,432	407,263
LIABILITIES			
Current liabilities			
Borrowings		**153,357**	139,251
Finance lease obligations, current portion		**-**	727
Trade and bill payables	10	**180,678**	102,283
Accruals and other payables		**57,881**	57,828
Derivative financial instruments		**3,502**	3,930
Current income tax liabilities		**27,404**	27,367
		422,822	331,386
Net current assets		**121,610**	75,877
Total assets less current liabilities		**612,912**	588,134
Non-current liabilities			
Borrowings		**55,996**	72,754
Deferred income tax liabilities		**12,148**	13,495
		68,144	86,249
Net assets		**544,768**	501,885
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**52,398**	51,636
Reserves	11	**492,370**	450,249
Shareholders' equity		**544,768**	501,885

Notes:

1. Basis of preparation

The consolidated financial statements of the Group 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 available-for-sale financial assets and financial assets and financial liabilities (including derivative financial 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.

The following revised standards, new interpretations, and amendments to standards and interpretations are mandatory for the year ended 31st March, 2010. The Group has adopted these revised standards, new interpretations, and amendments to standards and interpretations where considered appropriate and relevant to its operations. The adoption was not resulted in substantial changes to the Group's accounting policies or financial results.

- HKFRS 1 (Amendment), "First-time adoption of Hong Kong Financial Reporting Standards"
- HKFRS 2 (Amendment), "Share-based payment – vesting conditions and cancellation"
- HKFRS 7 (Amendment), "Financial instruments: Disclosures"
- HKFRS 8 (Amendment), "Operating segments"
- HKAS 1 (Revised), "Presentation of financial statements"
- HKAS 23 (Revised), "Borrowing costs"
- HKAS 32 (Amendment), "Financial instruments: Presentation"
- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement, amendment on embedded derivatives"
- HK(IFRIC)-Int 2 (Amendment), "Members' shares in co-operative entities and similar instruments"
- HK(IFRIC)-Int 9 (Amendment), "Reassessment of embedded derivatives"
- HK(IFRIC)-Int 13, "Customer loyalty programmes"
- HK(IFRIC)-Int 15, "Agreements for the construction of real estate"
- HK(IFRIC)-Int 16, "Hedges of a net investment in a foreign operation"
- HK(IFRIC)-Int 18, "Transfers of assets from customers"

1. Basis of preparation (Continued)

The adoption of HKAS 1 (Revised), "Presentation of financial statements" requires "non-owner changes in equity" to be presented separately from "owner changes in equity". Management has decided to present two statements, a consolidated income statement and a consolidated statement of comprehensive income.

HKFRS 7 (Amendment), "Financial instruments - Disclosures", requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. HKFRS 7 (Amendment) only results in additional disclosures; there is no impact on the reported results and financial position of the Group.

HKFRS 8, "Operating segments", which replaces HKAS 14, "Segment reporting", requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. HKFRS 8 has not affected the Group's reportable segments.

The Group has not early adopted new standards, revised standards, new interpretations, and amendments to standards and interpretation that have been issued but are not mandatory for the year ended 31st March, 2010.

The Group is currently assessing the impact of the adoption of the new standard, other revised standards, new interpretations, and amendments to standards and interpretation to the Group in future periods. The effect of the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) to the results and financial position of the Group when they become effective will depend on the incidence and timing of any business combinations occurring on or after 1st April, 2010.

In addition, the Group is in the process of making an assessment of the impact of adoption of the Improvements to HKFRSs, published in October 2008 (effective for annual periods beginning on or after 1st July, 2009) and Improvements to HKFRSs 2009, published in May 2009 (effective for annual periods beginning on or after 1st July, 2009, or on or after 1st January, 2010). So far, it has concluded none have a material impact on the Group's financial statements.

2. Revenue and segment information

The Company is an investment holding company and its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels, and paper products, including environmental friendly paper products.

(a) Revenue/Turnover is analysed as follows:

	2010	2009
	HK$'000	HK$'000
Sales of packaging materials, labels, and paper products, including environmental friendly paper products	**1,166,716**	1,293,634
Others	**15,923**	9,770
	1,182,639	1,303,404

(b) Segment information

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

The Chairman/Chief Executive Officer of the Company considers the business from a geographical perspective, i.e. determined by the location of major factory plants, including Southern China, Eastern China and South East Asia.

