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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

INTERIM RESULTS (UNAUDITED)

The Directors of Starlite Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30th September, 2007, together with the comparative figures for the corresponding period, as follows:

Condensed Consolidated Income Statement

		Unaudited Six months ended 30th September,	
	Notes	**2007**	2006
		HK$'000	HK$'000
Revenue	3	**625,977**	634,547
Cost of sales		**(489,081)**	(494,938)
Gross profit		**136,896**	139,609
Other gains – net	4	**723**	426
Selling and distribution costs		**(30,420)**	(32,306)
General and administrative expenses		**(62,583)**	(62,392)
Operating profit	5	**44,616**	45,337
Finance costs – net	6	**(8,042)**	(8,615)
Profit before income tax		**36,574**	36,722
Income tax expense	7	**(7,039)**	(8,527)
Profit for the period, attributable to equity holders of the Company		**29,535**	28,195
Earnings per share for profit attributable to equity holders of the Company during the period			
(expressed in HK cents per share)	8		
- Basic		**6.88**	6.56
- Diluted		**6.87**	6.56
Dividends	9	**6,442**	6,442

Condensed Consolidated Balance Sheet

	Notes	Unaudited As at 30th September, 2007 HK$'000	Audited As at 31st March, 2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**466,158**	448,017
Leasehold land and land use rights		**27,025**	26,825
Other non-current assets		**1,275**	1,543
		494,458	476,385
Current assets			
Inventories		**99,248**	105,274
Trade and bills receivable	10	**296,898**	195,017
Prepayments and deposits		**14,182**	15,094
Cash and cash equivalents		**127,638**	107,043
		537,966	422,428
LIABILITIES			
Current liabilities			
Borrowings		**179,306**	172,529
Finance lease obligations, current portion		**2,100**	2,565
Trade and bills payable	11	**224,571**	154,211
Accruals and other payables		**62,412**	49,260
Current income tax liabilities		**27,346**	22,035
		495,735	400,600
Net current assets		**42,231**	21,828
Total assets less current liabilities		**536,689**	498,213
Non-current liabilities			
Borrowings		**117,231**	106,974
Finance lease obligations, non-current portion		**1,839**	2,858
Deferred income tax liabilities		**13,332**	13,303
		132,402	123,135
Net assets		**404,287**	375,078
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**42,947**	42,947
Reserves	12	**361,340**	332,131
Shareholders' equity		**404,287**	375,078

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September, 2007 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 " Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31st March, 2007.

2. Accounting policies

The accounting policies adopted are consistent with those of and as described in the annual financial statements for the year ended 31st March, 2007.

The following new standards, amendments to standards and interpretations are mandatory and relevant for financial year ending 31st March, 2008.

HKAS 1 (Amendment)	Presentation of Financial Statements : Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
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 Transactions

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group interim results and financial position.

The following new standards, amendments to standards and interpretations, which are relevant to the Group, have been issued but are not effective for the year ending 31st March, 2008 and have not been early adopted by the Group :

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. Segment information

(a) Revenue is analysed as follows:

	Unaudited Six months ended 30th September, 2007 HK$'000	2006 HK$'000
Sales of packaging materials, labels, paper products and environmentally friendly products	**619,761**	628,558
Others	**6,216**	5,989
	625,977	634,547

(b) Primary reporting format – business segment

The Group is 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 segment – geographical segments

An analysis of the Group's results by geographical location is as follows:

	Unaudited Six months ended 30th September, 2007 HK$'000	2006 HK$'000
Revenue[1]		
Hong Kong and Mainland China	**272,512**	273,043
United States of America	**163,092**	198,268
Europe	**90,648**	74,114
South East Asia	**76,090**	69,073
Others	**23,635**	20,049
	625,977	634,547

[1] Revenue by geographical location is determined on the basis of the destination of shipments of merchandise.

	Unaudited Six months ended 30th September, 2007 HK$'000	2006 HK$'000
Profit for the period attributable to equity holders of the Company		
Hong Kong and Mainland China	**12,510**	9,283
United States of America	**7,370**	9,449
Europe	**4,004**	3,808
South East Asia	**4,564**	4,637
Others	**1,087**	1,018
	29,535	28,195

There are no material sales between the geographical segments.

