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STARLITE

HOLDINGS LIMITED

星光集團有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

STOCK CODE 股份代號: 403

Website : http://www.hkstarlite.com
http://www.irasia.com/listco/hk/starlite

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2015

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, 2015 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31st March, 2015

	Note	2015	2014
		HK$'000	HK$'000
Revenue	2	**1,591,655**	1,456,556
Cost of sales		**(1,292,391)**	(1,159,881)
Gross profit		**299,264**	296,675
Other (losses)/gains – net	3	**(242)**	4,079
Selling and distribution costs		**(96,783)**	(85,912)
General and administrative expenses		**(182,848)**	(177,967)
Operating profit	4	**19,391**	36,875

* *For identification purpose only.*

Consolidated Income Statement (Continued)
For the year ended 31st March, 2015

	Note	**2015**	2014
		HK$'000	HK$'000
Finance income		**403**	383
Finance costs		**(10,144)**	(10,376)
Finance costs – net	5	**(9,741)**	(9,993)
Profit before income tax		**9,650**	26,882
Income tax expense	6	**(6,999)**	(11,825)
Profit for the year attributable to the equity holders of the Company		**2,651**	15,057
Earnings per share attributable to the equity holders of the Company during the year			
(expressed in HK cents per share)	7		
- Basic		**0.50**	2.87
- Diluted		**0.50**	2.87
Dividends	8	**5,251**	13,128

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2015

	2015	2014
	HK$'000	HK$'000
Profit for the year	**2,651**	15,057
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Increase/(decrease) in fair value of available-for-sale financial assets	**400**	(143)
Currency translation differences	**(14,368)**	(4,251)
Other comprehensive income for the year, net of tax	**(13,968)**	(4,394)
Total comprehensive income for the year attributable to the equity holders of the Company	**(11,317)**	10,663

Consolidated Statement of Financial Position

As at 31st March, 2015

	Note	**As at 31st March, 2015 HK$'000**	As at 31st March, 2014 HK$'000
ASSETS			
Non-current assets			
Land use rights		**24,850**	25,592
Property, plant and equipment		**411,544**	428,190
Prepayments for property, plant and equipment		**1,188**	28,275
Available-for-sale financial assets		**10,221**	5,316
Deferred income tax assets		**3,079**	2,139
		450,882	489,512
Current assets			
Inventories		**107,200**	120,608
Trade and bill receivables	9	**259,913**	230,218
Prepayments and deposits		**19,686**	30,215
Tax recoverable		**455**	505
Bank deposits with maturity over 3 months from date of deposits		**4,566**	10,599
Cash and cash equivalents		**211,155**	216,050
		602,975	608,195
LIABILITIES			
Current liabilities			
Borrowings		**180,196**	161,566
Finance lease obligations		**3,824**	4,036
Trade and bill payables	10	**140,413**	135,940
Accruals and other payables		**105,812**	110,077
Tax payable		**14,184**	39,329
		444,429	450,948
Net current assets		**158,546**	157,247
Total assets less current liabilities		**609,428**	646,759
Non-current liabilities			
Borrowings		**69,701**	77,683
Finance lease obligations		**-**	4,340
Deferred income tax liabilities		**2,784**	5,974
		72,485	87,997
Net assets		**536,943**	558,762
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**52,514**	52,514
Reserves	11	**484,429**	506,248
Shareholders' equity		**536,943**	558,762

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.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 new standards, amendments to standards and interpretation are mandatory for the Group's financial year beginning 1st April, 2014. The adoption of these new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group; certain additional disclosures have resulted.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

1. Basis of preparation (Continued)

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1st April, 2014 and have not been early adopted by the Group. The Group has commenced an assessment of the impact of these new standards and amendments to standards but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

HKAS 1 Amendments	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKAS 19 Amendment	Defined Benefit Plans: Employee Contributions[1]
HKAS 27 Amendment	Equity method in separate financial statements[2]
HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRSs Amendment	Annual Improvements 2010-2012 Cycle[1]
HKFRSs Amendment	Annual Improvements 2011-2013 Cycle[1]
HKFRSs Amendment	Annual improvements 2012-2014 Cycle[2]

[1] effective for annual periods beginning on or after 1st July 2014
[2] effective for annual periods beginning on or after 1st January 2016
[3] effective for annual periods beginning on or after 1st January 2017
[4] effective for annual periods beginning on or after 1st January 2018