The Chairman/Chief Executive Officer of the Company assesses the performance of the operating segments based on revenue, operating profit, net profit, 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, 2010 and 2009 are as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
For the year ended 31st March, 2010				
Total revenue	883,464	202,630	182,090	1,268,184
Inter-segment revenue	(11,770)	(73,449)	(326)	(85,545)
Revenue (from external customers)	871,694	129,181	181,764	1,182,639
Operating profit/(loss)	37,955	(5,218)	21,490	54,227
Finance income	101	103	91	295
Finance costs	(5,546)	(2,008)	(9)	(7,563)
Income tax expense	(3,520)	1,038	(3,265)	(5,747)
Profit/(loss) for the year	28,990	(6,085)	18,307	41,212
Other information :				
Depreciation and amortisation for the year	36,709	25,412	5,513	67,634
Capital expenditure	33,385	3,158	1,791	38,334

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
For the year ended 31st March, 2009				
Total revenue	981,271	245,721	176,602	1,403,594
Inter-segment revenue	(8,515)	(91,176)	(499)	(100,190)
Revenue (from external customers)	972,756	154,545	176,103	1,303,404
Operating profit	53,198	16,976	15,594	85,768
Finance income	265	198	223	686
Finance costs	(13,729)	(3,901)	(113)	(17,743)
Income tax expense	(9,165)	2,040	(1,988)	(9,113)
Profit for the year	30,569	15,313	13,716	59,598
Other information :				
Depreciation and amortisation for the year	43,262	25,759	4,205	73,226
Capital expenditure	20,082	30,452	20,758	71,292

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, 2010, and 2009 is as follows:

As at 31st March, 2010	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Segment assets	618,597	277,689	131,692	1,027,978
Deferred income tax assets	2,720	3,096	-	5,816
Tax recoverable	1,940	-	-	1,940
Total assets	623,257	280,785	131,692	1,035,734
Segment liabilities	333,259	90,422	27,733	451,414
Deferred income tax liabilities	8,619	-	3,529	12,148
Current income tax liabilities	24,821	-	2,583	27,404
Total liabilities	366,699	90,422	33,845	490,966

As at 31st March, 2009	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Segment assets	526,557	280,006	105,730	912,293
Deferred income tax assets	1,804	2,031	-	3,835
Tax recoverable	3,392	-	-	3,392
Total assets	531,753	282,037	105,730	919,520
Segment liabilities	286,634	59,427	30,712	376,773
Deferred income tax liabilities	11,069	-	2,426	13,495
Current income tax liabilities	25,935	-	1,432	27,367
Total liabilities	323,638	59,427	34,570	417,635

3. Other gains – net

	2010	2009
	HK$'000	HK$'000
Net exchange gains	**641**	2,430
Fair value (loss)/gain on foreign exchange forward contracts	**(567)**	639
Net loss on disposal of property, plant and equipment	**(47)**	(14)
Write-back of/(provision for) impairment of property, plant and equipment	**236**	(1,000)
Others	**45**	(232)
	308	1,823

4. Operating profit

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

	2010	2009
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**280,320**	267,325
Amortisation of leasehold land and land use rights	**737**	734
Depreciation of property, plant and equipment		
- owned assets	**66,897**	71,512
- assets held under finance leases	**-**	980
(Write-back of)/provision for impairment of receivables	**(10,131)**	13,073
(Write-back of)/provision for inventory obsolescence	**(7,414)**	8,992

5. Finance costs – net

	2010	2009
	HK$'000	HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**6,168**	13,333
- not wholly repayable within five years	**17**	11
Interest element on finance lease obligations	**9**	107
Fair value loss on interest-rate swaps		
- realised	**1,797**	362
- unrealised	**(428)**	3,930
	7,563	17,743
Interest income from bank deposits	**(295)**	(686)
	7,268	17,057

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 16.5% (2009: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Subsidiaries established and operated in the PRC are subject to the PRC Corporate Income Tax at rates ranging from 12.5% to 25% during the year (2009: 18% to 25%). 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 Corporate Income Tax for the first two years and a 50% reduction in Corporate 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.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 17% (2009: 17%).

