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, 2012

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, 2012 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement
For the year ended 31st March, 2012

	Note	**2012**	2011
		HK$'000	HK$'000
Revenue	2	**1,359,676**	1,545,238
Cost of sales		**(1,121,596)**	(1,279,692)
Gross profit		**238,080**	265,546
Other gains – net	3	**3,892**	1,362
Impairment of property, plant and equipment	4	**(27,755)**	-
Selling and distribution costs		**(73,239)**	(85,504)
General and administrative expenses		**(153,622)**	(134,957)
Operating (loss)/profit	5	**(12,644)**	46,447

Consolidated Income Statement (Continued)
For the year ended 31st March, 2012

	Note	**2012**	2011
		HK$'000	HK$'000
Finance income		**422**	357
Finance costs		**(8,391)**	(9,756)
Finance costs – net	6	**(7,969)**	(9,399)
(Loss)/profit before income tax		**(20,613)**	37,048
Income tax expense	7	**(3,512)**	(11,988)
(Loss)/profit for the year attributable to the equity holders of the Company		**(24,125)**	25,060
(Losses)/earnings per share attributable to the equity holders of the Company during the year			
(expressed in HK cents per share)	8		
- Basic		**(4.59)**	4.78
- Diluted		**(4.59)**	4.74
Dividends	9	**10,502**	13,128

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2012

	2012	2011
	HK$'000	HK$'000
(Loss)/profit for the year	**(24,125)**	25,060
Other comprehensive income :		
(Decrease)/increase in fair value of available-for-sale financial assets	**(33)**	182
Currency translation differences	**9,314**	25,738
Other comprehensive income for the year	**9,281**	25,920
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	**(14,844)**	50,980

Consolidated Statement of Financial Position

As at 31st March, 2012

	Note	**As at 31st March, 2012 HK$'000**	As at 31st March, 2011 HK$'000
ASSETS			
Non-current assets			
Land use rights		**26,854**	26,743
Property, plant and equipment		**431,891**	446,402
Prepayments for property, plant and equipment		**3,642**	1,135
Available-for-sale financial assets		**1,400**	1,433
Deferred income tax assets		**2,178**	2,548
		465,965	478,261
Current assets			
Inventories		**106,133**	142,193
Trade and bill receivables	10	**214,743**	236,633
Prepayments and deposits		**16,626**	13,748
Tax recoverable		**122**	51
Bank deposits with maturity over 3 months from date of deposits		**20,910**	18,402
Cash and cash equivalents		**189,517**	178,343
		548,051	589,370
LIABILITIES			
Current liabilities			
Borrowings		**202,225**	168,832
Trade and bill payables	11	**110,614**	154,973
Accruals and other payables		**74,900**	68,099
Derivative financial instruments		**2,536**	3,349
Tax payable		**28,644**	30,737
		418,919	425,990
Net current assets		**129,132**	163,380
Total assets less current liabilities		**595,097**	641,641
Non-current liabilities			
Borrowings		**29,367**	45,561
Deferred income tax liabilities		**10,581**	12,963
		39,948	58,524
Net assets		**555,149**	583,117
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**52,514**	52,514
Reserves	12	**502,635**	530,603
Shareholders' equity		**555,149**	583,117

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 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.

As at 31st March, 2012, the Group had breached certain financial covenants in respect of borrowings of approximately HK$64,577,000 and accordingly the non-current portion of these borrowings, amounting to approximately HK$40,891,000, has been reclassified as current liabilities as at 31st March, 2012. Nonetheless, the directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due and, accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

The following revised standards, amendments to standards and interpretations are mandatory for the first time for the year ended 31st March, 2012. The Group has adopted these revised standards, amendments to standards and interpretations where considered appropriate and relevant to its operations.

