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, 2011

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, 2011 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement
For the year ended 31st March, 2011

	Note	**2011**	2010
		HK$'000	HK$'000
Revenue	2	**1,545,238**	1,182,639
Cost of sales		**(1,279,692)**	(955,219)
Gross profit		**265,546**	227,420
Other gains – net	3	**1,362**	308
Selling and distribution costs		**(85,504)**	(59,637)
General and administrative expenses		**(134,957)**	(113,864)
Operating profit	4	**46,447**	54,227

Consolidated Income Statement (Continued)
For the year ended 31st March, 2011

	Note	**2011**	2010
		HK$'000	HK$'000
Finance income		**357**	295
Finance costs		**(9,756)**	(7,563)
Finance costs – net	5	**(9,399)**	(7,268)
Profit before income tax		**37,048**	46,959
Income tax expense	6	**(11,988)**	(5,747)
Profit for the year attributable to the equity holders of the Company		**25,060**	41,212
Earnings per share for profit attributable to the equity holders of the Company during the year			
(expressed in HK cents per share)	7		
- Basic		**4.78**	7.92
- Diluted		**4.74**	7.80
Dividends	8	**13,128**	13,081

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2011

	2011	2010
	HK$'000	HK$'000
Profit for the year	**25,060**	41,212
Other comprehensive income :		
Increase in fair value of available-for-sale financial assets	**182**	315
Currency translation differences	**25,738**	11,154
Other comprehensive income for the year	**25,920**	11,469
Total comprehensive income for the year attributable to equity holders of the Company	**50,980**	52,681

Consolidated Statement of Financial Position

As at 31st March, 2011

	Note	As at 31st March, 2011 HK$'000	As at 31st March, 2010 HK$'000 (Restated)	As at 1st April, 2009 HK$'000 (Restated)
ASSETS				
Non-current assets				
Land use rights		**26,743**	26,448	26,816
Property, plant and equipment		**446,402**	443,084	478,325
Prepayments for property, plant and equipment		**1,135**	14,703	2,345
Available-for-sale financial assets		**1,433**	1,251	936
Deferred income tax assets		**2,548**	5,816	3,835
		478,261	491,302	512,257
Current assets				
Inventories		**142,193**	132,152	108,538
Trade and bill receivables	9	**236,633**	210,561	172,744
Prepayments and deposits		**13,748**	14,731	8,256
Tax recoverable		**51**	1,940	3,392
Derivative financial instruments		**-**	72	639
Bank balances and cash		**196,745**	184,976	113,694
		589,370	544,432	407,263
LIABILITIES				
Current liabilities				
Borrowings		**168,832**	157,233	140,800
Finance lease obligations, current portion		**-**	-	727
Trade and bill payables	10	**154,973**	180,678	102,283
Accruals and other payables		**68,099**	57,881	57,828
Derivative financial instruments		**3,349**	3,502	3,930
Current income tax liabilities		**30,737**	27,404	27,367
		425,990	426,698	332,935
Net current assets		**163,380**	117,734	74,328
Total assets less current liabilities		**641,641**	609,036	586,585
Non-current liabilities				
Borrowings		**45,561**	52,120	71,205
Deferred income tax liabilities		**12,963**	12,148	13,495
		58,524	64,268	84,700
Net assets		**583,117**	544,768	501,885
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital		**52,514**	52,398	51,636
Reserves	11	**530,603**	492,370	450,249
Shareholders' equity		**583,117**	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"). The consolidated financial statements 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 first time for the year ended 31st March, 2011. The Group has adopted these revised standards, new interpretations, and amendments to standards and interpretations where considered appropriate and relevant to its operations.

