STARLITE
HOLDINGS LIMITED
星光集團有限公司*
A Member of the Starlite Group

(Incorporated in Bermuda with limited liability)

(Stock Code: 403)

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2007

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, 2007 together with the comparative figures for the previous year as follows:

Consolidated income statement

	Note	**2007** *HK$'000*	2006 *HK$'000*
Revenue	2	**1,128,021**	907,054
Cost of sales		**(881,378)**	(700,549)
Gross profit		**246,643**	206,505
Other gains — net	3	**393**	1,609
Selling and distribution costs		**(62,913)**	(50,367)
General and administrative expenses		**(125,194)**	(90,746)
Operating profit		**58,929**	67,001
Finance costs — net	5	**(17,304)**	(13,389)
Profit before income tax		**41,625**	53,612
Income tax expense	6	**(9,084)**	(22,484)
Profit for the year, attributable to equity holders of the Company		**32,541**	31,128
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)	7		
— Basic		**HK 7.58 cents**	HK 7.27 cents
— Diluted		**HK 7.58 cents**	HK 7.26 cents
Dividends	8	**12,884**	12,884

Consolidated Balance Sheets

	Note	2007 *HK$'000*	2006 *HK$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**26,825**	26,413
Property, plant and equipment		**448,017**	418,904
Other non-current assets		**1,543**	1,180
		476,385	446,497
Current assets			
Inventories		**105,274**	85,136
Trade and bills receivable	9	**195,017**	176,753
Prepayments and deposits		**15,094**	25,064
Cash and cash equivalents		**107,043**	89,812
		422,428	376,765
LIABILITIES			
Current liabilities			
Borrowings		**172,529**	119,663
Finance lease obligations, current portion		**2,565**	7,655
Trade and bills payable	10	**154,211**	134,494
Accruals and other payables		**49,260**	41,993
Current income tax liabilities		**22,035**	18,015
		400,600	321,820
Net current assets		**21,828**	54,945
Total assets less current liabilities		**498,213**	501,442
Non-current liabilities			
Borrowings		**106,974**	135,135
Finance lease obligations, non-current portion		**2,858**	5,092
Deferred income tax liabilities		**13,303**	15,794
		123,135	156,021
Net assets		**375,078**	345,421
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**42,947**	42,947
Reserves	11	**332,131**	302,474
Shareholders' equity		**375,078**	345,421

Notes:

1. **Basis of preparation**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention.

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.

(a) Amendments to and interpretations of published standards effective in 2006 and relevant to the Group's operations

The following amendments and interpretations are mandatory for accounting periods beginning on or after 1st January, 2006 and are relevant to the Group's operations:

- Amendment to HKAS 39 and HKFRS 4, Amendment "Financial Guarantee Contracts"
- HK(IFRIC)-Int 4 "Determining Whether an Arrangement Contains a Lease"
- HKAS 21 Amendment "Net Investment in a Foreign Operation"

The adoption of the above amendments and interpretations did not have any significant impacts to the Group.

(b) New standards and interpretations to existing standards that are not effective and have not been early adopted by the Group

The following are the new standards and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after 1st May, 2006 or later periods that the Group has not early adopted:

- HKFRS 7 "Financial Instruments: Disclosures"
- HKFRS 8 "Operating Segments"
- HK(IFRIC)-Int 8 "Scope of HKFRS 2"
- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives"
- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment"
- HK(IFRIC)-Int 11 "HKFRS 2 – Group and Treasury Share Transfer"

The Directors anticipate that the adoption of the above standards, amendments to standards and interpretations will not result in significant changes to the Group's accounting policies.

(c) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretation to an existing standard has been published that is mandatory for accounting periods beginning on or after 1st January, 2008 and is not relevant for the Group's operations:

- HK(IFRIC)-Int 12 "Service Concession Arrangement"

(d) *Standards, amendments and interpretations effective for accounting periods beginning on 1st April, 2006 but not relevant to the Group's operations*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January, 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment "Employee Benefits"
- HKAS 39 Amendment "Cash Flow Hedge Accounting of Forecast Intragroup Transactions"
- HKFRS 1 Amendment "First-time adoption of Hong Kong Financial Reporting Standards"
- HK(IFRIC)-Int 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
- HK(IFRIC)-Int 6 "Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"
- HK(IFRIC)-Int 7 "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economics"

2. Segment information

(a) Revenue is analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
Sales of packaging materials, labels, paper products and environmentally friendly products	**1,116,374**	902,688
Others	**11,647**	4,366
	1,128,021	907,054

(b) Primary reporting format — business segment

The Company is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels, paper products, and environmentally friendly products. No business segment information is provided as substantially all of the assets, sales and contribution to the Group's results are attributable to the printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products.