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3rd March, 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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:

	2015	2014
	HK$'000	HK$'000
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,562,468**	1,430,648
Others	**29,187**	25,908
	1,591,655	1,456,556

(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 reported the results of 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), profit/(loss) for the year, 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, 2015 and 2014 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, 2015				
Total revenue	1,173,924	331,526	192,238	1,697,688
Inter-segment revenue	(665)	(105,265)	(103)	(106,033)
Revenue (from external customers)	1,173,259	226,261	192,135	1,591,655
Operating profit/(loss)	(3,022)	10,968	11,445	19,391
Finance income	141	225	37	403
Finance costs	(7,278)	(1,515)	(1,351)	(10,144)
Income tax expense	(4,219)	(2,402)	(378)	(6,999)
Profit/(loss) for the year	(14,378)	7,276	9,753	2,651
Other information :				
Depreciation and amortisation for the year	35,391	21,081	8,605	65,077
Capital expenditure	25,735	1,796	3,013	30,544

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
For the year ended 31st March, 2014				
Total revenue	1,050,327	323,159	193,550	1,567,036
Inter-segment revenue	(156)	(110,324)	-	(110,480)
Revenue (from external customers)	1,050,171	212,835	193,550	1,456,556
Operating profit	4,324	22,981	9,570	36,875
Finance income	127	222	34	383
Finance costs	(7,397)	(1,433)	(1,546)	(10,376)
Income tax expense	(3,706)	(6,845)	(1,274)	(11,825)
Profit/(loss) for the year	(6,652)	14,925	6,784	15,057
Other information :				
Depreciation and amortisation for the year	32,516	25,160	8,132	65,808
Capital expenditure	54,784	9,565	18,523	82,872

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, 2015, and 2014 is as follows:

As at 31st March, 2015	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Segment assets	641,044	242,800	166,479	1,050,323
Deferred income tax assets	395	2,684	-	3,079
Tax recoverable	455	-	-	455
Total assets	641,894	245,484	166,479	1,053,857
Segment liabilities	356,521	90,633	52,792	499,946
Deferred income tax liabilities	2,784	-	-	2,784
Tax payable	10,179	1,269	2,736	14,184
Total liabilities	369,484	91,902	55,528	516,914

As at 31st March, 2014	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Segment assets	665,131	242,715	187,217	1,095,063
Deferred income tax assets	426	1,713	-	2,139
Tax recoverable	64	441	-	505
Total assets	665,621	244,869	187,217	1,097,707
Segment liabilities	360,916	67,996	64,730	493,642
Deferred income tax liabilities	3,865	-	2,109	5,974
Tax payable	36,790	-	2,539	39,329
Total liabilities	401,571	67,996	69,378	538,945

3. Other (losses)/gains – net

	2015	2014
	HK$'000	HK$'000
Net exchange (losses)/gains	**(8,009)**	236
Net gains on disposals of property, plant and equipment	**2,209**	1,191
Others	**5,558**	2,652
	(242)	4,079

4. Operating profit

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

	2015	2014
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**517,111**	461,439
Amortisation of land use rights	**762**	772
Depreciation of property, plant and equipment	**64,315**	65,036
Provision for impairment of trade receivables	**9,163**	1,524
Write-back of provision for inventory obsolescence	**(2,201)**	(1,404)

5. Finance costs – net

	2015	2014
	HK$'000	HK$'000
Interest expense on bank borrowings	**9,690**	9,669
Interest on finance leases	**454**	703
Fair value loss/ (gain) on interest-rate swaps		
- realised	**-**	888
- unrealised	**-**	(884)
	10,144	10,376
Interest income from bank deposits	**(403)**	(383)
	9,741	9,993

6. Income tax expense

The Company is exempted from taxation in Bermuda until 2035. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 rate of 25% during the year (2014: 25%).

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 paid from profits generated by Mainland China companies after 1st January, 2008 shall be subject to this withholding income tax. As at 31st March, 2015, the Group had not accrued any withholding income tax for the earnings from 1st January, 2008 to 31st March, 2015 of its Mainland China subsidiaries because the Group has no plans to distribute earnings from its Mainland China subsidiaries generated in the period from 1st January, 2008 to 31st March, 2015 in the foreseeable future.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 17% (2014: 17%).

