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, 2014

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, 2014 together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31st March, 2014

	Note	**2014**	2013
		HK$'000	HK$'000
Revenue	2	**1,456,556**	1,427,544
Cost of sales		**(1,159,881)**	(1,156,076)
Gross profit		**296,675**	271,468
Other gains/(losses) – net	3	**4,079**	(4,580)
Selling and distribution costs		**(85,912)**	(76,099)
General and administrative expenses		**(177,967)**	(162,940)
Operating profit	4	**36,875**	27,849

Consolidated Income Statement (Continued)

For the year ended 31st March, 2014

	Note	**2014**	2013
		HK$'000	HK$'000
Finance income		**383**	309
Finance costs		**(10,376)**	(8,520)
Finance costs – net	5	**(9,993)**	(8,211)
Profit before income tax		**26,882**	19,638
Income tax expense	6	**(11,825)**	(10,281)
Profit for the year attributable to the equity holders of the Company		**15,057**	9,357
Earnings per share attributable to the equity holders of the Company during the year			
(expressed in HK cents per share)	7		
- Basic		**2.87**	1.78
- Diluted		**2.87**	1.78
Dividends	8	**13,128**	10,502

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2014

	2014	2013
	HK$'000	HK$'000
Profit for the year	**15,057**	9,357
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
(Decrease)/increase in fair value of available-for-sale financial assets	**(143)**	496
Currency translation differences	**(4,251)**	6,104
Other comprehensive income for the year, net of tax	**(4,394)**	6,600
Total comprehensive income for the year attributable to the equity holders of the Company	**10,663**	15,957

Consolidated Statement of Financial Position

As at 31st March, 2014

	Note	As at 31st March, 2014 HK$'000	As at 31st March, 2013 HK$'000
ASSETS			
Non-current assets			
Land use rights		**25,592**	26,376
Property, plant and equipment		**428,190**	426,849
Prepayments for property, plant and equipment		**28,275**	15,672
Available-for-sale financial assets		**5,316**	5,459
Deferred income tax assets		**2,139**	2,828
		489,512	477,184
Current assets			
Inventories		**120,608**	110,147
Trade and bill receivables	9	**230,218**	241,045
Prepayments and deposits		**30,215**	28,287
Tax recoverable		**505**	196
Bank deposits with maturity over 3 months from date of deposits		**10,599**	21,169
Cash and cash equivalents		**216,050**	182,515
		608,195	583,359
LIABILITIES			
Current liabilities			
Borrowings		**161,566**	222,916
Finance lease obligations		**4,036**	4,258
Trade and bill payables	10	**135,940**	117,470
Accruals and other payables		**110,077**	87,301
Derivative financial instruments		**-**	884
Tax payable		**39,329**	40,714
		450,948	473,543
Net current assets		**157,247**	109,816
Total assets less current liabilities		**646,759**	587,000
Non-current liabilities			
Borrowings		**77,683**	9,952
Finance lease obligations		**4,340**	7,806
Deferred income tax liabilities		**5,974**	8,015
		87,997	25,773
Net assets		**558,762**	561,227
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**52,514**	52,514
Reserves	11	**506,248**	508,713
Shareholders' equity		**558,762**	561,227

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.

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, 2013. 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.

HKFRS 1 Amendment	Government Loans
HKFRS 7 Amendment	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
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 19 (2011)	Employee Benefit
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRSs Amendment	Annual Improvements 2009-2011 Cycle

1. Basis of preparation (Continued)

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1st April, 2013 and have not been early adopted by the Group. The Group has commenced an assessment of the impact of these new standards, amendments to standards and interpretation but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
HKAS 19 Amendment	Defined Benefit Plans: Employee Contributions[2]
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRSs 10, 12 and HKAS 27 (2011)	Investment Entities[1]
HKFRSs Amendment	Annual Improvements 2010-2012 Cycle[2]
HKFRSs Amendment	Annual Improvements 2011-2013 Cycle[2]

[1] effective for annual periods beginning on or after 1st January, 2014
[2] effective for annual periods beginning on or after 1st July, 2014
[3] mandatory effective date has not yet been fixed
[4] effective for annual periods beginning on or after 1st January, 2016

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:

	2014	2013
	HK$'000	HK$'000
Sales of packaging materials, labels and paper products, including environmental friendly paper products	**1,430,648**	1,395,969
Others	**25,908**	31,575
	1,456,556	1,427,544