(c) Secondary reporting format — geographical segments

The Group primarily operates in Hong Kong, Mainland China and Singapore.

Analysis by geographical location is as follows:

	2007	2006
	HK$'000	*HK$'000*
Revenue [1]		
— Hong Kong and Mainland China	**488,078**	388,015
— Singapore	**140,103**	125,985
— United States of America	**339,482**	293,932
— Others	**160,358**	99,122
	1,128,021	907,054

[1] Revenue by geographical location is determined by the destination of shipments/deliveries of merchandise.

	2007	2006
	HK$'000	*HK$'000*
Total assets		
Hong Kong and Mainland China	**813,489**	752,095
Singapore	**85,324**	71,167
	898,813	823,262

Total assets are allocated based on where the assets are located.

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong and Mainland China	**72,303**	128,253
Singapore	**1,686**	48
	73,989	128,301

Capital expenditure is allocated based on where the assets are located.

3. Other gains — net

	2007	2006
	HK$'000	*HK$'000*
Net exchange gain	**414**	1,332
Net (loss)/gain on disposal of property, plant and equipment	**(21)**	277
	393	1,609

4. Expenses by nature

	2007	2006
	HK$'000	*HK$'000*
Provision for/(Reversal of) impairment of receivables	**19,280**	(6,295)
Write-down of inventories	**2,344**	1,000
Amortisation of leasehold land and land use rights	**487**	2,752
Depreciation of other property, plant and equipment		
— owned assets	**54,880**	43,894
— assets held under finance leases	**2,580**	4,044

5. Finance costs — net

	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**17,917**	13,230
Interest element of finance leases	**534**	794
Interest income from bank deposits	**(1,147)**	(635)
	17,304	13,389

6. Income tax expense

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Subsidiaries established and operated in Mainland China are subject to Mainland China Enterprise Income Tax at rates ranging from 15% to 33% for the year (2006: 15% to 33%). In accordance with the applicable law 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 Enterprise Income Tax for the first two years and a 50% reduction in Enterprise 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.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 18% (2006: 20%).

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

	2007 *HK$'000*	2006 *HK$'000*
Current income tax expense		
— Hong Kong profits tax	**5,724**	17,573
— Mainland China Enterprise Income Tax	**2,949**	3,602
— Singapore Corporate Income Tax	**3,055**	2,850
	11,728	24,025
Deferred taxation	**(2,644)**	(1,541)
	9,084	22,484

7. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**32,541**	31,128
Weighted average number of ordinary shares in issue ('000)	**429,476**	428,426
Basic earnings per share (HK cents)	**7.58**	7.27

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.

	2007	2006
Profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	**32,541**	31,128
Weighted average number of ordinary shares in issue ('000)	**429,476**	428,426
Adjustments for share options ('000)	**40**	467
Weighted average number of ordinary shares for diluted earnings per share ('000)	**429,516**	428,893
Diluted earnings per share (HK cents)	**7.58**	7.26

8. Dividends

	2007	2006
	HK$'000	*HK$'000*
Interim dividends — HK$0.015 (2006: HK$0.015) per share	**6,442**	6,442
Proposed final dividends — HK$0.015 (2006: HK$0.015) per share	**6,442**	6,442
	12,884	12,884

9. Trade and bills receivable

The Group grants to its customers credit terms generally ranging from 30 to 120 days.