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

	2015	2014
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**2,314**	3,345
- Mainland China Corporate Income Tax	**6,262**	7,264
- Singapore Corporate Income Tax	**2,442**	2,004
Under provision in prior years	**64**	594
	11,082	13,207
Deferred income tax	**(4,083)**	(1,382)
	6,999	11,825

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.

	2015	2014
Profit attributable to the equity holders of the Company (HK$'000)	**2,651**	15,057
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic earnings per share (HK cents)	**0.50**	2.87

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. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. There were no share options outstanding during the year ended 31st March, 2014 and 31st March, 2015.

For the year ended 31st March, 2015 and 31st March, 2014, diluted earnings per share equals basic earnings per share as there were no dilutive potential shares.

8. Dividends

	2015	2014
	HK$'000	HK$'000
Interim dividend – HK$0.01 (2014 : HK$0.01) per share	**5,251**	5,251
Special dividend – nil (2014 : HK$0.005) per share	**-**	2,626
Proposed final dividend – nil (2014: HK$0.01) per share	**-**	5,251
	5,251	13,128

9. 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:

	2015	2014
	HK$'000	HK$'000
1 to 90 days	**213,565**	202,860
91 to 180 days	**46,360**	24,515
181 to 365 days	**8,989**	7,074
Over 365 days	**6,666**	2,315
	275,580	236,764
Less: provision for impairment of trade receivables	**(15,667)**	(6,546)
	259,913	230,218

10. Trade and bill payables

The ageing of trade and bill payables is as follows:

	2015	2014
	HK$'000	HK$'000
1 to 90 days	**113,909**	125,843
91 to 180 days	**18,577**	5,588
181 to 365 days	**7,098**	4,329
Over 365 days	**829**	180
	140,413	135,940

11. Reserves

Movements were as follows :

	Share premium HK$'000	Capital reserve HK$'000	Investment reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Group						
As at 1st April, 2013	127,796	1,792	1,160	78,838	299,127	508,713
Profit attributable to the equity holders of the Company	-	-	-	-	15,057	15,057
Other comprehensive income						
- Decrease in fair value of available-for-sale financial assets	-	-	(143)	-	-	(143)
- Currency translation differences	-	-	-	(4,251)	-	(4,251)
Total comprehensive income for the year	-	-	(143)	(4,251)	15,057	10,663
Dividends paid	-	-	-	-	(13,128)	(13,128)
	-	-	(143)	(4,251)	1,929	(2,465)
As at 31st March, 2014	127,796	1,792	1,017	74,587	301,056	506,248
Representing:						
- Proposed dividend	-	-	-	-	5,251	5,251
- Others	127,796	1,792	1,017	74,587	295,805	500,997
	127,796	1,792	1,017	74,587	301,056	506,248

	Share premium HK$'000	Capital reserve HK$'000	Investment reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Group						
As at 1st April, 2014	127,796	1,792	1,017	74,587	301,056	506,248
Profit attributable to the equity holders of the Company	-	-	-	-	2,651	2,651
Other comprehensive income						
- Increase in fair value of available-for-sale financial assets	-	-	400	-	-	400
- Currency translation differences	-	-	-	(14,368)	-	(14,368)
Total comprehensive income for the year	-	-	400	(14,368)	2,651	(11,317)
Dividends paid	-	-	-	-	(10,502)	(10,502)
	-	-	400	(14,368)	(7,851)	(21,819)
As at 31st March, 2015	127,796	1,792	1,417	60,219	293,205	484,429

RESULTS

For the year ended 31st March, 2015, the Group's turnover amounted to approximately HK$1,592 million, an increase of 9% compared with the previous year. Profit attributable to shareholders decreased by 82% to approximately HK$2.7 million.

The decline in the Group's net profit was attributable to: (i) increase in the Group's operating costs (in particular, labor costs) in Mainland China which could not be fully passed on to customers; (ii) a lower than expected growth in the Group's turnover due to seasonal factors affecting the toys industry and the more pronounced fluctuation of orders in the second half of the year; (iii) parallel running of manufacturing plants in Singapore and Malaysia, which affected the performance of the southeast Asia operation; and (iv) exchange losses incurred for the year ended 31st March, 2015, arising mainly from the Group's sales transactions denominated in Euro, in contrast to exchange gains recorded in the previous year.