- HKFRS 1 (Revised), "First-time Adoption of HKFRSs"
- HKFRS 1 (Amendment), "Additional Exemptions for First-time Adopters"
- HKFRS 2 (Amendment), "Group Cash-settled Share-based Payment Transactions"
- HKFRS 3 (Revised), "Business Combinations"
- HKFRS 8 (Amendment), "Operating Segments"
- HKAS 1 (Amendment), "Presentation of Financial Statements"
- HKAS 7 (Amendment), "Cash Flow Statements"
- HKAS 17 (Amendment), "Leases"
- HKAS 18 (Amendment), "Revenue"
- HKAS 27 (Revised), "Consolidated and Separate Financial Statements"
- HKAS 32 (Amendment), "Classification of Rights Issues"
- HKAS 36 (Amendment), "Impairment of Assets"
- HKAS 39 (Amendment), "Financial instruments: Recognition and Measurement, Amendment on Eligible Hedged Items"
- HK(IFRIC) - Int 16, "Hedges of a Net Investment in a Foreign Operation"
- HK(IFRIC) - Int 17, "Distribution of Non-cash Assets to Owners"
- HK(IFRIC) - Int 18, "Transfers of Assets from Customers"
- HK - Int 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

1. Basis of preparation (Continued)

The adoption of the above revised standards, new interpretations, amendments to standards and interpretations did not have significant effect on the financial statements or result in any significant changes in the Group's significant accounting policies except as described below:

(i) HKFRS 3 (Revised), "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date when control is obtained, recognising a gain/loss in the income statement. All acquisition related costs should be expensed. The adoption of this revised standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

(ii) HKAS 27 (Revised), "Consolidated and Separate Financial Statements". The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement. The adoption of this amendment to standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

(iii) HKAS 17 (Amendment), "Leases". It deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease terms was classified as operating lease under "leasehold land and land use rights", and amortised over the lease term. HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st April, 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st April, 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

1. Basis of preparation (Continued)

The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the time when the land interest is available for its intended use over the shorter of the useful live of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	As at 31st March, 2011 HK$'000	As at 31st March, 2010 HK$'000	As at 1st April, 2009 HK$'000
Decrease in leasehold land and land use rights	**(3,019)**	(3,107)	(3,195)
Increase in property, plant and equipment	**3,019**	3,107	3,195

(iv) On 29th November, 2010, the Hong Kong Institute of Certified Public Accountants issued HK Interpretation 5," Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. The effective of the interpretation has resulted in a change in the accounting policy relating to the classification of borrowings as current liabilities and non-current liabilities and as a result the Group has reclassified certain borrowings from non-current liabilities to current liabilities.

The effect of the adoption of this amendment is as below:

	As at 31st March, 2011 HK$'000	As at 31st March, 2010 HK$'000	As at 1st April, 2009 HK$'000
Decrease in borrowings – Non-current liabilities	**(24,346)**	(3,876)	(1,550)
Increase in borrowings – Current liabilities	**24,346**	3,876	1,550

1. Basis of preparation (Continued)

The following revised standards, new interpretations, and amendments to standards and interpretations have been issued but are not mandatory for the year ended 31st March, 2011 and have not been early adopted:

- HKAS 12 (Amendment), "Deferred Tax: Recovery of Underlying Assets", effective for annual periods beginning on or after 1st January, 2012
- HKAS 24 (Revised), "Related Party Disclosures", effective for annual periods beginning on or after 1st January, 2011
- HKFRS 1 (Amendment), "Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters", effective for annual periods beginning on or after 1st July, 2010
- HKFRS 1 (Amendment), "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters", effective for annual periods beginning on or after 1st July, 2011
- HKFRS 7 (Amendment), "Disclosures - Transfers of Financial Assets", effective for annual periods beginning on or after 1st July, 2011
- HKFRS 9, "Financial Instruments", effective for annual periods beginning on or after 1st January, 2013
- HK(IFRIC) – Int 14 (Amendment), "Prepayments of a Minimum Funding Requirement", effective for annual periods beginning on or after 1st January, 2011
- HK(IFRIC) – Int 19, "Extinguishing Financial Liabilities with Equity Instruments", effective for annual periods beginning on or after 1st July, 2010

The Group is currently assessing the impact of the adoption of revised standards, new interpretations, and amendments to standards and interpretations above to the Group in future periods.