- HKAS 24 (Revised), "Related Party Transactions"
- HKAS 32 (Amendment), "Classification of Rights Issues"
- HKFRS 1 (Amendment), "Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters"
- HK(IFRIC) - Int 14 (Amendment), "Prepayments of a Minimum Funding Requirement"
- HK(IFRIC) - Int 19, "Extinguishing Financial Liabilities with Equity Instruments"
- HKFRSs (Amendment), "Improvements to HKFRSs 2010"

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

1. Basis of preparation (Continued)

The following new standards, amendments to standards and interpretation have been issued but are not mandatory for the year ended 31st March, 2012 and have not been early adopted:

- HKAS 1 (Amendment), "Presentation of Financial Statements", effective for annual periods beginning on or after 1st July, 2012
- HKAS 12 (Amendment), "Deferred Tax: Recovery of Underlying Assets", effective for annual periods beginning on or after 1st January, 2012
- HKAS 19 (Amendment), "Employee Benefits", effective for annual periods beginning on or after 1st January, 2013
- HKAS 27 (revised 2011), "Separate Financial Statements", effective for annual periods beginning on or after 1st January, 2013
- HKAS 28 (revised 2011), "Associates and Joint Ventures", effective for annual periods beginning on or after 1st January, 2013
- HKAS 32 (Amendment), "Offsetting Financial Assets and Financial Liabilities", effective for annual periods beginning on or after 1st January, 2014
- HKFRS 7 (Amendment), "Disclosures - Transfers of Financial Assets", effective for annual periods beginning on or after 1st July, 2011
- HKFRS 7 (Amendment), "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities", effective for annual periods beginning on or after 1st January, 2013
- HKFRS 7 and HKFRS 9 (Amendment), "Mandatory Effective Date and Transition Disclosures", effective for annual periods beginning on or after 1st January, 2015
- HKFRS 9, "Financial Instruments", effective for annual periods beginning on or after 1st January, 2015
- HKFRS 10, "Consolidated Financial Statements", effective for annual periods beginning on or after 1st January, 2013
- HKFRS 11, "Joint Arrangements", effective for annual periods beginning on or after 1st January, 2013
- HKFRS 12, "Disclosures of Interests in Other Entities", effective for annual periods beginning on or after 1st January, 2013
- HKFRS 13, "Fair Value Measurements", effective for annual periods beginning on or after 1st January, 2013
- HK(IFRIC) - Int 20, "Stripping Costs in the Production Phase of a Surface Mine", effective for annual periods beginning on or after 1st January, 2013

The Group is currently assessing the likely impact of the adoption of these new standards, amendments to standards and interpretation above to the Group in future periods. In addition, the Group is in the process of making an assessment of the impact of the "Annual Improvements to HKFRSs 2009 - 2011", which will be effective for annual periods beginning on or after 1st January, 2013. It has concluded that both are unlikely to 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:

	2012	2011
	HK$'000	HK$'000
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,332,029**	1,519,552
Others	**27,647**	25,686
	1,359,676	1,545,238

(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, and assesses performance based on revenue, operating profit/(loss), net profit/(loss), 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, 2012 and 2011 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, 2012				
Total revenue	1,024,206	260,116	204,308	1,488,630
Segment revenue	(899)	(128,055)	-	(128,954)
Revenue (from external customers)	1,023,307	132,061	204,308	1,359,676
Operating (loss)/profit	(11,609)	(19,410)	18,375	(12,644)
Finance income	244	135	43	422
Finance costs	(6,485)	(1,833)	(73)	(8,391)
Income tax expense	(956)	(623)	(1,933)	(3,512)
(Loss)/profit for the year	(18,806)	(21,731)	16,412	(24,125)
Other information :				
Depreciation and amortisation for the year	35,721	26,203	4,700	66,624
Capital expenditure	37,937	2,850	31,738	72,525
Impairment of property plant and equipment	-	(27,755)	-	(27,755)

	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

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, 2012, and 2011 is as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2012				
Segment assets	621,102	234,265	156,349	1,011,716
Deferred income tax assets	56	2,122	-	2,178
Tax recoverable	122	-	-	122
Total assets	621,280	236,387	156,349	1,014,016
Segment liabilities	320,652	57,843	41,147	419,642
Deferred income tax liabilities	7,309	-	3,272	10,581
Tax payable	25,303	123	3,218	28,644
Total liabilities	353,264	57,966	47,637	458,867