6. Income tax expense (Continued)

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

	2010	2009
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**6,289**	10,906
- PRC Corporate Income Tax	**811**	188
- Singapore Corporate Income Tax	**3,964**	1,089
Overprovision in prior years	**(1,796)**	(595)
	9,268	11,588
Deferred income tax	**(3,521)**	(2,475)
	5,747	9,113

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.

	2010	2009
Profit attributable to the equity holders of the Company (HK$'000)	**41,212**	59,598
Weighted average number of ordinary shares in issue ('000)	**520,061**	499,851
Basic earnings per share (HK cents)	**7.92**	11.92

7. Earnings per share (Continued)

Diluted

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

	2010	2009
Profit attributable to the equity holders of the Company (HK$'000)	**41,212**	59,598
Weighted average number of ordinary shares in issue ('000)	**520,061**	499,851
Adjustments for share options ('000)	**8,055**	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	**528,116**	499,851
Diluted earnings per share (HK cents)	**7.80**	11.92

There were no dilutive potential ordinary shares in existence during the year ended 31st March, 2009.

8. Dividends

	2010	2009
	HK$'000	HK$'000
Interim dividend - HK$0.01 (2009: HK$0.01) per share	**5,221**	5,164
Proposed final dividend - HK$0.015 (2009: HK$0.015) per share	**7,860**	7,745
	13,081	12,909

The amount of proposed final dividend for 2010 was based on 523,975,288 shares in issue as at 21st July, 2010.

9. Trade and bill receivables

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:

	2010	2009
	HK$'000	HK$'000
1 to 90 days	**186,319**	155,194
91 to 180 days	**35,065**	37,462
181 to 365 days	**3,073**	5,987
Over 365 days	**2,266**	892
	226,723	199,535
Less: Provision for impairment of receivables	**(16,162)**	(26,791)
	210,561	172,744

10. Trade and bill payables

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

	2010	2009
	HK$'000	HK$'000
1 to 90 days	**169,278**	86,774
91 to 180 days	**10,917**	11,781
181 to 365 days	**150**	3,253
Over 365 days	**333**	475
	180,678	102,283

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
Group							
As at 1st April, 2008	104,527	1,169	1,484	657	33,778	248,515	390,130
Profit attributable to the equity holders of the Company	-	-	-	-	-	59,598	59,598
Other comprehensive income							
- Decrease in fair value of available-for-sale financial assets	-	-	-	(457)	-	-	(457)
- Currency translation differences	-	-	-	-	(7,250)	-	(7,250)
Total comprehensive income for the year	-	-	-	(457)	(7,250)	59,598	51,891
Issue of shares under open offer	20,220	-	-	-	-	-	20,220
Employee share option scheme							
- Share based payments	-	-	917	-	-	-	917
Dividends paid	-	-	-	-	-	(12,909)	(12,909)
	20,220	-	917	(457)	(7,250)	46,689	60,119
As at 31st March, 2009	124,747	1,169	2,401	200	26,528	295,204	450,249
As at 1st April, 2009	124,747	1,169	2,401	200	26,528	295,204	450,249
Profit attributable to the equity holders of the Company	-	-	-	-	-	41,212	41,212
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	315	-	-	315
- Currency translation differences	-	-	-	-	11,154		11,154
Total comprehensive income for the year	-	-	-	315	11,154	41,212	52,681
Employee share option scheme							
- Issue of shares upon exercise of employee share options	2,657	-	(422)	-	-	-	2,235
- Share based payments	-	-	171	-	-	-	171
Dividends paid	-	-	-	-	-	(12,966)	(12,966)
	2,657	-	(251)	315	11,154	28,246	42,121
As at 31st March, 2010	127,404	1,169	2,150	515	37,682	323,450	492,370
Representing:							
- Proposed dividend	-	-	-	-	-	7,860	7,860
- Others	127,404	1,169	2,150	515	37,682	315,590	484,510
	127,404	1,169	2,150	515	37,682	323,450	492,370

RESULTS

The Group recorded a turnover of approximately HK$1,183 million for the year ended 31st March, 2010, a decrease of 9% compared with last year. Profit attributable to shareholders fell by 31% to approximately HK$41 million.

The more significant drop in net profit reflected the impact of two major negative forces, namely (i) the lower prices of orders obtained from customers, who became more risk averse following sharp increases in market volatility in the United States and Europe, and (ii) the higher operating costs in Mainland China, which could not be fully transferred to customers due to intense competition in the printing and packaging industry. As a result, both gross profit margin and net profit margin of the Group suffered a decline.

