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, 2013

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, 2013 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31st March, 2013

	Note	**2013**	2012
		HK$'000	HK$'000
Revenue	2	**1,427,544**	1,359,676
Cost of sales		**(1,156,076)**	(1,121,596)
Gross profit		**271,468**	238,080
Other (losses)/gains – net	3	**(4,580)**	3,892
Impairment of property, plant and equipment		**-**	(27,755)
Selling and distribution costs		**(76,099)**	(73,239)
General and administrative expenses		**(162,940)**	(153,622)
Operating profit/(loss)	4	**27,849**	(12,644)

Consolidated Income Statement (Continued)
For the year ended 31st March, 2013

	Note	**2013**	2012
		HK$'000	HK$'000
Finance income		**309**	422
Finance costs		**(8,520)**	(8,391)
Finance costs – net	5	**(8,211)**	(7,969)
Profit/(loss) before income tax		**19,638**	(20,613)
Income tax expense	6	**(10,281)**	(3,512)
Profit/(loss) for the year attributable to the equity holders of the Company		**9,357**	(24,125)
Earnings/(losses) per share attributable to the equity holders of the Company during the year			
(expressed in HK cents per share)	7		
- Basic		**1.78**	(4.59)
- Diluted		**1.78**	(4.59)
Dividends	8	**10,502**	10,502

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2013

	2013	2012
	HK$'000	HK$'000
Profit/(loss) for the year	**9,357**	(24,125)
Other comprehensive income :		
Increase/(decrease) in fair value of available-for-sale financial assets	**496**	(33)
Currency translation differences	**6,104**	9,314
Other comprehensive income for the year	**6,600**	9,281
Total comprehensive income for the year attributable to equity holders of the Company	**15,957**	(14,844)

Consolidated Statement of Financial Position

As at 31st March, 2013

	Note	As at 31st March, 2013 HK$'000	As at 31st March, 2012 HK$'000
ASSETS			
Non-current assets			
Land use rights		**26,376**	26,854
Property, plant and equipment		**426,849**	431,891
Prepayments for property, plant and equipment		**15,672**	3,642
Available-for-sale financial assets		**5,459**	1,400
Deferred income tax assets		**2,828**	2,178
		477,184	465,965
Current assets			
Inventories		**110,147**	106,133
Trade and bill receivables	9	**241,045**	214,743
Prepayments and deposits		**28,287**	16,626
Tax recoverable		**196**	122
Bank deposits with maturity over 3 months from date of deposits		**21,169**	20,910
Cash and cash equivalents		**182,515**	189,517
		583,359	548,051
LIABILITIES			
Current liabilities			
Borrowings		**222,916**	202,225
Finance lease obligations		**4,258**	-
Trade and bill payables	10	**117,470**	110,614
Accruals and other payables		**87,301**	74,900
Derivative financial instruments		**884**	2,536
Tax payable		**40,714**	28,644
		473,543	418,919
Net current assets		**109,816**	129,132
Total assets less current liabilities		**587,000**	595,097
Non-current liabilities			
Borrowings		**9,952**	29,367
Finance lease obligations		**7,806**	-
Deferred income tax liabilities		**8,015**	10,581
		25,773	39,948
Net assets		**561,227**	555,149
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**52,514**	52,514
Reserves	11	**508,713**	502,635
Shareholders' equity		**561,227**	555,149

Notes:

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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, 2013, the Group had breached certain financial covenants in respect of the borrowings of approximately HK$65,998,000 and accordingly, the non-current portion of these borrowings, amounting to approximately HK$45,871,000 has been reclassified as current liabilities as at 31st March, 2013. 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.

Effect of adopting amendments to standards

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first time adoption
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets

The adoption of the above amendments to existing standards did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies.

New standards, amendments to standards and interpretation that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the year ended 31st March, 2013 and have not been early adopted by the Group :

1. Basis of preparation (Continued)

Effective for the year ending 31st March, 2014

HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRSs (Amendment)	Improvements to HKFRSs 2011

Effective for the year ending 31st March, 2015

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment entities
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Effective for the year ending 31st March, 2016

HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures
HKFRS 9	Financial Instruments
Additions to HKFRS 9	Financial Instruments - Financial Liabilities

The Group has assessed the impact of these new or revised standards and amendments to standards and the adoption of these new or revised standards and amendments to standards is not expected to result in a significant impact on the results and financial position of the Group.