An analysis of the Group's assets by geographical location is as follows:

	Unaudited As at 30th September, 2007 HK$'000	Audited As at 31st March, 2007 HK$'000
Hong Kong and Mainland China	**938,676**	813,489
Singapore	**93,748**	85,324
	1,032,424	898,813

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

An analysis of the Group's capital expenditure is as follows:

	Unaudited Six months ended 30th September, 2007 HK$'000	2006 HK$'000
Hong Kong and Mainland China	**40,608**	53,154
Singapore	**32**	476
	40,640	53,630

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

4. Other gains – net

	Unaudited Six months ended 30th September,	
	2007	2006
	HK$'000	HK$'000
Net exchange gain	**407**	439
Net loss on disposal of property, plant and equipment	**(2)**	(13)
Net gain on disposal of other non-current asset	**318**	-
	723	426

5. Operating profit

The following items have been charged to the operating profit during the interim period:

	Unaudited Six months ended 30th September,	
	2007	2006
	HK$'000	HK$'000
Employment costs (including directors' emoluments)	**121,285**	116,821
Depreciation and amortisation of leasehold land and land use rights and property, plant and equipment	**30,319**	28,479
Provision for impairment of receivables	**494**	5,600

6. Finance costs - net

	Unaudited Six months ended 30th September,	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**8,437**	8,736
Interest element of finance leases	**124**	330
Interest income from bank deposits	**(519)**	(451)
	8,042	8,615

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited Six months ended 30th September,	
	2007	2006
	HK$'000	HK$'000
Current taxation		
- Hong Kong profits tax	**5,904**	7,321
- Overseas taxation	**1,135**	1,105
	7,039	8,426
Deferred taxation	**-**	101
	7,039	8,527

8. 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 period.

	Unaudited Six months ended 30th September,	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**29,535**	28,195
Weighted average number of ordinary shares in issue ('000)	**429,476**	429,476
Basic earnings per share (HK cents)	**6.88**	6.56

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's only category of dilutive potential ordinary shares is share options. Calculation is done 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 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.

	Unaudited Six months ended 30th September,	
	2007	2006
Profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	**29,535**	28,195
Weighted average number of ordinary shares in issue ('000)	**429,476**	429,476
Adjustments for share options ('000)	**325**	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	**429,801**	429,476
Diluted earnings per share (HK cents)	**6.87**	6.56

9. Dividends

	Unaudited Six months ended 30th September,	
	2007	2006
	HK$'000	HK$'000
Proposed interim dividends of HK1.5 cents (2006: 1.5 cents) per share	**6,442**	6,442

10. Trade and bills receivable

The Group usually grants to its customers a credit term ranging from 30 days to 120 days.

An aging analysis of trade and bills receivable as at 30th September, 2007 is as follows:

	Unaudited As at 30th September, 2007 HK$'000	Audited As at 31st March, 2007 HK$'000
1 to 90 days	**270,969**	168,780
91 to 180 days	**25,115**	22,759
181 to 365 days	**1,551**	22,583
Over 365 days	**22,899**	4,022
	320,534	218,144
Less: Provision for impairment of receivable	**(23,636)**	(23,127)
	296,898	195,017

11. Trade and bills payable

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

	Unaudited As at 30th September, 2007 HK$'000	Audited As at 31st March, 2007 HK$'000
1 to 90 days	**200,508**	124,209
91 to 180 days	**20,067**	20,740
181 to 365 days	**2,271**	8,038
Over 365 days	**1,725**	1,224
	224,571	154,211

12. Reserves

Movements were:

	Unaudited For the six months ended 30th September, 2007						
	Share premium	Capital reserve	Share-based compensation reserve	Translation reserve	Investment reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1st April, 2007	104,157	1,169	1,136	7,662	722	217,285	332,131
Fair value gains – Other non-current assets	-	-	-	-	(184)	-	(184)
Currency translation differences	-	-	-	5,891	-	-	5,891
Net income recognised directly in equity	-	-	-	5,891	(184)	-	5,707
Profit attributable to equity holders of the Company	-	-	-	-	-	29,535	29,535
Total recognised income for the period	-	-	-	5,891	(184)	29,535	35,242
2006/07 final dividends paid	-	-	-	-	-	(6,442)	(6,442)
Employee share options scheme - Value of employee services	-	-	409	-	-	-	409
Balance as at 30th September, 2007	104,157	1,169	1,545	13,553	538	240,378	361,340

12. Reserves (Continued)

	Unaudited For the six months ended 30th September, 2006						
	Share premium HK$'000	Capital reserve HK$'000	Share-based compensation reserve HK$'000	Translation reserve HK$'000	Investment reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance as at 1st April, 2006	104,157	1,169	975	(1,814)	359	197,628	302,474
Fair value gains – Other non-current assets	-	-	-	-	93	-	93
Currency translation differences	-	-	-	2,280	-	-	2,280
Net income recognised directly in equity	-	-	-	2,280	93	-	2,373
Profit attributable to equity holders of the Company	-	-	-	-	-	28,195	28,195
Total recognised income for the period	-	-	-	2,280	93	28,195	30,568
2005/06 final dividends paid	-	-	-	-	-	(6,442)	(6,442)
Balance as at 30th September, 2006	104,157	1,169	975	466	452	219,381	326,600

RESULTS

Turnover of the Group for the six months ended 30th September, 2007 amounted to approximately HK$626 million, a decrease of 1% compared with the same period last year. Net profit increased by 5% to approximately HK$30 million.

The decrease in turnover was recorded amidst wide concerns about the safety of made-in-China consumer products following large-scale recalls in the United States, which led to a temporary suspension of orders experienced by some of the Group's customers who in turn reduced their orders for the Group. Moreover, customers generally adopted a more cautious approach in placing orders and requested more accommodating pricing for their orders given the uncertainty in consumer sentiment as a result of the subprime mortgage tremors. Nevertheless, the Group was able to minimize the impact of these negative factors on its turnover by further expanding its product range and customer base through the utilization of its strength as a high quality and reliable manufacturer.

The increase in net profit was particularly encouraging as it was attained in the absence of a higher turnover and in spite of the rising operating costs in China and intensifying competition in the industry. It reflected the Group's success in cost control and the satisfactory performance of the Suzhou and Singapore subsidiaries. The Group will adopt further measures to increase its profitability, details of which are described in the sections below.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 1.5 cents (2006: HK1.5 cents) per share for the six months ended 30th September, 2007 payable on Friday, 18th January, 2008 to shareholders whose names appear on the Register of Members on Friday, 28th December, 2007.

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Sales of the Group's printing and packaging operations in southern China declined during the six months ended 30th September, 2007 largely due to a decrease in orders from customers who were affected by the safety issues concerning made-in-China consumer products sold in the United States. Owing to the multitude of negative publicity, orders for paper products were also affected. The decrease in orders affected the printing and packaging industry at large, as a result of which competition became more intensified. All these took place when profit margins were further reduced by higher operating costs, making it difficult for the Group's southern China operations to maintain profitability.

A more favourable performance was achieved in the eastern China region, where the Group's Suzhou subsidiary secured a turnaround to profit. Gaining greater benefits from its enlarged economies of scale following recent expansion, the Suzhou plant was able to secure more orders from the Yangtze River delta.

The Group sees that the highly publicized safety issues in the United States are presenting good opportunities for the Group to increase its market share. With customers demanding more stringent quality assurances and certifications from Chinese manufacturers, those smaller competitors may find it difficult to oblige while larger and reputable operators such as the Group will benefit. The Group is therefore taking new initiatives in this direction to further expand its product range and customer base.

Suzhou Operation

During the period under review, the Suzhou subsidiary reported an increase in turnover and a satisfactory profit. This continued improvement followed last year's turnaround, giving ample evidence that the Group was correct in diversifying its production base from southern China and tapping the domestic sales in eastern China.