(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, 2014 and 2013 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, 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

	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
Inter-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

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, 2014, and 2013 is as follows:

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2014				
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

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2013				
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

3. Other gains/(losses) – net

	2014	2013
	HK$'000	HK$'000
Net exchange gains/(losses)	**236**	(5,026)
Net gains/(losses) on disposals of property, plant and equipment	**1,191**	(103)
Others	**2,652**	549
	4,079	(4,580)

4. Operating profit

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

	2014	2013
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**461,439**	412,520
Amortisation of land use rights	**772**	753
Depreciation of property, plant and equipment	**65,036**	65,863
Provision for impairment of trade receivables	**1,524**	3,144
(Write-back of provision)/provision for inventory obsolescence	**(1,404)**	7,532

5. Finance costs – net

	2014	2013
	HK$'000	HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**8,939**	7,541
- not wholly repayable within five years	**730**	833
Interest on finance leases	**703**	81
Fair value (gain)/loss on interest-rate swaps		
- realised	**888**	1,716
- unrealised	**(884)**	(1,651)
	10,376	8,520
Interest income from bank deposits	**(383)**	(309)
	9,993	8,211

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% (2013: 16.5%) on the estimated assessable profit for the year 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 (2013: 12.5% to 25%). In accordance with the applicable laws and regulations, the Group's subsidiaries established in Mainland China as wholly foreign owned enterprises or contractual joint ventures are entitled to full exemption from Corporate Income Tax for the first two years and a 50% reduction in Corporate Income Tax for the next three years, commencing from the first profitable year or 1st January, 2008, whichever is earlier, after offsetting unexpired tax losses carried forward from previous years.

6. Income tax expense (Continued)

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6th December, 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in Mainland China to their foreign investors starting from 1st January, 2008. All dividends coming from profits generated by Mainland China companies after 1st January, 2008 shall be subject to this withholding income tax. As at 31st March, 2014, the Group had not accrued any withholding income tax for the earnings from 1st January, 2008 to 31st March, 2014 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, 2014 in the foreseeable future.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 17% (2013: 17%).

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

	2014	2013
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**3,345**	4,780
- Mainland China Corporate Income Tax	**7,264**	6,630
- Singapore Corporate Income Tax	**2,004**	2,260
Under/(over) provision in prior years	**594**	(504)
	13,207	13,166
Deferred income tax	**(1,382)**	(2,885)
	11,825	10,281

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.

	2014	2013
Profit attributable to the equity holders of the Company (HK$'000)	**15,057**	9,357
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic earnings per share (HK cents)	**2.87**	1.78

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. Shares issuable under the employee share option scheme are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. There were no share options outstanding during the year ended 31st March, 2013 and 31st March, 2014.

For the year ended 31st March, 2014 and 31st March, 2013, diluted earnings per share equals basic earnings per share as there were no dilutive potential shares.

8. Dividends

	2014	2013
	HK$'000	HK$'000
Interim dividend – HK$0.01 (2013: HK$0.01) per share	**5,251**	5,251
Special dividend – HK$0.005 (2013: Nil) per share	**2,626**	-
Proposed final dividend – HK$0.01 (2013: HK$0.01) per share	**5,251**	5,251
	13,128	10,502

The amount of proposed final dividend for 2014 was based on 525,135,288 shares in issue as at 25th June, 2014.

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:

	2014	2013
	HK$'000	HK$'000
1 to 90 days	**202,860**	215,553
91 to 180 days	**24,515**	25,516
181 to 365 days	**7,074**	3,981
Over 365 days	**2,315**	2,013
	236,764	247,063
Less: provision for impairment of trade receivables	**(6,546)**	(6,018)
	230,218	241,045

10. Trade and bill payables

The ageing of trade and bill payables is as follows:

	2014	2013
	HK$'000	HK$'000
1 to 90 days	**125,843**	109,281
91 to 180 days	**5,588**	7,866
181 to 365 days	**4,329**	67
Over 365 days	**180**	256
	135,940	117,470

11. Reserves

Movements were as follows :

	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

11. Reserves (Continued)

Movements were as follows (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, 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

RESULTS

For the year ended 31st March, 2014, the Group's turnover amounted to approximately HK$1,457 million, an increase of 2% over last year. Profit attributable to shareholders rose 61% to approximately HK$15 million.