In addition, the Group is in the process of making an assessment of the impact of adoption of the Improvements to HKFRSs 2010, published in May 2010 (effective for annual periods beginning on or after 1st July, 2010, or on or after 1st January, 2011). It has concluded that both do not have 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:

	2011	2010
	HK$'000	HK$'000
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,519,552**	1,166,716
Others	**25,686**	15,923
	1,545,238	1,182,639

(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, 2011 and 2010 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, 2011				
Total revenue	1,182,884	248,753	211,889	1,643,526
Segment revenue	(8,396)	(89,040)	(852)	(98,288)
Revenue (from external customers)	1,174,488	159,713	211,037	1,545,238
Operating profit/(loss)	44,734	(8,939)	10,652	46,447
Finance income	166	112	79	357
Finance costs	(7,385)	(2,371)	-	(9,756)
Income tax expense	(9,455)	(843)	(1,690)	(11,988)
Profit/(loss) for the year	28,060	(12,041)	9,041	25,060
Other information :				
Depreciation and amortisation for the year	35,368	24,332	4,286	63,986
Capital expenditure	23,864	8,932	5,498	38,294

	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
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

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, 2011, and 2010 is as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2011				
Segment assets	640,495	291,081	133,456	1,065,032
Deferred income tax assets	178	2,370	-	2,548
Tax recoverable	51	-	-	51
Total assets	640,724	293,451	133,456	1,067,631
Segment liabilities	329,850	82,669	28,295	440,814
Deferred income tax liabilities	9,156	-	3,807	12,963
Current income tax liabilities	27,036	-	3,701	30,737
Total liabilities	366,042	82,669	35,803	484,514

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2010				
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

3. Other gains – net

	2011 HK$'000	2010 HK$'000
Net exchange (losses)/gains	**(1,202)**	641
Fair value gains/(losses) on foreign exchange forward contracts	**66**	(567)
Net losses on disposal of property, plant and equipment	**(10)**	(47)
Write-back of provision for impairment of property, plant and equipment	**392**	236
Gain on disposal of trademark	**225**	-
Others	**1,891**	45
	1,362	308

4. Operating profit

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

	2011 HK$'000	2010 HK$'000 (Restated)
Employment costs (including directors' emoluments)	**355,240**	280,320
Amortisation of land use rights	**712**	649
Depreciation of property, plant and equipment	**63,274**	66,985
Write-back of provision for impairment of receivables	**(10,968)**	(10,131)
Provision for/(write-back of) inventory obsolescence	**2,823**	(7,414)

5. Finance costs – net

	2011	2010
	HK$'000	HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**8,137**	6,168
- not wholly repayable within five years	**3**	17
Interest element on finance lease obligations	**-**	9
Fair value loss on interest-rate swaps		
- realised	**1,768**	1,797
- unrealised	**(152)**	(428)
	9,756	7,563
Interest income from bank deposits	**(357)**	(295)
	9,399	7,268

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% (2010: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Subsidiaries established and operated in Mainland China are subject to Mainland China Corporate Income Tax at rates ranging from 12.5% to 25% during the year (2010: 12.5% to 25%). In accordance with the applicable laws and regulations, the Group's subsidiaries established in Mainland China 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.

6. Income tax expense (Continued)

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6th December, 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in Mainland China to their foreign investors starting from 1st January, 2008. All dividends coming from the profits generated by Mainland China companies after 1st January, 2008 shall be subject to this withholding income tax. As at 31st March, 2011, the Group had not accrued any withholding income tax for the earnings from 1st January, 2008 to 31st March, 2011 of its Mainland China subsidiaries because the Group did not have a plan to distribute earnings from its Mainland China subsidiaries generated in the period from 1st January, 2008 to 31st March, 2011 in the foreseeable future.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 17% (2010: 17%).

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

	2011	2010
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**6,200**	6,289
- Mainland China Corporate Income Tax	**4,131**	811
- Singapore Corporate Income Tax	**2,420**	3,964
Overprovision in prior years	**(4,562)**	(1,796)
	8,189	9,268
Deferred income tax	**3,799**	(3,521)
	11,988	5,747

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.

	2011	2010
Profit attributable to the equity holders of the Company (HK$'000)	**25,060**	41,212
Weighted average number of ordinary shares in issue ('000)	**524,137**	520,061
Basic earnings per share (HK cents)	**4.78**	7.92

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.