Sales of the Group to the United States recorded the largest fall. The Group managed to expand further into Europe, which accounted for a significantly higher percentage of the Group's turnover in the financial year under review. Overall, sales in the second half fell less compared to the sales decline in the first half, reflecting the Group's success in mitigating the negative impact of market volatility on its sales.

The southern China operation remained the largest contributor to the Group's turnover and net profit. The eastern China operation recorded a loss during the year. The South East Asia operation achieved growth in both turnover and net profit.

Looking ahead, the Group is taking new measures to safeguard its sales and enhance its profitability, details of which are described in the "Business Review and Prospects" section.

DIVIDENDS

The Directors recommend a final dividend of HK1.5 cents (2009: HK1.5 cents) per share for the year ended 31st March, 2010 payable on Tuesday, 21st September, 2010 to shareholders whose names appear on the Register of Members on Monday, 30th August, 2010. Together with the interim dividend of HK1 cent (2009: HK1 cent) paid, full year dividends for the financial year would be HK2.5 cents per share (2009: HK2.5 cents).

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

The year ended 31st March, 2010 marked a year of high volatility in market sentiment. At the beginning of the financial year, with the global economy in deep recession, customers drastically cut orders and reduced inventory. Then orders began to pick up in the second financial quarter amidst signs of economic improvement. Yet, with unemployment remaining high in the United States, and the European sovereign debt crisis threatening to become contagious, customers became more cautious during the second half of the financial year. Moreover, due to the high volatility in consumer sentiment, customers in general were highly averse to price increases. The strong competition among Hong Kong and Mainland printers also restrained such increases. Consequently, except for new orders where the Group managed to obtain higher prices, many renewed orders were priced at terms that could not fully reflect the sharp rise in production costs.

Facing the formidable challenges described above, the Group took a number of counter-measures to mitigate the impact on its performance. First, the Group further expanded into the European market, which accounted for a significantly higher percentage of the Group's turnover compared to a year ago. Second, the Group focused its marketing efforts on growing industries as well as those sectors that are traditionally more resilient to economic downturn. Such sectors include children's books and luxury packaging. The Group was able to maintain the sales of the former, and increased the sales of the latter. Third, as the overall production costs in Shaoguan remained significantly lower than those in Shenzhen and Guangzhou, the Group further utilized its lower cost manufacturing facility in Shaoguan to contain its production costs. Fourth, the Group adopted stringent measures to control its financial and administrative expenses and increase its operating efficiency.

As a result of the counter-measures, the Group was able to mitigate the impact of the negative factors for the year. In fact, sales in the second half fell less compared to the sales decline in the first half. However, due to intense competition in the printing and packaging industry, and the high averseness of customers to price increases, the Group could not timely pass on the significant increase in production costs to customers. As such, profit margins of the Group suffered.

To enhance the Group’s performance, the Group is taking further action to increase its sales and improve its profitability. First, the Group is expanding its domestic business in China, including the setting up of a new branch factory in Yangzhou, details of which are described in the sub-section titled “Eastern China Operation”. Second, the Group, through its Singapore subsidiary, is reactivating its production in Malaysia to increase capacity and to expand its business in the Asia-Pacific region. Third, the Group is looking into areas for automation to further reduce wastage of materials and increase productivity. Fourth, the Group is further strengthening its corporate strength as an environmental conscious and socially responsible enterprise contributing to the welfare of workers and society.

By transforming into a corporation that competes not solely on price but on reputation, quality and reliability, the Group is moving up the value chain to gain better ground for price increases from customers. As seen in the sections below, the Group has won major awards and endorsements for its quality achievements and contributions to the community. The management is confident that the Group’s transformation will bring long-term benefits to its business growth and profit enhancement.

Southern China Operation

For the year ended 31st March, 2010, the Group’s southern China operation recorded a decline in turnover but managed to sustain a profit. With unemployment in the United States hitting record highs and Europe’s sovereign debt crisis escalating, consumer confidence was weak across the continents, prompting customers to hold back orders and press for lower contract prices.