The aging analysis of trade and bills receivable is as follows:

	2007	2006
	HK$'000	*HK$'000*
1 to 90 days	**168,780**	152,485
91 to 180 days	**22,759**	22,185
181 to 365 days	**22,583**	5,694
Over 365 days	**4,022**	277
	218,144	180,641
Less: Provision for impairment of receivables	**(23,127)**	(3,888)
	195,017	176,753

10. Trade and bills payable

The aging analysis of trade and bills payable is as follows:

	2007	2006
	HK$'000	*HK$'000*
1 to 90 days	**124,209**	116,196
91 to 180 days	**20,740**	14,288
181 to 365 days	**8,038**	3,592
Over 365 days	**1,224**	418
	154,211	134,494

11. Reserves

Movements were:

	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
As at 31st March, 2005	100,968	1,169	631	232	(3,511)	183,641	283,130
Fair value gains —							
Other non-current assets	—	—	—	127	—	—	127
Currency translation differences	—	—	—	—	1,697	—	1,697
Net income recognised directly in equity	—	—	—	127	1,697	—	1,824
Profit attributable to equity holders of the Company	—	—	—	—	—	31,128	31,128
Total recognised income for the year	—	—	—	127	1,697	31,128	32,952
	100,968	1,169	631	359	(1,814)	214,769	316,082
Dividends paid	—	—	—	—	—	(17,141)	(17,141)
Employee share options scheme							
— Value of employee services	—	—	693	—	—	—	693
— Issue of shares upon exercise of employee share options	3,189	—	(349)	—	—	—	2,840
As at 31st March, 2006	104,157	1,169	975	359	(1,814)	197,628	302,474
Fair value gains —							
Other non-current assets	—	—	—	363	—	—	363
Currency translation differences	—	—	—	—	9,476	—	9,476
Net income recognised directly in equity	—	—	—	363	9,476	—	9,839
Profit attributable to equity holders of the Company	—	—	—	—	—	32,541	32,541
Total recognised income for the year	—	—	—	363	9,476	32,541	42,380
	104,157	1,169	975	722	7,662	230,169	344,854
Dividends paid	—	—	—	—	—	(12,884)	(12,884)
Employee share options scheme							
— Value of employee services	—	—	161	—	—	—	161
As at 31st March, 2007	104,157	1,169	1,136	722	7,662	217,285	332,131

12. Commitments and contingent liabilities

(a) Capital commitments

Capital expenditure at the balance sheet date contracted but not yet provided for is as follows:

	2007	2006
	HK$'000	*HK$'000*
Land	**582**	—
Machinery	**31,846**	14,576
Furniture and equipment	**80**	1,507
	32,508	16,083

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases of land and buildings, as follows:

	2007	2006
	HK$'000	*HK$'000*
Amounts payable		
— within one year	**12,021**	10,763
— later than one year but no later than five years	**18,267**	16,390
— later than five years	**3,738**	5,751
	34,026	32,904

(c) Other commitments

Total pre-determined fees payable to the joint venture partner of Guangzhou Starlite Environmental Friendly Center, Limited for 50 years up to 2044 amounted to approximately HK$ 18,226,000 (2006: HK$18,368,000).

RESULTS

The Group's results returned to growth in the year ended 31st March, 2007. Net profit amounted to approximately HK$33 million, an increase of 5% over last year. Turnover grew by 24% to approximately HK$1,128 million.

Compared with the increase in turnover, the relatively lower growth in net profit reflected the intensity of the challenges facing the Group during the year, which put pressure on the Group's profit margin. Such challenges included higher operating costs (in particular labour costs) in Mainland China, increase in the costs of raw materials and interest payments, and customers' demands for more competitive pricing for their orders. Nonetheless, by further strengthening its efforts to increase sales and improve cost efficiency, the Group has alleviated the impact brought by the challenges.

The Group's Singapore subsidiary and Suzhou subsidiary performed remarkably during the year. The Singapore subsidiary increased its net profit substantially, while the Suzhou subsidiary achieved a turnaround to profit.

Subsequent to the year-end, the Group entered into an agreement to acquire a 75% interest in a Malaysian company which is principally engaged in the printing of packaging materials, boxes and instruction manuals. The consideration for the acquisition is estimated to be approximately HK$19.8 million. The completion of the acquisition is conditional upon the fulfillment of a number of conditions by 30th September, 2007. Details of the acquisition were set out in the circular dispatched to shareholders on 10th May, 2007 and are also explained under the section "Malaysia Project".