	2011	2010
Profit attributable to the equity holders of the Company (HK$'000)	**25,060**	41,212
Weighted average number of ordinary shares in issue ('000)	**524,137**	520,061
Adjustments for share options ('000)	**4,826**	8,055
Weighted average number of ordinary shares for diluted earnings per share ('000)	**528,963**	528,116
Diluted earnings per share (HK cents)	**4.74**	7.80

8. Dividends

	2011	2010
	HK$'000	HK$'000
Interim dividend - HK$0.01 (2010: HK$0.01) per share	**5,251**	5,221
Proposed final dividend - HK$0.015 (2010: HK$0.015) per share	**7,877**	7,860
	13,128	13,081

The amount of proposed final dividend for 2011 was based on 525,135,288 shares in issue as at 24th June, 2011.

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:

	2011	2010
	HK$'000	HK$'000
1 to 90 days	**194,155**	186,319
91 to 180 days	**42,644**	35,065
181 to 365 days	**2,242**	3,073
Over 365 days	**2,740**	2,266
	241,781	226,723
Less: Provision for impairment of receivables	**(5,148)**	(16,162)
	236,633	210,561

10. Trade and bill payables

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

	2011	2010
	HK$'000	HK$'000
1 to 90 days	**133,877**	169,278
91 to 180 days	**18,312**	10,917
181 to 365 days	**2,187**	150
Over 365 days	**597**	333
	154,973	180,678

11. Reserves

Movements were as follow :

	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, 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

11. Reserves (Continued)

Movements were as follow (Continued) :

	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, 2010	127,404	1,169	2,150	515	37,682	323,450	492,370
Profit attributable to the equity holders of the Company	-	-	-	-	-	25,060	25,060
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	182	-	-	182
- Currency translation differences	-	-	-	-	25,738	-	25,738
Total comprehensive income for the year	-	-	-	182	25,738	25,060	50,980
Employee share option scheme							
- Issue of shares upon exercise of employee share options	392	-	(61)	-	-	-	331
- Share based payments	-	-	33	-	-	-	33
Dividends paid	-	-	-	-	-	(13,111)	(13,111)
	392	-	(28)	182	25,738	11,949	38,233
As at 31st March, 2011	127,796	1,169	2,122	697	63,420	335,399	530,603
Representing:							
- Proposed dividend	-	-	-	-	-	7,877	7,877
- Others	127,796	1,169	2,122	697	63,420	327,522	522,726
	127,796	1,169	2,122	697	63,420	335,399	530,603

RESULTS

For the year ended 31st March, 2011, the Group's turnover was approximately HK$1,545 million, an increase of 31% over last year. Profit attributable to shareholders was approximately HK$25 million, a decrease of 39% compared with last year.

The decline in net profit underlined the severe challenges facing export-oriented manufacturers in China. These challenges include: (i) the sharp rise in wages and employees' benefits that is directly affecting Chinese manufacturers' competitiveness in the international marketplace; (ii) the substantial increase in the cost of raw materials and operating costs, largely due to the higher price of oil and commodities and the appreciation of Renminbi; and (iii) the still fragile global economic recovery, as highlighted by the sluggish growth in the United States economy and the sovereign debt crisis in a number of Eurozone countries, which caused continuing resistance among customers towards price increases initiated by suppliers.

As part of the measures to meet these challenges, the Group has been broadening its customer base in China and overseas; focusing more resources on products with high growth potential and reasonable pricing; and making a strong effort to further enhance the Group's operating efficiency. Such measures have contributed to growth in the Group's sales during the year and helped mitigate the negative impact brought by the formidable challenges on the Group's overall profitability.

The United States remained to be the Group's largest market during the year. The Group's sales to Europe and the Asia-Pacific region continued to expand, whereas in China the Group managed to further increase its domestic sales through proactive marketing measures. Overall, on a year-on-year basis, sales in the first half recorded stronger growth when compared with the second half of the financial year.

The southern China operation of the Group remained to be the largest contributor to the Group's turnover and net profit, whereas the eastern China operation recorded a loss during the year. The South East Asia operation recorded an increase in turnover but a decline in net profit.

Continuing with the objective to increase the Group's profitability in a sustainable manner, the management is targeting its effort on high growth markets and sectors and examining other feasible means to further reduce the Group's costs, details of which are described in the "Business Review and

Prospects" section.