Moreover, the Group experienced a significant increase in its operating costs in China. The wages in Shenzhen, Guangzhou, and Shaoguan, where the Group’s southern China plants are located, have increased by double digits over the past year, and will further increase by double digits in coming months. Due to labour shortage, the Group has to offer more than the minimum wages in order to employ or retain workers, which significantly increased the Group’s labour costs. In addition, the Group experienced a sharp rise in the prices of raw materials since late 2009. Taking the lead were corrugated paper and duplex board whose prices increased significantly in January 2010, followed by other paper category such as art paper around March 2010. In some cases, the prices have increased by over 30% surpassing the peaks of 2008, and are expected to stay at high levels in the coming months.

By further expanding into the European market, focusing its marketing efforts on growing industries and resilient sectors, tightening the Group's financial control, and increasing the Group's operating efficiency, the Group was able to mitigate the impact of these negative factors and reported a profit. Strong growth was achieved in the luxury packaging business, supported by new endeavors made in the French market. Children's books proved resilient by recording a slight increase in sales. The Group also participated in major trade fairs to enhance its corporate brand and marketing effort. The Shaoguan plant further increased its contribution to the Group, by utilizing its cost advantage to offset the impact of lower contract prices.

Planning on a medium to long term basis following the full implementation of lean manufacturing, the Group is exploring further means to improve its production plan, production efficiency and production facility, as well as product quality and delivery, so as to minimize its costs and maximize its operating proficiency. Moreover, it is striving for higher prices from customers through new product innovation, new technology, and higher standards in quality and reliability. Finally, the Group is carefully evaluating its customer profiles to identify new marketing endeavours.

With the global economic outlook remaining uncertain, the southern China division will continue to tighten its capital investment and adopt closer monitoring on stocks and customer credits. However, the management is also closely monitoring the market and will act timely as and when opportunities arise.

In August 2009, Starlite Printers (Shenzhen) Co., Ltd was nominated as The Most Nature-Friendly Company by Publisher's Weekly. The magazine visited Starlite Printers (Shenzhen) Co., Ltd and 16 other companies' manufacturing facilities in the Pearl River Delta. The Special Report 2009 on Printing in Hong Kong, published in August 2009, has nominated Starlite as The Most Nature-Friendly Company they have visited.

In April 2010, Starlite Holdings Limited was awarded the certificate for FOGRA Process Standard Offset, a standardized procedure for creation of print products published by German's Printing and Media Industries Federation in collaboration with the research associations Graphic Technology Research Association and UGRA. Any printer taking the certification must achieve and exceed FOGRA's standards on colour management, proof production, plate-making and consistent print runs to earn the certificate. Starlite is the first printing and packaging company in China that has been granted the certificate.

Eastern China Operation

The Group's eastern China operation recorded a loss during the year as a result of the cutback of orders by customers. Moreover, in a bid to expand its domestic sales, the eastern China operation has adopted an aggressive pricing strategy during the year. As such, the rapid and drastic increase in operating costs in the Mainland, as explained in the sections above, had a major impact on the profitability of the eastern China operation, as the prices of its orders could not fully reflect the much higher production costs. Such impact was more significant in the second half of the financial year ended 31st March, 2010. As an illustration, the minimum wages in Suzhou has increased by 13% effective February 2010, which, coupled with the huge increases in the prices of raw materials, dealt a severe blow to the results of the eastern China operation.

Nonetheless, the efforts made to tap domestic businesses including the cosmetics and health care sectors have yielded results. New prestigious customers have been secured by the Suzhou subsidiary in the domestic packaging business for consumer products. Moreover, the Suzhou subsidiary has established a new branch factory in Yangzhou to provide printing and packaging services for a world-renowned health care brand selling its products in China and the international markets.

In May 2010, China's State Council approved the Regional Plan for the Yangtze River Delta. According to the Plan, the Yangtze River Delta will be developed into a key international gateway for the Asia-Pacific region, an important global centre for the modern service industry and advanced manufacturing industry, as well as a world-class cluster of cities. It is expected that the area, which is made up of Shanghai and the provinces of Jiangsu and Zhejiang and covering an area of 210,700 square kilometers, will achieve modernization by 2020. The Group is hopeful that the passing of the Plan will generate new opportunities for its eastern China operation.

South East Asia Operation

The Singapore subsidiary managed to increase its sales and profit during the year under review, benefiting from the resurging demand from Asian economies as well as a growth of sales to the European market. With a renowned reputation for innovative design, printing and packaging technology, the Singapore subsidiary was able to leverage on its strengths rather than to compete solely on prices.