The results were achieved amidst mixed business conditions. On the one hand, with the United States economy gradually recovering and the European economy stabilizing, the Group was able to increase its sales and profit by targeting high growth sectors and adopting cost-effective measures. The leveling off in the price of raw materials and fuel also benefited the Group's profit margins. On the other hand, labour costs continued to rise at a fast pace in China. Moreover, as the management cautioned in the interim report, uncertainty prevailing in the global economy caused a fluctuation in the Group's order book. Such fluctuation became more pronounced in the second half of the financial year, which together with the effect of seasonal factors restrained the extent of the Group's improvement for the full year.

The Group's southern China operation recorded a loss during the year under review. Nonetheless, the loss has narrowed when compared with the previous year. The eastern China operation reported a marginal decrease in turnover but sustained a profit. The Southeast Asia operation saw an increase in turnover but a decline in profit. The former reflected sales growth of our plant in Malaysia, while the latter was due to intensified market competition experienced by our plant in Singapore and the temporary dilutive effect resulting from parallel running of the two plants.

In terms of sales, printing and packaging recorded no significant change while paper products saw growth. More orders were received for luxury packaging as the Group further expanded into high growth sectors. Growth was also seen in greeting cards, but orders from information technology customers softened. Looking ahead, the Group will continue to focus on the high growth sectors and maintain its exposure to the United States and Europe, the Group's top two largest markets, while actively seek to develop new markets in the Middle East, South America and Russia. Details of the measures are described in the "Business Review and Prospects" section.

DIVIDENDS

The Directors recommend a final dividend of HK1 cent (2013: HK1 cent) per share for the year ended 31st March, 2014 payable on Friday, 19th September, 2014 to shareholders whose names appear on the Register of Members on Wednesday, 27th August, 2014. Together with the interim dividend of HK1 cent (2013: HK1 cent) and the special dividend of HK0.5 cent (2013: Nil) paid, the aggregate dividend for the financial year would be HK2.5 cents per share (2013: HK2 cents).

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

Supported by unconventional monetary policies, the United States economy has been gradually recovering while market conditions in Europe have been stabilizing; other markets such as Japan also improved during the year under review. Such development provided a more favourable environment for the Group to obtain orders at better prices, by (i) targeting the high growth sectors with proactive sales and marketing initiatives; (ii) utilizing the Group's innovative design and production capabilities; and (iii) leveraging on the Group's high flexibility and adaptability. Efforts were also made to further increase domestic sales in China and expand sales to Japan.

Internally, the Group continued to strengthen and rejuvenate its marketing team. More resources were allocated to lean manufacturing and automation to save costs. As a further measure, the Group exercised stringent control on stocks and capital investment. In this regard, the leveling off in the price of raw materials and fuel has facilitated the Group's cost control and budget planning.

Given the above, the Group was able to increase its sales and profit for the year ended 31st March, 2014. However, the extent of improvement was restrained by the rising labour costs in China. All of the Group's plants in China experienced a further increase in minimum wages during the year under review. The minimum wages soared by double digits in Guangzhou and Suzhou in May 2013 and July 2013, respectively; those in Shenzhen increased by a single digit figure in March 2013 and then by double digits in March 2014; while the single digit increase in Shaoguan took place in May 2013. As the minimum wage increased, social welfare contributions also increased accordingly, which together pushed up the operating costs of the Group.

Moreover, two other reasons suppressed the Group's extent of improvement. The first reason was seasonal factors. In line with tradition, orders received from sectors such as the toys industry were less in the second half of the year ended 31st March, 2014. Another reason was the fluctuation of orders, which happened in the first half and became more pronounced during the second half of the financial year. The phenomenon reflected uncertainty weighing on the global economic outlook, with some customers shifting to products with shorter cycles and/or smaller production runs. A few customers chose to reduce their orders as the marketplace lacked strength.

The management believes that such challenges will continue to confront the Group in the coming year. As such, the management is taking a number of counter measures with specific targets. First, for the further improvement of the Group's cost efficiency, the Group is reinforcing systems including lean manufacturing and automation while introducing value stream mapping and central purchasing. The Group is also expanding its capacity in Malaysia and reviewing the Group's operations in China for better utilization. Second, for the enhancement of the Group's sales and marketing strategy, the Group apart from building up a stronger marketing team with a sharpened focus has also categorized its businesses into four major sectors, 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. Moreover, as a longer-term endeavour, new markets will be actively explored in the Middle East, South America and Russia. Last but not least, the Group is revitalizing its management team with younger talent and entrepreneurship and adopting an accountability system.