DIVIDENDS

The Directors recommend a final dividend of HK1.5 cents (2006: HK1.5 cents) per share for the year ended 31st March, 2007 payable on 17th September, 2007 to shareholders whose names appear on the Register of Members on 28th August, 2007. Together with the interim dividend of HK1.5 cents (2006: HK1.5 cents) paid, full year dividends for the financial year would be HK3 cents per share (2006: HK3 cents).

BUSINESS REVIEW AND PROSPECTS

A number of formidable challenges confronted the Group during the year under review. Topping the list was the higher operating costs in Mainland China. As explained in the Group's interim report, the minimum monthly wage of workers in Shenzhen was further increased to RMB700 in July 2006 following an increase from RMB480 to RMB580 in July 2005. With the increase in basic wage, overtime payment and social security cost also increased accordingly. Given that labour accounts for a significant part of the total cost of the printing and packaging industry, and the fact that Shenzhen is the Group's major production base in China, the substantial increase in minimum wage and benefits, together with the rise in other operating expenses such as electricity, has had a major impact on the Group's profit margin.

Due to intense competition in the industry, the increase in costs could not be fully passed on to customers, who demanded more competitive pricing and tighter delivery schedules for their orders. As a result, the Group has to absorb a large portion of the additional costs, as well as the increased airfreight and subcontracting charges.

In order to proceed with its expansion in Suzhou and Shaoguan, the Group has increased its bank financing in recent years. With higher interest rates during the year, the Group's finance costs increased. The additional human resources for management, operations and marketing incurred for the Suzhou and Shaoguan operations also affected the Group's bottom line.

The Group responded to these challenges by further capitalizing on the strengths of its subsidiaries. Having completed its second phase development, the Suzhou subsidiary was equipped with the facilities to handle a large amount of orders that require sophisticated workmanship and service. At the same time, the new plant in Shaoguan completed its phase-one development, where the minimum wage and other operating costs are relatively lower compared to Shenzhen and Guangzhou.

By assigning orders that take advantage of these strengths, the Group was able to generate higher sales and contain costs. Within the Group, the Shaoguan plant has increased its capacity for labour intensive orders, while the Suzhou plant has taken up the responsibilities of coping with sophisticated orders and spearheading the Group's drive to expand in the booming Yangtze River delta. The Singapore subsidiary has moved forward to expand the South East Asian and Oceania markets.

These measures correspond to the Group's long-term development strategy, which is to reduce the Group's reliance on the United States market and to diversify the Group's manufacturing operation to the less expensive cities in China. The Group will explore other means to further realign the Group's resources and to increase its market penetration, details of which are described in the sections below. Whilst the management appreciates that it may take time for the Group's strategic plans to achieve all the desired results, it is confident that the Group is moving in the right direction and has a promising future.

Hong Kong/Mainland China Operations

Due to higher operating costs, the Group's printing and packaging operations in southern China recorded a decline in profit. As explained above, the major impact came from a further rise in the minimum wage of workers in southern China cities including Shenzhen and Guangzhou, where the Group's major manufacturing operations are located. Other factors, such as rising interest costs, fierce price competition, and higher airfreight and subcontracting charges, also played a part in reducing the profit margin of the Group's southern China operations.

A more favourable performance was achieved in the eastern China region, where the Group's Suzhou subsidiary recorded its first year of profit. The turnaround is particularly encouraging given the fact that while the Suzhou subsidiary has benefited from orders transferred from the Group's southern China operations, it also managed to secure more domestic orders on its own efforts in the Yangtze River delta.

In terms of product range, paper products recorded an increase in turnover. The environmentally friendly products division continued with the production of interior packaging products and "Greenworks" products and further diversified to other paper products.

To increase sales, the Group is looking into the possibility of tapping the potential of the European market for paper products. Moreover, in view of the rising operating costs in Mainland China, the Group is exploring the possibility of further realigning its China operations and replacing some of the labour intensive production work with automation. The management will explore these options by capitalising on the expertise of "Starlite Innovation Centre" and "Starlite Institute of Management".