DIVIDENDS

The Directors recommend a final dividend of HK1.5 cents (2010: HK1.5 cents) per share for the year ended 31st March, 2011 payable on Friday, 9th September, 2011 to shareholders whose names appear on the Register of Members on Wednesday, 24th August, 2011. Together with the interim dividend of HK1 cent (2010: HK1 cent) paid, the aggregate dividend for the financial year would be HK2.5 cents per share (2010: HK2.5 cents).

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

Higher operating costs and lower prices of orders remained the two major negative forces affecting the Group's profit margins during the year ended 31st March, 2011. Across the Group's operations, the substantial increase in the costs of labour and raw materials was most notable. In Shenzhen, Guangzhou, and Shaoguan, where the Group's southern China plants are located, the minimum wages have increased significantly on two occasions: once during the year under review and another shortly afterwards, with the first increase being effective in May-July 2010 and the second increase being effective in March-April 2011. As for the Group's eastern China operation in Suzhou, the minimum wage was also increased significantly on two occasions during the year under review, with the first increase being effective in February 2010 and the second increase being effective in February 2011. Overall, double-digit increases in minimum wages have been taking place annually over the past several years.

With regard to raw materials, the prices of paper and other major raw materials used by the Group all scaled to high levels during the year, driven by the record high prices of oil and commodities which also increased the Group's electricity and transportation costs. Due to intense competition in the printing and packaging industry and customers' resistance to price adjustments, the sharp increase in these costs could not be fully reflected in the Group's pricing of products.

The resistance of customers towards price increases was primarily attributable to the weak consumer sentiment in the United States, where high unemployment and weak property market performance overshadowed the slow improvement in the overall economy, as well as the sovereign debt crisis in a number of Eurozone countries which draw attention to the underlying economic problems. In the lack of strong consumer interest, some customers took measures to simplify their product features or formats, or cancelled products that failed to meet their profit targets. Other customers threatened to switch suppliers or manufacturing bases that offered lower prices.

Taking a long-term strategy for sustainable growth, the Group continued to diversify into European countries that have strong economic fundamentals, and at the same time managed to increase its domestic sales in Mainland China by further penetrating into the consumption related sectors. As a result, the Group was able to further decrease its reliance on the United States market during the year under review. Moreover, by allocating more resources to growth sectors such as luxury packaging and children's books, the Group was able to increase its presence in market segments that are more receptive to quality products at reasonable prices.

Moving ahead, the Group is considering implementing additional measures to enhance its productivity, such as adopting a more extensive lean manufacturing program. In addition, the Group is examining other feasible means to improve its profitability, such as further expansion into the information technology sector and the better utilization of the Group's manufacturing network in Mainland China.

Southern China Operation

For the year ended 31st March, 2011, the Group's southern China operation recorded an increase in turnover but a decline in net profit. Significant improvement was seen in the sales of the printing and packaging division, driven by restocking and new product launches by major customers in the toy and information technology sectors. In addition, strong growth was achieved in the luxury packaging business of the southern China operation as the Group continued with its strong endeavors to penetrate and expand in the French market. Other business categories including children's books also recorded satisfactory sales growth. The Group intends to leverage on its strength in these categories to further penetrate other European countries.

Confronting the challenge of rising operating costs, the three southern China plants are taking the lead in the implementation of lean manufacturing, standardization and automation policies as well as enhancement and optimization of operating procedures, in order to achieve green production with minimum waste of raw materials and to further enhance the Group's overall competitiveness. Recognizing the difficulty for suppliers to increase prices given the prevailing high unemployment and weak consumer sentiment in the United States and Europe at large, the Group is exploring new growth opportunities to increase its profit margins, such as the means and strategy of further expanding into the consumption and related industries in Mainland China. In this regard, a new manufacturing operation will be set up in a leased facility in Wuhan, the capital city of the Hubei province, to provide printing and packaging services for a world-renowned information technology corporation selling products in China and the international markets. Moreover, the Group strives to expand the huge packaging market in central China as a major target.