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:

	2013	2012
	HK$'000	HK$'000
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,395,969**	1,332,029
Others	**31,575**	27,647
	1,427,544	1,359,676

(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), 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, 2013 and 2012 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, 2013				
Total revenue	1,039,430	335,614	183,123	1,558,167
Segment revenue	(140)	(130,483)	-	(130,623)
Revenue (from external customers)	1,039,290	205,131	183,123	1,427,544
Operating profit/(loss)	(19,306)	33,607	13,548	27,849
Finance income	134	142	33	309
Finance costs	(6,019)	(1,595)	(906)	(8,520)
Income tax expense	(3,293)	(5,827)	(1,161)	(10,281)
Profit/(loss) for the year	(28,484)	26,327	11,514	9,357
Other information :				
Depreciation and amortisation for the year	33,790	26,407	6,419	66,616
Capital expenditure	33,408	10,801	26,801	71,010

	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)

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, 2013, and 2012 is as follows:

As at 31st March, 2013	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
Segment assets	619,252	259,714	178,553	1,057,519
Deferred income tax assets	259	2,569	-	2,828
Tax recoverable	196	-	-	196
Total assets	619,707	262,283	178,553	1,060,543
Segment liabilities	325,696	69,057	55,834	450,587
Deferred income tax liabilities	5,218	-	2,797	8,015
Tax payable	34,283	4,815	1,616	40,714
Total liabilities	365,197	73,872	60,247	499,316

As at 31st March, 2012	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
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

3. Other (losses)/gains – net

	2013	2012
	HK$'000	HK$'000
Net exchange (losses)/gains	**(5,026)**	1,871
Net losses on disposals of property, plant and equipment	**(103)**	(51)
Others	**549**	2,072
	(4,580)	3,892

4. Operating profit/(loss)

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

	2013	2012
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**412,520**	370,513
Amortisation of land use rights	**753**	744
Depreciation of property, plant and equipment	**65,863**	65,880
Provision for impairment of receivables	**3,144**	2,678
Provision for/(write back of) inventory obsolescence	**7,532**	(546)

5. Finance costs – net

	2013 HK$'000	2012 HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**7,541**	7,361
- not wholly repayable within five years	**833**	88
Interest of finance leases	**81**	-
Fair value (gain)/loss on interest-rate swaps		
- realised	**1,716**	1,756
- unrealised	**(1,651)**	(814)
	8,520	8,391
Interest income from bank deposits	**(309)**	(422)
	8,211	7,969

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% (2012: 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 of ranging from 12.5% to 25% during the year (2012: 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 paid from profits generated by Mainland China companies after 1st January, 2008 shall be subject to this withholding income tax. As at 31st March, 2013, the Group had not accrued any withholding income tax for the earnings from 1st January, 2008 to 31st March, 2013 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, 2013 in the foreseeable future.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 17% (2012: 17%).

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

	2013	2012
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**4,780**	2,899
- Mainland China Corporate Income Tax	**6,630**	857
- Singapore Corporate Income Tax	**2,260**	3,232
Over provision in prior years	**(504)**	(1,546)
	13,166	5,442
Deferred income tax	**(2,885)**	(1,930)
	10,281	3,512

7. Earnings/(losses) per share

Basic

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

	2013	2012
Profit/(loss) attributable to the equity holders of the Company (HK$'000)	**9,357**	(24,125)
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic earnings/(losses) per share (HK cents)	**1.78**	(4.59)

Diluted

Diluted earnings/(losses) 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. For the year ended 31st March, 2012, the computation of diluted losses 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. There were no share options outstanding as at 31st March, 2013.

For the year ended 31st March, 2013 and 31st March, 2012, diluted earnings per share equals basic earnings per share as there were no dilutive potential shares.

8. Dividends

	2013	2012
	HK$'000	HK$'000
Interim dividend - HK$0.01 (2012: HK$0.01) per share	**5,251**	5,251
Proposed final dividend - HK$0.01 (2012: HK$0.01) per share	**5,251**	5,251
	10,502	10,502

The amount of proposed final dividend for 2013 was based on 525,135,288 shares in issue as at 26th June, 2013.