	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
Tax payable	27,036	-	3,701	30,737
Total liabilities	366,042	82,669	35,803	484,514

3. Other gains – net

	2012	2011
	HK$'000	HK$'000
Net exchange gains/(losses)	**1,871**	(1,202)
Fair value gains on foreign exchange forward contracts	**-**	66
Net losses on disposals of property, plant and equipment	**(51)**	(10)
Write-back of provision for impairment of property, plant and equipment	**-**	392
Gain on disposal of trademark	**-**	225
Others	**2,072**	1,891
	3,892	1,362

4. Impairment of property, plant and equipment

During the year, the directors conducted a review of the Group's property, plant and equipment based on geography and determined that certain property, plant and equipment were impaired.

Impairment losses of approximately HK$27,755,000 have been recognised in respect of certain property, plant and equipment, which were used in Eastern China. The recoverable amounts of the relevant assets have been determined on the basis of their value in use.

The value in use is determined using pre-tax cash flow projections based on the financial budgets approved by management covering a seven-year period.

The key assumptions used for value in use calculations in 2012 are as follows:

	Southern China	Eastern China
Estimated sales growth rate in 2013:	6%	10%
Estimated sales growth rate in 2014 to 2017:	4%	4%
Estimated sales growth rate in 2018 to 2019:	4%	4%
Discount rate:	10%	13%

Management determined the above estimated sales growth rates based on its expectations of market development.

The discount rates used reflect specific risks relating to the relevant operating segments.

5. Operating (loss)/profit

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

	2012	2011
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**370,513**	355,240
Amortisation of land use rights	**744**	712
Depreciation of property, plant and equipment	**65,880**	63,274
Provision for/(write-back of) provision for impairment of receivables	**2,678**	(10,968)
(Write back of)/provision for inventory obsolescence	**(546)**	2,823

6. Finance costs – net

	2012	2011
	HK$'000	HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**7,361**	8,137
- not wholly repayable within five years	**88**	3
Fair value loss on interest-rate swaps		
- realised	**1,756**	1,768
- unrealised	**(814)**	(152)
	8,391	9,756
Interest income from bank deposits	**(422)**	(357)
	7,969	9,399

7. 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% (2011: 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 (2011: 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.

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 paid from profits generated by Mainland China companies after 1st January, 2008 shall be subject to this withholding income tax. As at 31st March, 2012, the Group had not accrued any withholding income tax for the earnings from 1st January, 2008 to 31st March, 2012 of its Mainland China subsidiaries because the Group did not have any plans to distribute earnings from its Mainland China subsidiaries generated in the period from 1st January, 2008 to 31st March, 2012 in the foreseeable future.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 17% (2011: 17%).

7. Income tax expense (Continued)

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

	2012	2011
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**2,899**	6,200
- Mainland China Corporate Income Tax	**857**	4,131
- Singapore Corporate Income Tax	**3,232**	2,420
Overprovision in prior years	**(1,546)**	(4,562)
	5,442	8,189
Deferred income tax	**(1,930)**	3,799
	3,512	11,988

8. (Losses)/earnings per share

Basic

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

	2012	2011
(Loss)/profit attributable to the equity holders of the Company (HK$'000)	**(24,125)**	25,060
Weighted average number of ordinary shares in issue ('000)	**525,135**	524,137
Basic (losses)/earnings per share (HK cents)	**(4.59)**	4.78

Diluted

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. 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. The computation of diluted (losses)/earnings per share does not assume the exercise of the outstanding share options as the exercise price of these options is higher than the average market price for shares.