The Group's southern China operation recorded a loss during the year while the eastern China operation registered a decline in net profit. The operating profit of the southeast Asia operation saw a decrease, with lower sales at the Singapore subsidiary and higher sales at the Malaysian plant as compared with the previous year. In terms of segment, printing and packaging achieved higher sales growth. Paper products and luxury packaging categories continued to expand their order books as the Group forayed into the high-end sectors. Greeting cards also saw a modest increase in sales.

The Group is implementing measures to generate more sales with better profit margins by focusing on four major business blocks, namely: (i) proprietary products with confidentiality undertaking; (ii) packaging including luxury packaging and specialty printing; (iii) children's books and greeting cards; and (iv) original design manufacturing (ODM) and original brand manufacturing (OBM) businesses. On the costing side, the Group is stepping up lean manufacturing, automation, and value stream mapping to improve its cost efficiency. A prudent stance on capital expenditure and customer credit policy is also adopted. Details of the measures are described in the "Business Review and Prospects" section. In consideration of these, notwithstanding the setback in the Group's profitability, the management is hopeful that the Group's ongoing effort with a clear direction will contribute to its more sustainable growth and improvement in earnings over the long term.

DIVIDENDS

In order to retain resources for the Group's future development, the Directors do not recommend a final dividend for the year ended 31st March, 2015 (2014: HK1 cent). An interim dividend of HK1 cent (2014: HK1 cent and a special dividend of HK0.5 cent) was paid for the six months ended 30th September, 2014.

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

With uncertainties clouding the global economy, the year ended 31st March, 2015 turned out to be a volatile one in market sentiment. During the first six months ended 30th September, 2014, the relatively stable conditions in major export markets provided a positive environment for the Group's sales and marketing. As a result, the Group was able to obtain more packaging orders from the toys industry and maintain growth in children's books and luxury packaging. This offset the negative effect brought by the decrease in orders from the technology and telecommunications sectors.

The environment turned negative in the second half of the financial year, amidst rising concerns about the European economies, the weakening growth of China, and the slower expansion pace of the United States. Under the circumstances, customers became more hesitant in placing orders and more rigorous in pricing. This resulted in more pronounced fluctuation of orders received from major customers, which, coupled with the seasonal factors affecting the toys industry, caused a lower than expected growth in the Group’s turnover during the second half of the year.

The uncertain economic conditions in Europe also weighed on the Euro, which plunged in the second half of the financial year, losing more than 14% against the United States dollar. Overall, the Euro depreciated more than 20% against the United States dollar during the year under review. Such volatility had a negative impact on the Group’s sales transactions denominated in Euro. As a result of these sales transactions, the Group incurred exchange losses for the year ended 31st March, 2015, in contrast to exchange gains recorded in the previous year.

On the operation side, labor costs in Mainland China continued to rise during the year under review. As an illustration, wages rose at all of the Group’s four plants in China. They soared by double digits in our Shenzhen and Shaoguan plants in March and May 2014, respectively; those at the Shenzhen plant further increased by double-digit in March 2015. Wages in our Guangzhou plant increased by single digit in May 2014, while the Suzhou plant saw a double-digit increase in November 2014. Furthermore, although the price of raw materials and fuel remained stable, other operating costs such as social security contributions increased significantly. Due to the reluctance of customers towards upward price revisions and intense competition in the printing and packaging industry, the Group had to absorb the increase in operating costs which affected the Group’s gross profit margins.

As part of the Group’s long-term strategy to reduce costs, the Singapore subsidiary has been relocating its production base from Singapore to Malaysia. Such relocation was not completed until recent months. During the year, the continual parallel running of two plants in Singapore and Malaysia led to some overlapping of costs and resources, which together with the unsteady demand in major markets resulted in a small decrease in sales and a decline in operating profit.

In spite of the challenging environment, the Group made solid progress in the implementation of its “four blocks” business development strategy. During the year under review, the Group launched a series of innovative eco-friendly design products under the brand name Team Green, spearheaded by paper and plywood puzzles and paper speakers. An international network was developed for the distribution of the products, spanning from Japan, Hong Kong and southern China, to Australia, Russia, France, Britain and the United States. GreenTaNet, the e-business platform for the sales and marketing of Team Green products, was officially launched in November 2014. The products also became available at online stores such as Amazon.com.