Suzhou Operation

Despite the unfavourable operating environment, the Suzhou subsidiary managed to record its first year of profit with an increase in turnover. This marked a major breakthrough for the Suzhou subsidiary, which successfully utilized its quality service, enhanced productivity and effective marketing measures to differentiate itself from the competition.

With the completion of its phase-two expansion, the Suzhou plant has become one of the most sophisticated printing and packaging service providers in the Yangtze River delta. It is now spearheading the Group's expansion in the eastern China region apart from acting as a major manufacturing base of the Group. While providing labels printing services to a renowned multinational corporation based in the United States, the Suzhou plant is making preparations to provide production support to the Group's wholly-owned subsidiary in Shanghai.

Shaoguan Operation

In spite of a recent increase, the minimum wage and benefits in Shaoguan continued to be lower than Shenzhen and Guangzhou. This proved that the Group's decision to diversify its manufacturing base to Shaoguan has been a sensible move.

Facilitated by the completion of its phase-one development in the second quarter of 2006, the Shaoguan plant was able to provide stronger support to the Group's environmentally friendly products division and paper products division in Shenzhen and Guangzhou. The Group is considering the strategy of further integrating the resources of the paper products and environmentally friendly products divisions, which includes the possibility of combining their production in Shaoguan.

As a further option, the Group is exploring the possibility of expanding the Shaoguan operation and centralizing the Group's production of labour-intensive products in Shaoguan. This may form part of the Group's overall plan to realign its production facilities in southern China.

Singapore Operation

By further enhancing its marketing initiatives and cost controls, the Singapore subsidiary managed to record a satisfactory growth in sales and a substantial increase in net profit despite strong competition from other Asian-based companies. Moreover, the Singapore subsidiary also benefited from more efficient allocation of management and capital resources following the completion of equity transfer of the Suzhou subsidiary to the Group's Hong Kong/Mainland China holding company.

With its existing business on a strong foothold, the Singapore subsidiary is expanding its business in the South East Asian and Oceania regions. As part of the effort, the Singapore subsidiary has agreed to acquire a majority interest in a Malaysian company subsequent to the year-end. Details of the acquisition are explained below.

Malaysia Project

On 11th April, 2007, the Singapore subsidiary entered into a sale and purchase agreement to acquire a 75% interest in Taspack Industrial Sdn. Bhd. ("Taspack") for a consideration estimated to be RM9.4 million (approximately HK$19.8 million). Taspack is principally engaged in the printing of packaging materials, boxes and instruction manuals. Completion of the sale and purchase is subject to the fulfillment of a number of conditions by 30th September, 2007, which include Taspack's disposal of some of its assets that are unrelated to its principal businesses.

The Group considers that, to cater for the anticipated higher sales volume and anticipated future growth of the Singapore subsidiary, the acquisition of Taspack will provide additional capacity to meet the needs of the Singapore subsidiary. As the Singapore subsidiary is located in Singapore and Taspack is conveniently located in Malaysia, the proximity creates a platform for the Singapore subsidiary to expand its business without significantly stretching its management resources.

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, 2007, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$107 million.

During the year under review, the interest expense of the Group amounted to approximately HK$18 million compared to approximately HK$14 million recorded last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB80 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 31st March, 2007, the Group had a working capital surplus of approximately HK$22 million compared to a working capital surplus of approximately HK$55 million as at 31st March, 2006. The Group's debt-to-equity ratio as at 31st March, 2007 was 73% (31st March, 2006: 87%), based on short-term and long-term bank borrowings and other debts/borrowings (excluding trade related debts) of approximately HK$272 million (31st March 2006: HK$300 million), and shareholders' funds of approximately HK$375 million (31st March, 2006: HK$345 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 31st March, 2007, certain assets of the Group with an aggregate book carrying value of approximately HK$54 million (31st March, 2006: HK$17 million) were pledged to secure the banking facilities of the Group.