The management believes that these measures will enable the Group to meet the challenges and seize the opportunities. In the meantime, the management is mindful of the uncertainty in the global market, and is prudently managing the Group’s cash flow and customers’ credit as a safeguard against risks.

Southern China Operation

The Group’s southern China operation recorded a profit in the first six months, but was adversely affected by seasonal factors and a higher fluctuation of orders during the second half of the financial year. The impact was exemplified during the Chinese Lunar Year holiday in 2014, which fell between late January and early February, when workers took long leave and production was interrupted. As a result of the setback in the second half, the southern China operation suffered a loss for the full year. Nevertheless, the loss was smaller than that of last year.

Turnover of the southern China operation increased slightly during the year under review, with paper products being the major contributor. However, the printing and packaging division registered a decline in sales due to intense market competition and unsteady orders from the toys sector. By expanding into greeting cards and luxury packaging, the southern China operation managed to tap business from other sectors such as food, cosmetics and information technology.

To enhance its sales and profit, the southern China operation is introducing sophisticated electronic components to greeting cards and paper products to open new areas of opportunity for customers. Moreover, it is actively expanding into original design manufacturing (ODM) and original brand manufacturing (OBM), taking Japan as the first market for development. In this regard, the Group attended Japan's leading trade fair Giftex World 2013 in June 2013 to showcase our innovative products such as Paper Speaker and Plywood Puzzle, which received favourable response from visitors and local media.

Moving forward, the southern China operation will continue with its effort to penetrate new markets while expanding domestic sales in China. The management expects more orders from the information technology sector in the coming year with the launches of new products by customers. Internally, cost-saving systems such as lean manufacturing, automation, value stream mapping, and central purchasing will be introduced or reinforced to increase the cost efficiency of the southern China operation. In addition, more orders that are labour intensive 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.

As part of its effort to (i) increase automation and improve efficiency; and (ii) expand the ODM and OEM businesses, the Group has been developing custom-made machinery and brand-name products. In order to protect the intellectual rights for the design as well the trademark, the Group applies for patents from the State Intellectual Property Office of the PRC. As of to date, the Group has 32 registered patents for invention and utility model, and is waiting for approval for 8 applications.

In March 2013, Starlite Printers (Shenzhen) Co., Ltd obtained the Quality Safety certificate from the General Administration of Quality Supervision, Inspection and Quarantine certifying that the food packaging materials and production process of the company is clean, non-toxic and harmless. This authentication provides an endorsement for the Group's professionalism as it expands into the food packaging market.

In March 2014, Starlite Printers (Shenzhen) Co., Ltd was granted "The Lean Best Practice Award", its second year of receiving such honour. Bestowed by Hallmark, the largest greeting card company in the United States, the award recognized the Group's effort and performance in the Lean Factory Assessment made by Hallmark. Being one of the three winners of this Award, Starlite shared its experience with participants from more than 30 major suppliers attending the 2014 Hallmark Supplier Summit.

Eastern China Operation

Following its turnaround in 2013, the eastern China operation managed to sustain a profit for the year ended 31st March, 2014. However, both sales and profitability were driven down by rising labour costs and a fluctuation of orders that was more pronounced in the second half of the financial year.

Notwithstanding this setback, the eastern China operation has been able to benefit from its focused strategy, winning orders of large quantity from multinational customers and obtaining better pricing by offering high quality and innovative packaging solutions and specialty printing services. This strategy also facilitated the Group's expansion of domestic sales in China, with orders covering printing and packaging as well as labels printing.

In the coming year, the eastern China operation will continue to tighten its cost control and seek for higher saving through further implementation of lean manufacturing and automation. On the sales side, the management looks forward to more domestic business from multinational companies in the technology, media and telecommunications sectors and local companies tapping the growing economy of the Yangtze River Delta.