	2012	2011
(Loss)/profit attributable to the equity holders of the Company (HK$'000)	**(24,125)**	25,060
Weighted average number of ordinary shares in issue ('000)	**525,135**	524,137
Adjustments for share options ('000)	**-**	4,826
Weighted average number of ordinary shares for diluted (loss)/earnings per share ('000)	**525,135**	528,963
Diluted (losses)/earnings per share (HK cents)	**(4.59)**	4.74

9. Dividends

	2012	2011
	HK$'000	HK$'000
Interim dividend - HK$0.01 (2011: HK$0.01) per share	**5,251**	5,251
Proposed final dividend - HK$0.01 (2011: HK$0.015) per share	**5,251**	7,877
	10,502	13,128

The amount of proposed final dividend for 2012 was based on 525,135,288 shares in issue as at 28th June, 2012.

10. Trade and bill receivables

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

	2012	2011
	HK$'000	HK$'000
1 to 90 days	**186,351**	194,155
91 to 180 days	**30,494**	42,644
181 to 365 days	**3,465**	2,242
Over 365 days	**2,289**	2,740
	222,599	241,781
Less: Provision for impairment of receivables	**(7,856)**	(5,148)
	214,743	236,633

11. Trade and bill payables

The ageing of trade and bill payables is as follows:

	2012	2011
	HK$'000	HK$'000
1 to 90 days	**99,025**	133,877
91 to 180 days	**9,652**	18,312
181 to 365 days	**1,605**	2,187
Over 365 days	**332**	597
	110,614	154,973

12. 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, 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

12. 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
<u>Group</u>							
As at 1st April, 2011	127,796	1,169	2,122	697	63,420	335,399	530,603
Loss attributable to the equity holders of the Company	-	-	-	-	-	(24,125)	(24,125)
Other comprehensive income							
- Decrease in fair value of available-for-sale financial assets	-	-	-	(33)	-	-	(33)
- Currency translation differences	-	-	-	-	9,314	-	9,314
Total comprehensive loss for the year	-	-	-	(33)	9,314	(24,125)	(14,844)
Employee share option scheme							
- Lapse of share options	-	-	(184)	-	-	184	-
- Share based payments	-	-	4	-	-	-	4
Dividends paid	-	-	-	-	-	(13,128)	(13,128)
	-	-	(180)	-	-	(12,944)	(13,124)
As at 31st March, 2012	127,796	1,169	1,942	664	72,734	298,330	502,635
Representing:							
- Proposed dividend	-	-	-	-	-	5,251	5,251
- Others	127,796	1,169	1,942	664	72,734	293,079	497,384
	127,796	1,169	1,942	664	72,734	298,330	502,635

RESULTS

The Group recorded a loss attributable to shareholders of approximately HK$24 million for the year ended 31st March, 2012 as compared to a profit attributable to shareholders of approximately HK$25 million recorded last year. Turnover of the Group for the year ended 31st March, 2012 amounted to approximately HK$1,360 million, a decrease of 12% compared with last year.

The incurring of a loss is mainly attributable to (i) a significant decline in the Group's sales to the United States and Europe due to the unfavourable market environment overclouding these two major economic blocs; (ii) the rising operating costs (in particular, labor costs) in China and the prevailing high price of raw materials, which could not be fully passed on to customers due to intense competition in the printing and packaging industry; and (iii) an impairment provision on property, plant and equipment of approximately HK$28 million made by the Group for the year ended 31st March, 2012 in respect of its eastern China operation.

The United States remained the Group's largest market during the year under review, followed by Europe. As a result of severe deterioration in the European economy, the Group's sales to Europe recorded a decline compared to a growth in the previous year. Paper products maintained their sales volumes notwithstanding the sluggish consumer sentiment in most markets, proving once again that such products are more resilient during economic downturns.

Despite the unsatisfactory results for the year ended 31st March, 2012, the Board considers that the overall financial position and operations of the Group remain solid. The Group is implementing multi-pronged measures to increase its sources of revenue and improve its performance, details of which are described in the "Business Review and Prospects" section.