Overall, as the global economic outlook remains uncertain, the southern China division will continue to strictly control its capital investment and closely monitor its stocks and customer credits. However, the management is and will also be carefully monitoring the market and will act swiftly and forcefully as and when opportunities arise.

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 receiving 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.

In November 2010, Mr. Lam Kwong Yu, the Chairman of Starlite Holdings Limited, was granted the NUS Business School Eminent Business Alumni Award by the National University of Singapore Business School. The Award recognizes those alumni who have made exceptional accomplishments in the industry and outstanding contributions to the society and the NUS Student Body. Mr. Lam is the only Chinese alumnus in the history of the NUS Business School to receive this Award.

In December 2010, Starlite Holdings Limited won the Major Printing Enterprise Gold Award of the Excellent Printing Management Award (EPMG) 2010, which is part of the annual Hong Kong Print Awards. Jointly organized by the Graphic Arts Association of Hong Kong and the Hong Kong Quality Assurance Agency, the EPMG aims to encourage organizations in the printing industry to strive for improvement and excellence in both management and performance objectives, focusing on five areas including management commitment, environmental protection, quality, corporate social responsibility, and customer relations.

Eastern China Operation

As a strategic move to expand the Group's domestic sales in the Mainland, the eastern China operation has adopted an aggressive pricing strategy. This led to an increase in sales at the expense of profit in the short term, as the pricing of products could not fully reflect the much higher operating costs. Hence, the eastern China operation recorded a loss during the year under review.

The management is taking additional measures to improve the performance of the eastern China operation, including the better identification of customer groups that could generate more profits. These measures will help the Group to further increase its domestic sales in China in tapping into the success of certain domestic business sectors, such as the cosmetics and health care sectors. At the same time, the eastern China operation will also examine ways to streamline workflow and increase automation or semi-automation with a view of enhancing its operating efficiency.

In August 2010, Starlite won the Benny Award, the highest honour in the 2010 Premier Print Awards, for the novelty book *Amazing Shanghai* it jointly published as a memorabilia for the World Expo 2010 in Shanghai. Hosted by Printing Industries of America, the Premier Print Awards are the printing industry's oldest and largest international graphic arts competition. The Benny Award is named after Benjamin Franklin, one of the most influential scientists in history, and this award is awarded to *Amazing Shanghai* in the Novelty Books category for the book's excellence in print communications for 2010.

South East Asia Operation

The Group's Singapore subsidiary, Starlite Printers (Far East) Pte Ltd, recorded a growth in turnover but a decline in profit during the year under review. The company managed to increase its sales to the Asia-Pacific region and further expanded into the New Zealand market. Nevertheless, due to the substantial increase in the prices of raw materials, and coupled with the need to stay competitive in the marketplace in view of the appreciation of the Singaporean dollar, the significant rise in costs could not be fully transferred to customers, thus affecting the profit margins of the Singapore subsidiary.

In order to enhance its profitability and to further expand its business in the Asia-Pacific region, the Singapore subsidiary commenced a new post-press operation in Malaysia in July 2010. With respect to the growth strategy of the Singapore subsidiary, the management intends to continue to leverage on its innovative design, printing and packaging technology rather than to compete solely on prices.

In October 2010, the Singapore subsidiary received the Merit Award of the distinguished 3R Packaging Awards 2010 for its successful development of an ink-mixing facility that significantly reduces the wastage of ink and contributes to a more sustainable environment. This was the first time that the Singapore subsidiary participated in the 3R Packaging Awards.

In November 2010, the Singapore subsidiary was awarded the WorldStar Packaging Award 2010 for the Coca-Cola Christmas Promotion Pack and the Johnnie Walker 20cl F1 Box produced by it. Both packaging products are also winners of the AsiaStar 2010 and the Singapore Packaging Star Awards 2010. The WorldStar competition is organized by the World Packaging Organization, a non-profit, non-governmental, international federation of national packaging institutes and associations, regional packaging federations and other interested parties including corporations and trade associations. The AsiaStar Award is organized by the Asian Packaging Federation and the Singapore Packaging Star Award is organized by the Packaging Council of Singapore.

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, 2011, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$197 million.