Moving ahead, the Suzhou subsidiary is expected to enjoy higher growth from the booming consumer market in the Yangtze River delta where Shanghai is taking the lead and other cites in the region are closing the gap.

Shaoguan Operation

During the period under review, the Group further increased its subcontracting works to the Shaoguan plant which helped mitigate the impact brought by the higher labour costs in Shenzhen and Guangzhou where the Group's southern China operations are headquartered.

As disclosed in the Group's last annual report, 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. The Group is also exploring other possibilities that may result in the realignment of its production facilities in southern China and the utilization of the Group's assets in a more efficient manner.

Singapore Operation

Benefiting from an increase in regional trade and a sustained growth of the world economy, the Singapore subsidiary recorded satisfactory sales and profit in the face of strong competition from other Asian-based companies.

Earlier in April, the Singapore subsidiary entered into an agreement to acquire a 75% interest in Taspack Industrial Sdn. Bhd. ("Taspack"), a Malaysian company principally engaged in the printing of packaging materials, boxes and instruction manuals. Completion of the transaction was subject to the fulfillment of a number of conditions. Following financial due diligence conducted on Taspack, the Singapore subsidiary found that the results failed to meet its requirements. Subsequent renegotiations with the vendors of Taspack did not reach an agreement on the value of Taspack. As such, the transaction was terminated in September and the Group announced the termination accordingly.

Notwithstanding this, the Group will continue to look for opportunities to further increase the sales and profitability of the Singapore subsidiary and to obtain new business in the Asian and Oceania regions.

Prospects

In late October, with the subprime mortgage crisis threatening to grow into a credit crunch affecting the United States economy, the Federal Reserve decided to further lower its benchmark interest rate by 25 basis points to 4-1/2 percent. In its accompanying statement, the Fed noted that "the upside risks to inflation roughly balance the downside risks to growth." At about the same time, the International Monetary Fund ("IMF") also cut its forecast on global economic expansion for next year from 5.2% to 4.8% taking into account the threats posed by the credit markets sell-offs. However, the IMF expected that the robust growth in emerging economies such as China, India and Russia would compensate the slowdown in the United States.

These analyses suggest that the world economy should continue to enjoy modest expansion with China and other developing economies maintaining their growth momentum. The Group is striving to capture these business opportunities while preparing for unexpected downturns. In view of the global phenomena of growing competition and shrinking profit margin, the Group is exploring new measures to add value to its operations and to build up new edges to differentiate itself from its competitors. The management will prudently explore these initiatives in the best interests of the shareholders.

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 30th September, 2007, the Group's cash and bank balances and short term bank deposits amounted to approximately HK$128 million.

During the period under review, the interest expenses of the Group amounted to approximately HK$8.6 million compared to approximately HK$9.1 million recorded in the same period last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB83 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 30th September, 2007, the Group had a working capital surplus of approximately HK$42 million compared to a working capital surplus of approximately HK$22 million as at 31st March, 2007. The Group's debt-to-equity ratio as at 30th September, 2007 was 87% (31st March, 2007: 73%), based on short-term and long-term bank borrowings and other debts/borrowings (excluding trade related debts) of approximately HK$352 million (31st March, 2007: HK$272 million), and shareholders' funds of approximately HK$404 million (31st March, 2007: HK$375 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2007, certain assets of the Group with an aggregate carrying value of approximately HK$60 million (31st March, 2007: HK$54 million) were pledged to secure the banking facilities of the Group.

EXCHANGE RATE EXPOSURE

All the Group's assets, liabilities and transactions are denominated either 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 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.

AUDIT COMMITTEE

The audit committee is composed of all the three independent non-executive directors of the Company. 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 unaudited interim financial statements for the period ended 30th September, 2007.

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 period.

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 six months ended 30th September, 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 six months ended 30th September, 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 Monday, 24th December, 2007 to Friday, 28th December, 2007 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for interim dividend, shareholders must deliver their share transfer forms and share certificates to Tricor 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 Friday, 21st December, 2007.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim 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 interim report for the six months ended 30th September, 2007 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, 5th December, 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, Mr. Cheung Chi Shing, Charles and Mr Lim Pheck Wan, Richard, 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.*