DIVIDENDS

The Directors recommend a final dividend of HK1 cent (2011: HK1.5 cents) per share for the year ended 31st March, 2012 payable on Wednesday, 19th September, 2012 to shareholders whose names appear on the Register of Members on Friday, 24th August, 2012. Together with the interim dividend of HK1 cent (2011: HK1 cent) paid, the aggregate dividend for the financial year will be HK2 cents per share (2011: HK2.5 cents).

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

During the year ended 31st March, 2012, with the United States economy fluctuating and the European debt crisis escalating, consumer sentiment in these two major economic blocs were adversely affected, causing multinational importers and domestic retailers to reduce purchases and prices for their orders. As a result, the Group experienced a 12% decline in turnover during the year, marked by lower sales and pricing.

Moreover, the Group's profit margins were dealt a further blow by the rising operating costs in China and the prevailing high prices of raw materials across the board. In Shenzhen, Guangzhou, Shaoguan and Suzhou, where the Group's China plants are located, the minimum wages have further increased by double digits during the year under review. Due to labor shortages, some of the Group's plants have had to offer higher-than-minimum wages in order to retain staff and attract new workers. Other expenses including the cost of raw materials also increased, largely as a result of the high prices of oil and other commodities. Due to intense competition in the printing and packaging industry, the additional costs could not be fully passed on to customers.

In view of the sustained downturn in the global marketplace particularly in Europe, the Group is focusing on optimizing the use of resources and increasing its competitiveness. In this regard, the Group's resources will be allocated on a cost-efficient basis to the following areas: (i) expansion of domestic sales in China, as well as new business development in market segments that have reasonable profit margins with less susceptibility to seasonal factors; (ii) extension of lean manufacturing practices and automation in the Group's Mainland plants to further reduce manufacturing costs and increase operating efficiency; (iii) repair and maintenance of plants and machinery to enhance the performance of assets; (iv) engagement in original design manufacturing business by leveraging on the Group's existing innovative design capability; and (v) expansion of the Group's manufacturing capacity in Malaysia to help reduce costs and expand sales to the Asia-Pacific. Details of the measures are described in the sections below.

The management is hopeful that these multi-pronged measures will enable the Group to increase its sources of revenue and improve its performance while maintaining a strong financial position and a prudent cap on capital investment. The management will continue to explore other means that can better utilize the Group's manufacturing network and resources in China in the long term.

Southern China Operation

Maintaining its position as the largest contributor to the Group's turnover, the southern China operation experienced a decline in sales and recorded a loss during the year ended 31st March, 2012. Its printing and packaging business was adversely affected by major cutbacks from customers on restocking and new product launches in the wake of worsening consumer sentiment, while intense competition in the printing and packaging industry brought down the price of orders. Paper products managed to show a marginal growth in sales, proving once again that these products are more sustainable in times of economic downturn. The Group intends to leverage on its strength in these categories to increase its market penetration and develop new market segments.

In view of the rising operating costs in Mainland China, the southern China operation is taking the lead in deepening the implementation of lean manufacturing, standardization and automation policies as well as enhancement and optimization of operating procedures, in order to minimize the waste of raw materials and enhance the Group's overall competitiveness. Moreover, the Group is actively expanding into the original design manufacture business and exploring other means to better utilize the Group's manufacturing network and resources in China.

Overall, as the global economic outlook remains highly 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.

The Group has been putting strong emphasis on research and development. Apart from participating in the standardization efforts of printing technology with the state and international institutes in recent years, the Group's subsidiary, Starlite Printers (Shenzhen) Co., Ltd., is also applying for patents on 10 major achievements in the research and development of production technology which are pending approval.

In December 2011, Starlite won three prestigious prizes at the 23rd Hong Kong Print Awards. The Group's Embellished Desk Calendar 2012 was awarded "Champion of Stationery and Office Material Printing", the Embellished Dresses Card "Champion of Greeting / Invitation Card Printing", and the Neuhaus Createur Chocolatier box "Merit Prize of Consumer Product Paper Box". Co-organized by the Graphic Arts Association of Hong Kong, the Hong Kong Print Awards aim to enhance technology advancement and innovation in printing and publishing production, foster effective networking within the industry, and demonstrate the excellent quality of Hong Kong's printed products.