EXCHANGE RATE EXPOSURE

All the Group's assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars, Chinese Renminbi, Japanese Yen, Singapore dollars or Euro. The exchange rate of US dollars/Hong Kong dollars is relatively stable due to the current peg system in Hong Kong. On the other hand, the existing Renminbi-denominated sales revenue helps to reduce the Group's commitments of Renminbi-denominated operating expenses in Mainland China. 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 relations with its employees, providing them competitive packages and incentive schemes as well as various training programmes. The Group has maintained a Share Option Scheme under which share options can be granted to certain employees (including executive directors of the Company) as incentive for their contribution to the Group. Following the opening of the "Starlite Institute of Management", the Group provides various training and development programmes to staff on an ongoing basis. The Group will explore the possibility of launching other special training programmes with universities in Mainland China and education institutions abroad to further enhance its staff quality.

LOOKING AHEAD

The economy of the United States is slowing down. Its first quarter real GDP growth was revised downwards to 0.6%, a higher-than-expected adjustment compared with the initial estimate of 1.3%, and represents the slowest growth of the United States economy since late 2002. The silver lining was that despite tremors in the subprime mortgage market, real personal consumption expenditures increased 4.4% in the first quarter, compared with an increase of 4.2% in the fourth quarter of 2006.

Moreover, according to the Economic Outlook published by the Organization for Economic Cooperation and Development, the economic growth in Europe and Japan will outpace the United States this year for the first time since 2001. The report suggests that the world can weather a cooling in the United States economy, aided by robust demand in China and India and strong growth elsewhere. It forecasts that the Chinese economy will continue to expand at more than 10% this year and next.

These developments and forecasts provide support to the Group's positioning. On the marketing side, while maintaining a strong clientele in the United States, the Group is taking concrete steps to expand sales in China, South East Asia, Europe and the Oceania market. China is top of our priority. There is growing evidence that China can become the "World Consumer" other than the "World Factory", and the management strongly believes that the ongoing plans for the Suzhou and Shanghai subsidiaries will help the Group to benefit from China's rising consumption.

On the other hand, the divide between rich and poor is growing in China. Moreover, prices are increasing in Chinese cities and towns as demand for resources continues to outstrip supply. In order to maintain social stability, the Chinese government is likely to further increase the minimum wage of workers in the near future. Foreseeing this trend, the Group is considering plans to further consolidate and realign its manufacturing facilities. One of the options is to further utilize the Shaoguan facility.

All in all, the global economic environment is expected to remain favourable with China playing an increasingly important role in Asia and in the world. As in the past, the global economy will encounter new challenges as it moves ahead, and the Group is adopting a cautious approach and maintaining flexibility to allow necessary adjustments when required. Being proactive and prudent, the management believes that the Group is well prepared to meet new challenges and make new mileage.

EVENT AFTER THE BALANCE SHEET DATE

In April 2007, a wholly-owned subsidiary of the Company entered into an agreement to acquire a 75% equity interest in Taspack Industrial Sdn. Bhd., a private company incorporated in Malaysia, from certain third parties for a consideration of approximately RM9,444,000 (equivalent to HK$19,836,000).

AUDIT COMMITTEE

The audit committee is composed of all the four non-executive directors of the Company of which three of them are independent. The audit committee has reviewed with management the accounting policies 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, 2007.

REVIEW OF FINANCIAL INFORMATION

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March, 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

In the opinion of the Board, the Company has complied with the Code Provisions in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31st March, 2007.

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 would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board believes that the balance of power and authority is adequately ensured by the operating of the Board which comprises experienced and high caliber individuals with a sufficient number thereof being Non-executive Directors.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors. All Directors have confirmed that, in respect of the year ended 31st March, 2007, they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 24th August, 2007 to Tuesday, 28th August, 2007 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for final dividend, shareholders must deliver their share transfer forms and share certificates to Secretaries Limited, the Company's Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Thursday, 23rd August, 2007.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.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, 2007 will be dispatched to the shareholders and published on the above websites in due course.

On behalf of the Board
Lam Kwong Yu
Chairman

Hong Kong, 9th July, 2007

As at the date of this announcement, the executive directors of the Company are Mr. Lam Kwong Yu, Ms. Yeung Chui, Mr. Tai Tzu Shi, Angus and Mr. Cheung Chi Shing, Charles, the non-executive director is Mr. Christopher James Williams, and the independent non-executive directors are Mr. Chan Yue Kwong, Michael, Mr. Kwok Lam Kwong, Larry, JP and Mr. Tam King Ching, Kenny.

* *For identification purpose.*