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:

	2013	2012
	HK$'000	HK$'000
1 to 90 days	**215,553**	186,351
91 to 180 days	**25,516**	30,494
181 to 365 days	**3,981**	3,465
Over 365 days	**2,013**	2,289
	247,063	222,599
Less: Provision for impairment of receivables	**(6,018)**	(7,856)
	241,045	214,743

10. Trade and bill payables

The ageing of trade and bill payables is as follows:

	2013	2012
	HK$'000	HK$'000
1 to 90 days	**109,281**	99,025
91 to 180 days	**7,866**	9,652
181 to 365 days	**67**	1,605
Over 365 days	**256**	332
	117,470	110,614

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, 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 income 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)	(33)	9,314	(37,069)	(27,968)
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

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, 2012	127,796	1,169	1,942	664	72,734	298,330	502,635
Profit attributable to the equity holders of the Company	-	-	-	-	-	9,357	9,357
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	496	-	-	496
- Currency translation differences	-	-	-	-	6,104	-	6,104
Total comprehensive income for the year	-	-	-	496	6,104	9,357	15,957
Employee share option scheme							
- Lapse of share options	-	-	(1,942)	-	-	1,942	-
Increase in capital reserve	-	623	-	-	-	-	623
Dividends paid	-	-	-	-	-	(10,502)	(10,502)
	-	623	(1,942)	496	6,104	797	6,078
As at 31st March, 2013	127,796	1,792	-	1,160	78,838	299,127	508,713
Representing:							
- Proposed dividend	-	-	-	-	-	5,251	5,251
- Others	127,796	1,792	-	1,160	78,838	293,876	503,462
	127,796	1,792	-	1,160	78,838	299,127	508,713

RESULTS

The Group achieved a turnaround for the year ended 31st March, 2013 recording a profit attributable to shareholders of approximately HK$9 million, compared to a loss attributable to shareholders of approximately HK$24 million recorded the previous year. Turnover increased by 5% to approximately HK$1,428 million.

The turnaround was achieved against the uncertain market conditions prevailing in Europe and the United States. By adopting proactive marketing strategies to develop high growth sectors and provide innovative products and services, the Group was able to maintain its orders with major international clients while building up new customers. Internally, the Group moved forward with lean management and automation to meet the challenge of rising operating costs. Other measures such as standardization and optimization of operating procedures also contributed to higher efficiency.

The Group's eastern China operation achieved significant improvement during the year under review, reverting to profit and spearheading the Group's expansion of domestic sales in China. The southern China operation recorded a marginal increase in turnover, but has yet to return to profit due to the constraints of higher operating costs and intensified competition in the southern provinces. The Southeast Asia operation experienced a decline in both turnover and profit due to poor sentiment in major markets and a temporary dilutive effect brought by the start-up of the new Malaysian plant.

In terms of sales, both printing and packaging as well as paper products recorded a growth. The United States remained as the Group's largest market during the year under review, followed by Europe. The Group will continue with its plans to grow domestic sales in China and expand into other markets, focusing on high growth sectors and non-seasonal orders. Major effort will also be made to increase the positive impact of lean management and together with other comprehensive measures to enhance the Group's profitability. Details of these measures and their implementation are described in the "Business Review and Prospects" section.

DIVIDENDS

The Directors recommend a final dividend of HK1 cent (2012: HK1 cent) per share for the year ended 31st March, 2013 payable on Wednesday, 18th September, 2013 to shareholders whose names appear on the Register of Members on Friday, 23rd August, 2013. Together with the interim dividend of HK1 cent (2012: HK1 cent) paid, the aggregate dividend for the financial year would be HK 2 cents per share (2012: HK2 cents).

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

Global economic conditions were clouded by volatility and uncertainty during the year ended 31st March, 2013. Growth was slow and unsteady in the United States; Europe was plunged into a crisis by the sovereign debt issue; and little improvement was seen in the economy of Japan. Under the circumstances, multinational importers and domestic retailers showed great caution in placing orders. Some major brands adopted consolidated purchasing programmes under which goods and services were purchased in larger quantities from fewer suppliers to achieve better pricing and/or services.

Against this background, manufacturers in China were further hit by rising operating costs. As an illustration, the minimum wages in Shenzhen, Guangzhou, Shaoguan and Suzhou, where the Group's plants are located, increased during the year under review, in most cases by double digits. Moreover, further increases were made in Guangzhou and Shaoguan in May 2013, by single and double digits, respectively. Apart from wages, other operating expenses such as utilities also increased during the year under review.

Confronting these challenges, the Group took solid action to expand its market and strive for profit. A customer-oriented marketing strategy was adopted to allocate more resources to customers in the high growth sectors with non-seasonal orders, or with products that are mainly targeting the Chinese market.

Moreover, the Group capitalized on its design and innovation capabilities to engage in original design manufacturing (ODM) as a means to develop new markets such as Japan. This strategy was implemented through the appointment of regional sales agents and attending trade fairs. For instance, the Group attended Japan's leading trade fair Giftex World 2012 to showcase the Group's original design products such as cosmetics packaging and wooden products.