Moreover, marketing of the Group’s luxury packaging service was strengthened as the Group further expanded its business in the high growth sectors including food and cosmetics. The effort was tailored as a long-term means to help increase the Group’s adaptiveness to seasonal or cyclical factors and to facilitate the Group’s expansion of domestic sales in China. The Group also explored business opportunities in emerging markets such as the Middle East and South America.

Internally, the Group sought to improve its cost efficiency by reinforcing systems including lean manufacturing, automation, and value stream mapping. In this regard, custom-made machinery and automated equipment was developed with 45 patents obtained from the State Intellectual Property Office, which attracted the attention of international machinery corporations and opened the likelihood of collaboration. The management has also developed benchmarks and yardsticks for the plants to measure against cost efficiency and to guard against wastage and inefficiency. Financial and cash flow management was tightened to ensure resources be allocated to where the value is. As such, in lieu of investing in new printing presses in the next two years, the Group sought to prioritize its production resources in a shrewd manner based on the overall value of orders.

While these marketing and cost-saving measures take more time to yield a positive effect, the management believes they will benefit the Group in the long term. In particular, with the relocation of the production base from Singapore to Malaysia having been completed in recent months, the southeast Asia operation will be able to offer more competitive manufacturing and fulfilment services to customers. In the meantime, the management will closely monitor market conditions and prudently manage the Group's cash flow and customers' credit.

Southern China Operation

The Group's southern China operation recorded a growth in turnover and profit in the first six months, but was adversely affected by the seasonal factors affecting the toys industry and the more pronounced fluctuation of orders during the second half of the financial year. Sales with the technology and telecommunications sectors were lower than anticipated. On the cost side, wages rose at the southern China operation's three plants in Shenzhen, Guangzhou and Shaoguan, alongside which social security contributions also increased significantly. As a result of the setback in the second half, the southern China operation suffered a loss for the full year.

Printing and packaging remained the largest contributor to the sales of the southern China operation, accounting for more than half of the total sales. Paper products maintained a growth in sales, but their profitability was depressed due to customers' rigidity in pricing and strong competition in the printing industry.

Moving forward, the southern China operation will continue to develop other sectors besides the toys industry to expand its clientele. These sectors include the food, cosmetics and information technology sectors to which the Group is expanding its luxury packaging business. As part of the measure, the Group participated in the LUXE PACK SHANGHAI, LUXE PACK NEW YORK and LUXE MONACO exhibitions in April, May and October 2014,. Moreover, as part of the measures to promote its Team Green products, the Group participated in the Gift & Premium

Fair organized by the Hong Kong Trade Development Council in April 2014 and the Giftex World 2014 in Tokyo in July 2014. Internally, the southern China operation will continue with cost-saving systems such as lean manufacturing, value stream mapping, central purchasing, and automation to increase its cost efficiency. More orders that are labour intensive or craft demanding in nature will be allocated to Shaoguan to take advantage of the relatively lower costs there.

Eastern China Operation

The eastern China operation recorded a decline in profit on a marginal increase in sales, as orders from existing and potential customers fell short of expectations while labour costs continued to rise.

More orders were secured for labels printing during the year under review. However, growth in domestic business was insignificant as a result of increased market competition and softened consumer sentiment in China.

In the coming year, the Group expects the fluctuation of orders to remain a major challenge as the United States is likely to increase interest rates while conditions in Europe are still uncertain. The eastern China operation will increase its effort to expand its customer base, targeting at multinational customers with more regular orders as well as new markets and growth sectors such as information technology, food and cosmetics. Effort will also be made to obtain orders from customers of proprietary products with confidentiality undertaking.

Southeast Asia Operation

For the year ended 31st March, 2015, the southeast Asia operation recorded an increase in operating profit with a small decrease in turnover compared with the previous year. Sales at Starlite Printers (Far East) Pte Ltd, our Singapore subsidiary, fell slightly while the factory in

Johor, Malaysia saw higher sales. Overall, the parallel running of the Singapore and Malaysia plants, together with intensified market competition and unsteady demand in major markets, affected the performance of the southeast Asia operation.

With the relocation of production base having been completed in recent months, the Malaysia plant is now handling all production of the southeast Asia operation while the Singapore office acts as a hub centre focusing on sales and marketing, innovation, services and logistics. The management believes that this strategic move will enable the southeast Asia operation to increase its cost efficiency and offer more competitive manufacturing and fulfilment services to customers. Moreover, the southeast Asia operation can capitalize on the stronger production capacity in Malaysia to expand its products for long-term growth. Efforts are being made by the southeast Asia operation to increase penetration in markets such as Australia and New Zealand and to explore the possibility of producing labour-intensive paper products.