In order to increase its capacity and to expand its business in the Asia-Pacific region, the Singapore subsidiary is reactivating its production in Malaysia. Plans are being carried out to initially establish a new post-press operation there, which will be managed by the Singapore management team. The Malaysian plant is expected to begin operation in July 2010.

In November 2009, the Singapore subsidiary won three AsiaStar 2009 Awards under the Consumer Package category for its Johnny Walker Black Centurion II Box, Klassno Table Display Stand and Rice Dumpling Box. The AsiaStar Award is organized by the Asian Packaging Federation to recognize the winners as "the best of the best" in the Asian packaging industry. In addition, the Johnny Walker Black Centurion II Box also won the Worldstar Award 2009 awarded by the World Packaging Organization in February 2010.

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, 2010, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$185 million.

During the year under review, the interest expense of the Group amounted to approximately HK$8 million compared to approximately HK$18 million recorded last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB65 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 31st March, 2010, the Group had a working capital surplus of approximately HK$122 million compared to a working capital surplus of approximately HK$76 million as at 31st March, 2009. The Group's net gearing ratio as at 31st March, 2010 was 10% (31st March, 2009: 21%), based on short-term and long-term bank borrowings, bill payables and finance lease obligations, net of bank balance and cash of approximately HK$52 million (31st March 2009: HK$106 million), and shareholders' funds of approximately HK$545 million (31st March, 2009: HK$502 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 31st March, 2010, certain assets of the Group with an aggregate book carrying value of approximately HK$36 million (31st March, 2009: HK$33 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, 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, we treat the local communities as family members and strive to contribute to the communities.

In 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:

- Federation of Hong Kong Guangdong Community Organizations, with donation made to earthquake relief in Qinghai
- Hong Kong Mei Zhou Association, with donation made to earthquake relief in Qinghai and to sponsor the cultural event celebrating the 60th Anniversary of the People's Republic of China
- Support to The HK Seagulls Scholarship Scheme
- Donation to Children's Heart Foundation
- Support to Students in Jiaying University
- The Hong Kong Council of Social Service, with donation made to its "Mainland CSR Development Fund"

LOOKING AHEAD

With divergent views in the market on the strength of the recovery of the United States economy, customers have indicated that it is difficult for them to plan on a medium to long-term basis. Hence, while the somewhat improved outlook described as "moderate growth" by the Federal Reserve has lifted orders for the Group in the first quarter of the financial year ended 31st March, 2011, and provided positive signs for orders in the second financial quarter, it remains to be seen if high volatility would return and customers would make U-turn changes on their positions.

The sovereign debt crisis in Europe continues to overshadow the market in Europe. As European governments implement austerity measures and tighten bank lending, consumer confidence in the Eurozone is likely to falter. Moreover, there are signs that the weak Euro appears to be dampening European demand for China-made goods.

On the other hand, demand in the Asia-Pacific countries continue to grow, supported by high governments' reserves and strong citizens' savings. Moreover, the Chinese government is taking preemptive measures to maintain a harmonious society, part of which involves the support on consumption. These developments provide favourable opportunities for the Group to further expand its sales in China and the Asia-Pacific, and to further utilize its strength and network in the region. The Group is making new endeavours in both China and Asia to capitalize on such opportunities, as described in the sections above.

With some major manufacturers offering high rises of wages to workers recently, the pressure on other manufacturers is significant. Moreover, as explained, not only wages but the overall costs of production in China are rising. Under these circumstances, Chinese manufacturers have no alternative but to increase prices. However, in return for higher prices, Chinese manufacturers must prove that they can provide more added value. The Group is well aware of this irreversible trend. Apart from further improving its product quality, reliability, and customer services, the Group is making efforts to strengthen its corporate standing, which include providing stronger support to environmental protection, contributing to further standardization of printing and packaging procedures, enhancing the protection of employees' rights, and more active participation in community work. As Starlite celebrates its 40th anniversary this year, management is confident that the Group has built a solid foundation for achieving the necessary transformation and becoming even stronger in the future.

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, 2010.

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 of 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, 2010 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.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, 2010, 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 Thursday, 26th August, 2010 to Monday, 30th August, 2010 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for final dividend and attendance at the annual general meeting, 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 Wednesday, 25th August, 2010.

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.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, 2010 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, 21st July, 2010

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 only.*