In January 2012, in a collaborative effort with Starlite, SGS, the world's leading inspection, testing, certification and verification company, opened a laboratory in Xixiang town, Baoan district, Shenzhen to provide flexible, speedy, efficient and professional one-stop certification solutions for toy manufacturers and other enterprises. The Xixiang facility will pioneer a streamlined and time-saving inspection model to simplify the testing and certification process to raise the overall competitiveness of manufacturers and raw material suppliers in Shenzhen and in the Pearl River Delta.

Eastern China Operation

As a strategic move, the eastern China operation in Suzhou has been adopting an aggressive pricing strategy to expand the Group's domestic sales on the Mainland. This led to a steady growth in sales at the expense of profit, as the pricing of products could not fully reflect the much higher operating costs. Hence, the eastern China operation has recorded an accumulated loss over the years. An impairment provision on property, plant and equipment of approximately HK$28 million has been made by the Group for the year ended 31st March, 2012.

Notwithstanding this, the eastern China operation has been able to make improvements during the year. The management will continue to implement measures to improve the performance of the eastern China operation. These measures include the better identification of customer groups that could generate more positive financial results; the streamlining of workflow; and the full implementation of lean manufacturing to enhance its overall operating efficiency. With the economy of the Yangtze River Delta gaining momentum, the eastern China operation is well positioned to benefit from the growth and expand the Group's domestic business in China.

South East Asia Operation

The Group's Singapore subsidiary, Starlite Printers (Far East) Pte Ltd, recorded a growth in profit despite a decline in turnover during the year under review. The positive performance can be attributed to the effective cost-control measures implemented by the Singapore subsidiary as well as the increased cost-efficiency brought by the post-press facility in Malaysia set up by the Singapore subsidiary in July 2010. Moreover, the Singapore subsidiary has been able to leverage on its innovative design, printing and packaging technology rather than to rely on price cuts.

In February 2012, the Group purchased a new factory in Johor, Malaysia to be managed by the Singapore subsidiary. Currently being under renovation, the new factory will install a new Heidelberg 6-Colour printing press, with a production trial run expected to take place in November 2012. The management believes that this expansion plan will enable the Singapore subsidiary to enjoy cost savings in view of the lower costs in Malaysia. Moreover, it will enable the Singapore subsidiary to further increase its capacity and expand its sales to new markets.

In July 2011, the Singapore subsidiary received the Merit Award of the distinguished 3R Packaging Awards 2011 for its successful reduction of the use of kraft paper and the development of an ink-mixing facility that significantly reduces the wastage of ink. The Singapore subsidiary was also awarded the Gold Award for having received the Merit Award for two consecutive years. The 3R Packaging Award is an initiative of the Singapore Packaging Agreement (SPA) to encourage companies to reduce product packaging through optimizing production processes, redesigning packaging, and increasing the reuse and recycling of packaging waste.

In November 2011, the Singapore subsidiary was awarded the WorldStar Packaging Award 2011 for the Guinness Plum Blossom CNY Box and the Rice Dumpling Box produced by it. 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.

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, 2012, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$210 million.

During the year under review, the interest expense of the Group amounted to approximately HK$8 million compared to approximately HK$10 million recorded last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB45 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 31st March, 2012, the Group had a working capital surplus of approximately HK$129 million compared to a working capital surplus of approximately HK$163 million as at 31st March, 2011. The Group's net gearing ratio as at 31st March, 2012 was 4% (31st March, 2011: 4%), based on short-term and long-term bank borrowings and bill payables, net of bank balance and cash of approximately HK$24 million (31st March, 2011: HK$25 million), and shareholders' funds of approximately HK$555 million (31st March, 2011: HK$583 million). As at 31st March, 2012, the Group has breached certain financial covenants of the loan facilities, management considers the Group has sufficient funds to meet its operation needs.