South East Asia Operation

During the year under review, the southeast Asia operation recorded an increase in turnover but a decline in profit. Sales at Starlite Printers (Far East) Pte Ltd, our Singapore subsidiary, fell slightly while the new factory in Johor, Malaysia saw higher sales. Overall, the setback can be attributed to intensified market competition, unsteady demand in major markets, higher production costs, and the overlapping of costs and resources resulted from the parallel running of the Singapore and Malaysia plants.

Looking ahead, while the negative effect of parallel running is expected to continue in the coming year, the management believes that such effect will gradually diminish as the Malaysia plant is reaching full-scale operations with higher efficiency. Such stronger capacity will enable the Singapore subsidiary to increase its competitiveness, capitalizing on its core competence in printing and packaging to provide customers with more cost-effective manufacturing and fulfilment services. It will also enable the Southeast Asia operation to seek further growth in Australia and New Zealand.

The Singapore subsidiary was selected for a Merit Award and a Gold Award in the 3R Packaging Awards 2014 in recognition for the Singapore subsidiary’s effort in reducing waste. The 3R Packaging Awards are 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.

Moreover, the Singapore subsidiary won major awards in the Singapore Packaging Star Awards 2013, the AsiaStar Awards 2013 and the WorldStar Packaging Awards 2013. It has one of the longest winning streaks in the Singapore Packaging Star Awards of nine consecutive years. The AsiaStar Award is organized by the Asian Packaging Federation while the WorldStar competition is organized by the World Packaging Organization.

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, 2014, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$227 million.

During the year under review, the interest expense of the Group amounted to approximately HK$10 million compared to approximately HK$9 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, 2014, the Group had a working capital surplus of approximately HK$157 million compared to a working capital surplus of approximately HK$110 million as at 31st March, 2013. The Group's net gearing ratio as at 31st March, 2014 was 8% (31st March, 2013: 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$44 million (31st March, 2013: HK$46 million), and shareholders' funds of approximately HK$559 million (31st March, 2013: HK$561 million).

CHARGE ON ASSETS

As at 31st March, 2014, certain assets of the Group with an aggregate book carrying value of approximately HK$42 million (31st March, 2013: HK$50 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 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
- Support to Student in Jiaying University
- The Federation of Hong Kong Guangzhou Community Organisations, with donation made to earthquake relief in SiChuan YaAn City
- Donation to Jiaying University's anniversary
- Scholarship Scheme in The Federation of Hong Kong Guangzhou Community Organisations
- Donation to Children's heart foundation

LOOKING AHEAD

In its latest Economic Outlook published in May 2014, the Organisation for Economic Co-operation and Development (OECD) has cut the global growth forecast from its November 2013 outlook, from 3.6% to 3.4% for 2014, although it kept its forecast for 2015 at 3.9%. Saying that the global economy is still strengthening, the report warned that significant risks remain and that structural reforms are essential "to enhance resilience and inclusiveness, strengthen growth and job prospects, and ease both external imbalances and long-term fiscal burdens." According to the report, among the major advanced economies, recovery is best established in the United States, whose economy is expected to grow by 2.6% in 2014 and 3.5% in 2015. The euro zone will see a return of positive growth after three years of contraction, reporting a growth of 1.2% this year and 1.7% next year, while Japan will expand by 1.2% both this year and next. China will again have the fastest growth among the BRIICS (Brazil, Russia, India, Indonesia, China, and South Africa), with rates just below 7.5% in 2014 and 2015.

The OECD's forecasts give credence to the Group's strategy of seeking growth while cautiously watching for risks; and maintaining exposure to the United States and European markets while expanding domestic sales in China and diversifying into other markets. As part of this strategy, the Group is also reinforcing its flexibility and adaptability while taking measures such as the launch of the Malaysia plant to increase the cost competitiveness of the southeast Asia operation. The strategy is implemented through the fundamental strengthening and rejuvenation of the management team to carry out plans with clear objectives and accountability. Some initial success has been seen and more is likely to come as the management moves ahead to seek improvement for the Group.

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, 2014.

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, 2014 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* and Madam Yeung Chui, were unable to attend the Annual General Meeting of the Company held on 14th August, 2013 as they were 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, 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 13th August, 2014 to Friday,15th August, 2014 (both dates inclusive), and Monday, 25th August, 2014 to Wednesday, 27th August, 2014 (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 Friday, 15th August, 2014, 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 Tuesday,12th August, 2014.

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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 22nd August, 2014.

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, 2014 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, 25th June, 2014

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.*