Internally, the Group accelerated the adoption of lean manufacturing and allocated additional resources to automation to further reduce reliance on unskilled labour and increase efficiency. Together with standardization and optimization of operating procedures, such measures helped alleviate the negative impact of higher operating costs on the Group's operation.

Driven by cost-saving measures and stronger sales initiatives, the Group's eastern China operation was able to make a turnaround to profit during the year under review. More encouragingly, there are favourable signs that the eastern China operation is gaining ground in expanding domestic sales in China. The management is making dedicated effort to pursue this development with the belief that such development will enable the Group to further improve its performance.

Moving forward, given the high uncertainty prevailing the world economy, the Group will continue to maintain a strong financial position and prudent capital investment. In the longer term, apart from the expansion of domestic sales in China, the Group will also explore other means to better utilize its manufacturing network and resources in China.

Southern China Operation

The Group’s southern China operation recorded a small increase in turnover during the year ended 31st March, 2013. However, its profitability was adversely affected by the lower price of orders due to strong competition and the higher operating costs in southern China.

Facing these challenges, the southern China operation stepped up implementation of lean manufacturing, standardization and automation, with further enhancement and optimization made in operating procedures, which helped alleviate the impact brought by the negative factors. As a further means to increase its long-term competitiveness, the southern China operation has been actively expanding into original design manufacturing (ODM), targeting Japan, the world’s third largest economy, as the first market to explore.

Looking ahead, the Group’s southern China operation and eastern China operation will adopt a flexible and proactive approach to work together with customers in the high growth sectors to expand domestic sales in China. Such sectors include information technology, food and cosmetics. In addition, 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.

The management will also explore other means to better utilize the Group’s manufacturing network and resources in southern China. In the near term, given the uncertainty prevailing on the global economic horizon, the southern China division will continue to strictly control its capital investment and closely monitor its stocks and customer credits.

During the year under review, Starlite was awarded “The Lean Best Practice Award 2012” by Hallmark, the largest greeting card company in the United States, in recognition of the Group’s effort and performance in the Lean Factory Assessment made by Hallmark. Being one of the four winners of this outstanding Award, Starlite shared its experience with over 160 participants from 34 major suppliers attending the 2013 Hallmark Supplier Summit held in Shenzhen.

In addition, the Group's Shaoguan plant was awarded "National Key Enterprise of Cultural Export" by six state ministries and the Guangdong Provincial Foreign Economic and Trade Office during the year under review, which is awarded to an enterprise that is worthy of capital support by the provincial government. Moreover, the Shaoguan plant received "Shaoguan's Law-abiding Model Enterprise Unit" status granted by the Shaoguan Municipal Office. Furthermore, Shaoguan's staff and team were awarded major honours including "Member of Shaoguan CPPCC", "Model Worker of Guangdong Province", "Excellent Migrant Worker of Guangdong Province", "National May Day Women Pacesetter", and "Civilized Women of Shaoguan City Northern Guangdong".

Eastern China Operation

The eastern China operation made a turnaround to profit during the year ended 31st March, 2013, supported by a double-digit increase in turnover. This solid improvement was achieved against a double-digit increase in Suzhou's minimum wages beginning June 2012. The improvement was particularly encouraging as the eastern China operation had made an impairment provision of HK$28 million last year to reflect its sustained loss in previous years.

The improvement of the eastern China operation can be attributed to the strengthening of sales and marketing initiatives; the targeting of specific sectors that have strong growth potential; the securing of multinational customers that generate more positive financial results; and a further increase in domestic business in China. Internally, the eastern China operation achieved better cost control and higher saving through further implementation of lean manufacturing and automation.

In the coming year, the eastern China operation will leverage on its current strategy to further enhance its sales and margins. Specifically, additional resources will be allocated to expand domestic sales in China, for orders covering printing and packaging as well as labels printing. Such strategy will enable the Group to expand its market share in China and benefit from the growing economy of the Yangtze River Delta.

During the year under review, the Group's eastern China operation was awarded "Hi-tech Enterprise" status which entitles it to the "Support Capital for Hi-tech Enterprises" and tax concessions granted by the government that are beneficial to the high technology development of the eastern China operation in the long term.

South East Asia Operation

The Group's Singapore subsidiary, Starlite Printers (Far East) Pte Ltd, experienced a decline in turnover and profit during the year under review. Poor sentiment in major markets and higher production costs were major factors causing the setback. The start-up of a new factory in Johor, Malaysia also brought a temporary dilutive effect on performance as the parallel running of the two operations in Singapore and Malaysia resulted in the overlapping of some costs.