The Singapore subsidiary won a total of nine Star Awards for its innovative design and packaging in 2014. They comprise three WorldStar Packaging Awards, two AsiaStar Awards, and four Singapore Packaging Star Awards. The WorldStar competition is organized by the World Packaging Organization, the AsiaStar Award by the Asian Packaging Federation, and the Singapore Packaging Star Award by the Packaging Council of Singapore and the Singapore Manufacturing Federation.

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, 2015, the Group’s cash and bank balances and short-term bank deposits amounted to approximately HK$216 million.

During the year under review, the interest expense of the Group amounted to approximately HK$10 million compared to approximately HK$10 million recorded last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB15 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 31st March, 2015, the Group had a working capital surplus of approximately HK$159 million compared to a working capital surplus of approximately HK$157 million as at 31st March, 2014. The Group's net gearing ratio as at 31st March, 2015 was 7% (31st March, 2014: 8%), based on short-term and long-term bank borrowings, finance lease obligation and bill payables, net of bank balance and cash of approximately HK$39 million (31st March, 2014: HK$44 million), and shareholders' funds of approximately HK$537 million (31st March, 2014: HK$559 million).

CHARGE ON ASSETS

As at 31st March, 2015, certain assets of the Group with an aggregate book carrying value of approximately HK$41 million (31st March, 2014: HK$42 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, 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 Euro were primarily related to the Group's purchase of machinery.

HUMAN RESOURCES DEVELOPMENT

Currently the Group has more than 7,000 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 and Non-Executive Director of the Company (excluding Independent Non-Executive Directors)) 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 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 Hong Kong Seagulls Scholarship Scheme
- Training support to Scout Association of Hong Kong
- Support to Future Star Federation of Student
- Donation to Guangdong Han Opera Heritage Institute
- Polar Museum Foundation：Polar Database Start-up funding
- Support to Student in Jiaying University

LOOKING AHEAD

In the mid-year update published this May on its World Economic Situation and Prospects 2015 report released in January, the United Nations cut its global economic growth forecast for 2015, from 3.1% to 2.8%. The downward revision of 0.3 percentage points from the January forecast "reflects mainly deterioration in the prospects of the economies in transition and several large developing countries, especially in South America." Saying that the world economy continues to grow at a modest pace, the report cut the 2016 growth forecast from 3.3% to 3.1% "which is still well below the pre-crisis pace." The report warned of "still significant downside risks to the forecast related to the impact of the upcoming monetary policy normalization in the United States, ongoing uncertainties in the euro area, potential spillovers from geopolitical conflicts and persistent vulnerabilities in emerging economies. These individual risk factors are interconnected and could be mutually reinforcing, potentially leading to a weaker-than-expected expansion of the global economy."

Facing this uncertain environment, the management is adopting a cautious policy in financial and cash flow management with particular emphasis on capital investment and customer credit control. The Group will not invest in new printing presses in the next two years. Instead, more effort will be spent on increasing the overall production efficiency through lean management and automation. On the other hand, the Group will strive to generate sales with better profit margins by developing the four major business blocks, expanding domestic business in China, and exploring sales opportunities in emerging markets. The management is hopeful that these measures in the long run will enable the Group to achieve sustainable growth and bring reasonable returns for shareholders.

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, 2015.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. The Remuneration Committee composed of all the three Independent Non-Executive Directors of the Company.

NOMINATION COMMITTEE

The Nomination Committee is composed of the Chairman of the Board, one Non-Executive Director and the three Independent Non-Executive Directors of the Company. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code Provisions in Corporate Governance Code (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, 2015 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.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As Mr. Lam Kwong Yu, Chairman of the Company, is also an Executive Director of the Company, this code provision is not applicable.

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

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Kwok Lam Kwong, Larry, *BBS, JP* wase unable to attend the Annual General Meeting of the Company held on 14th August, 2014 as he was engaged in other prior business commitments.

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 they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code for the year ended 31st March, 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 11th August, 2015 to Thursday, 13th August, 2015 (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 Thursday, 13th August, 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday,10th August, 2015.

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 "Listed Company Information" and on the website of the Company at http://www.hkstarlite.com. The annual report for the year ended 31st March, 2015 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, 2015

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.