During the year under review, the interest expense of the Group amounted to approximately HK$10 million compared to approximately HK$8 million recorded last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB28 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 31st March, 2011, the Group had a working capital surplus of approximately HK$163 million compared to a working capital surplus of approximately HK$118 million as at 31st March, 2010. The Group's net gearing ratio as at 31st March, 2011 was 4% (31st March, 2010: 10%), based on short-term and long-term bank borrowings and bill payables, net of bank balance and cash of approximately HK$25 million (31st March, 2010: HK$52 million), and shareholders' funds of approximately HK$583 million (31st March, 2010: HK$545 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 31st March, 2011, certain assets of the Group with an aggregate book carrying value of approximately HK$51 million (31st March, 2010: HK$39 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 set off the Group's commitments of Renminbi-denominated operating expenses in Mainland China and accordingly, reducing Renminbi exchange rate exposure. 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 relationship with its employees, providing them with competitive packages, incentive schemes as well as various training programmes. The Group has maintained a Share Option Scheme under which share options can be granted to certain employees (including executive directors 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 such communities.

In the past years, the Group has allocated significant resources to energy conservation and environmental protection, provided venues and platforms of training and job opportunities for young people, and actively supported help-poor and schooling campaigns as well as disaster relief efforts in China. Apart from providing financial support, the Group also contributes people and time to various charity drives. In many circumstances, the Group's Chairman makes initiative to organize joint efforts with other enterprises and friends to pool resources together for the maximum benefits of those in need.

During the year under review, the Group and its staff made financial and other support to the following organizations:

- The HK Seagulls Scholarship Scheme
- China Overseas Friendship Association, with donation made for the construction of a rural clinic
- The Government of Meixi Town, Mei County, with donation made for road construction
- Donation to the Federation of Returned Overseas Chinese of Meizhou City for poverty relief
- The Federation of Hong Kong Guangdong Community Organisations, with donation made to support the scheme of "Building Reconstruction for Flood-hit Western Guangdong Province
- Support to Students in Jiaying University
- Donation to Meizhou Women Federation for poverty relief
- Support to Future Star Foundation Limited for organising educational programmes on Chinese affairs

LOOKING AHEAD

There are strong indications that the operating costs in Mainland China will continue to rise due to wage increases and the likely appreciation of Renminbi going forward. According to official Chinese media reports, it is expected that China will set up a wage distribution and regulation system and promote collective wage negotiations as part of the means to establish a regular wage growth mechanism in 2011. Quoting the Ministry of Human Resources and Social Security, it was reported 13 provinces have already raised their minimum wages by an average of 22.8 percent so far this year, with more cities likely to see a pay rise within the year. The Ministry plans to increase the minimum wages by at least 15 percent annually in the next five years, or more than doubling it by 2015, in order to narrow the gap between the rich and the poor as well as promoting internal demand to ease China's dependence on exports.

Determined to turn the odds in our favour, the Group is striving to increase its domestic sales in China to capture the opportunities arising from the anticipated strong growth of consumption in the Mainland. On the other hand, the Group is also actively seeking to increase its sales in the Asia-Pacific region and the core European market for high-end packaging products, while maintaining solid sales to the United States to capture opportunities that may arise from a full recovery of this market that remains the world's largest. Furthermore, there are clear signs that multinational corporations are becoming more environmentally conscious in response to strong consumers' demand. Many of them have already implemented measures to ensure that the materials used in their products are from responsible forest sources. This growing trend may offer new opportunities for larger companies like Starlite that compete with business integrity and environmental compliance policies. The Group is strengthening and leveraging on its strengths in this respect as part of the means to achieve long-term sustainable growth.

We firmly believe that in the ebbs and flows of the market, the troughs are always opportunities for the strong and graveyards for the weak.

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, 2011.

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, 2011 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, 2011, 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, 15th August, 2011 to Wednesday, 17th August, 2011 (both dates inclusive), and Monday, 22nd August, 2011 to Wednesday, 24th August, 2011(both dates inclusive), during which periods no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 17th August, 2011, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 12th August, 2011.

In order to qualify for the final dividends, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 19th August, 2011.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk under "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, 2011 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, 24th June, 2011

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 and Mr. Cheung Chi Shing, Charles 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.*