CHARGE ON ASSETS

As at 31st March, 2012, certain assets of the Group with an aggregate book carrying value of approximately HK$40 million (31st March, 2011: HK$51 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. The Renminbi-denominated sales revenue helps to set off the Group's commitments of Renminbi-denominated operating expenses in Mainland China, accordingly reducing Renminbi exchange rate exposure. Transaction values involving 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 relationships with its employees, providing them with competitive packages, incentive schemes as well as various training programmes. The Group has maintained a Share Option Scheme under which share options can be granted to certain employees (including executive directors 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 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 takes the 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:

- Hong Kong Mei Zhou Association, with donation made to support tree planting in Mei Zhou City
- Support to an education scheme at City University of Hong Kong
- Donation to Shaoguan City for poverty relief
- The Hong Kong Seagulls Scholarship Scheme
- Donation to the Federation of Returned Overseas Chinese of Meizhou City for poverty relief
- Support Scheme to Students in Meixian Nankou Middle School

LOOKING AHEAD

In a biannual economic update released in May 2012, the World Bank warned that East Asia, despite maintaining strong growth, remained vulnerable to the continued uncertainty in Europe through trade and financial linkages: "The EU, along with the US and Japan, accounts for over 40 percent of the region's direct export shipments and an estimated 60 percent if intraregional trade linked to production networks is taken into account. A serious disruption in the EU would also have knock-on effects on East Asia's exports and growth by lowering growth in other regions, particularly Eastern Europe. Moreover, European banks provide a third of trade and project finance in Asia."

Confronted by this great uncertainty, the Group is adopting a prudent approach in its allocation of resources, focusing primarily on sustaining and enhancing its competitive advantages. On the other hand, the Group is also making long-term plans to capture opportunities that are likely to emerge as the world economy eventually recovers. Such plans include the further development of domestic sales in China, the expansion into new markets and product categories, and the transformation of the Group into a high value manufacturer that provides innovative products and sophisticated service.

The management believes that the Group, with its strong competitive advantages, healthy finance, and prudent management, will be able to emerge as one of the major winners as the printing and packaging industry in China goes through these testing times.

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, 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code Provisions in 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, 2012 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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. All Directors have confirmed that, in respect of the year ended 31st March, 2012, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors with the following exception.

Mr. Lam Kwong Yu was married in April of 2011 and was not, at the relevant times, aware that his spouse had held shares of the Company until subsequently (see below), and that, during several occasions from April to June of 2011 after their marriage, his spouse had further acquired 840,000 shares of the Company without obtaining the prior approval of the Company's chairman. Certain of the said acquisitions occurred during a black-out period of the Company, but neither Mr. Lam Kwong Yu nor his spouse was in possession of any price sensitive information during the relevant times of the acquisitions. Mr. Lam Kwong Yu only became aware of his spouse's ownership and acquisitions of the shares in July of 2011 and upon which, he had then promptly notified and reported the same, first to the Company and then, to the Stock Exchange. Mr. Lam Kwong Yu had also since then advised his spouse as to his obligations under the Model Code and applicable laws.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 13th August, 2012 to Wednesday, 15th August, 2012 (both dates inclusive), and Thursday, 23rd August, 2012 to Friday, 24th August, 2012 (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, 15th August, 2012, 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, 10th August, 2012.

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 Wednesday, 22nd August, 2012.

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, 2012 will be dispatched to the shareholders and published on the above websites in due course.

On behalf of the Board
Starlite Holdings Limited
Lam Kwong Yu
Chairman

Hong Kong, 28th June, 2012

As at the date of this announcement, the Executive Directors of the Company are Mr. Lam Kwong Yu, Mr. Tai Tzu Shi, Angus and Mr. Cheung Chi Shing, Charles, Non-Executive Director is Ms. Yeung Chui and the Independent Non-Executive Directors are Mr. Chan Yue Kwong, Michael, Mr. Kwok Lam Kwong, Larry, BBS, JP and Mr. Tam King Ching, Kenny.

* *For identification purpose only.*