Nonetheless, the management remains positive about the long-term benefits of this strategic move of "Returning to Malaysia". First and foremost, it will enable the Southeast Asia operation to derive competitive advantage from the lower costs in Malaysia. As the Malaysian factory progresses towards full-scale production, such benefit will become more apparent. Moreover, the new factory is expected to bring orders from Malaysia, providing a new source of revenue for the Singapore subsidiary. Last but not least, with an increase in capacity, the Singapore subsidiary will be in a better position to expand its business in markets such as Australia and New Zealand, leveraging on its innovative design, printing and packaging technology.

During the year under review, the Singapore subsidiary received a Gold Award and a Distinction Award from the distinguished 3R Packaging Awards 2012, an initiative of the Singapore Packaging Agreement to encourage companies to reduce product packaging through optimizing production processes, redesigning packaging, and increasing the reuse and recycling of packaging waste. Apart from implementing award-winning projects that make tangible savings, the Singapore subsidiary also conducted seminars and talks for customers, suppliers and business associates to share the knowledge of how innovative packaging designs help reduce the usage of materials without compromising their structural strength.

In addition, Starlite Printers (Far East) Pte Ltd won 5 Singapore Packaging Star Awards, 2 AsiaStar Awards and 3 WorldStar Packaging Awards for its Coca Cola Christmas 2012 Promotion Box, the Rice Dumpling Box 2012, the Merry Wreath, the CNY Mandarin Orange Box and the Oreo Go-Paks. The AsiaStar Award is organized by the Asian Packaging Federation while the WorldStar competition is organized by the World Packaging Organization. The latter is 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, 2013, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$204 million.

During the year under review, the interest expense of the Group amounted to approximately HK$9 million compared to approximately HK$8 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, 2013, the Group had a working capital surplus of approximately HK$110 million compared to a working capital surplus of approximately HK$129 million as at 31st March, 2012. The Group's net gearing ratio as at 31st March, 2013 was 8% (31st March, 2012: 4%), based on short-term and long-term bank borrowings, finance lease obligation and bill payables, net of bank balance and cash of approximately HK$46 million (31st March, 2012: HK$24 million), and shareholders' funds of approximately HK$561 million (31st March, 2012: HK$555 million). As at 31st March, 2013, 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, 2013, certain assets of the Group with an aggregate book carrying value of approximately HK$50 million (31st March, 2012: HK$40 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:

- The Hong Kong Seagulls Scholarship Scheme
- Support to Student in Jiaying University
- The Federation of Hong Kong Guangzhou Community Organizations, with donation made to earthquake relief in SiChuan YaAn City
- Donation to ShanXi Overseas Friendship Association for poverty relief

LOOKING AHEAD

Following a mission to China on 15th–29th May, 2013 for the annual Article IV review of the Chinese economy, the International Monetary Fund (IMF) issued a statement stating that "despite weak and uncertain global conditions, the Chinese economy is expected to grow at around 7¾ percent this year. The pace of the economy should pick up moderately in the second half of the year, as the recent credit expansion gains traction and in line with a projected mild pick-up in the global economy." However, the IMF warned about three major challenges facing China's reform agenda, one of which being "a decisive push for rebalancing toward higher household incomes and consumption", and suggested that "if growth were to slow sharply below this year's target, then on-budget fiscal stimulus should be used, focusing on measures that support household incomes and consumption, such as reductions in social contributions, subsidies to consumption, or targeted social safety net spending."

The statement highlights the likelihood of a mild recovery of the global economy in the coming year as well as the need for China to increase consumption to drive its economic growth in the long run. The management believes the measures being taken by the Chinese government to support household incomes and consumption will provide extensive opportunities for the Group's expansion of domestic sales in China. 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 expanding the capacity of the Malaysian production plant, transforming the Group into a high value manufacturer that provides original design manufacturing (ODM) products, and developing other new markets such as Japan. As the Group celebrates the 20th anniversary of its listing this year, the management believes that the ongoing measures being adopted will steer the Group through the testing times to generate better results and higher value 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, 2013.

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, 2013 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,* was unable to attend the Annual General Meeting and Special General Meeting of the Company held on 15th August, 2012 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, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 12th August, 2013 to Wednesday, 14th August, 2013 (both dates inclusive), and Thursday, 22nd August, 2013 to Friday, 23rd August, 2013 (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, 14th August, 2013, 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, 9th August, 2013.

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, 21st August, 2013.

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, 2013 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, 26th June, 2013

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.*