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, 2009

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, 2009, together with the comparative figures for the corresponding period, as follows:

Condensed Consolidated Income Statement
For the six months ended 30th September, 2009

		Unaudited Six months ended 30th September,	
	Note	**2009**	2008
		HK$'000	HK$'000
Revenue	3	**652,339**	789,138
Cost of sales		**(517,835)**	(620,942)
Gross profit		**134,504**	168,196
Other gains – net	5	**3,349**	3,141
Selling and distribution costs		**(30,060)**	(33,683)
General and administrative expenses		**(68,450)**	(81,037)
Operating profit	6	**39,343**	56,617

Condensed Consolidated Income Statement (Continued)

	Note	Unaudited Six months ended 30th September, 2009 HK$'000	2008 HK$'000
Finance income		**144**	330
Finance costs		**(3,927)**	(7,469)
Finance costs – net	7	**(3,783)**	(7,139)
Profit before income tax		**35,560**	49,478
Income tax expense	8	**(3,900)**	(8,486)
Profit for the period, attributable to equity holders of the Company		**31,660**	40,992
Earnings per share for profit attributable to equity holders of the Company during the period			
(expressed in HK cents per share)	9		
- Basic		**6.32**	8.48
- Diluted		**6.23**	8.48
Dividends	10	**5,221**	5,164

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th September, 2009

	Unaudited Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
Profit for the period	**31,660**	40,992
Other comprehensive income		
Increase/(decrease) in fair value of available-for-sale financial assets	**294**	(100)
Currency translation differences	**11,128**	(410)
Total comprehensive income for the period, attributable to equity holders of the Company	**43,082**	40,482

Condensed Consolidated Statement of Financial Position
As at 30th September, 2009

	Note	Unaudited As at 30th September, 2009 HK$'000	Audited As at 31st March, 2009 HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**29,868**	30,011
Property, plant and equipment		**464,921**	475,130
Prepayments for property, plant and equipment		**3,218**	2,345
Available-for-sale financial assets		**1,230**	936
Deferred income tax assets		**3,855**	3,835
		503,092	512,257
Current assets			
Inventories		**105,074**	108,538
Trade and bill receivables	11	**297,893**	172,744
Prepayments and deposits		**14,626**	8,256
Tax recoverable		**3,394**	3,392
Derivative financial instruments		**-**	639
Bank balances and cash		**147,393**	113,694
		568,380	407,263
LIABILITIES			
Current liabilities			
Borrowings		**125,683**	139,251
Finance lease obligations		**-**	727
Trade and bill payables	12	**230,296**	102,283
Accruals and other payables		**71,982**	57,828
Derivative financial instruments		**3,930**	3,930
Current income tax liabilities		**29,670**	27,367
		461,561	331,386
Net current assets		**106,819**	75,877
Total assets less current liabilities		**609,911**	588,134
Non-current liabilities			
Borrowings		**56,599**	72,754
Deferred income tax liabilities		**13,677**	13,495
		70,276	86,249
Net assets		**539,635**	501,885
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**52,212**	51,636
Reserves	13	**487,423**	450,249
Shareholders' equity		**539,635**	501,885

Notes:

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th September, 2009 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, 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st March, 2009, as described in those annual financial statements.

(i) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st April, 2009.

- HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income) and the Group has elected to present two statements: a consolidated income statement and a statement of consolidated comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

2. Accounting policies (Continued)

(i) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st April, 2009. (Continued)

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31st March, 2010.

(ii) Standards, amendments to Standards and interpretation that are effective for the periods beginning on or after 1st April, 2009, but do not have significant impact to the Group.

- HKAS 23 (Amendment), "Borrowing costs"
- HKAS 32 (Amendment), "Financial instruments: Presentation"
- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement"
- HKFRS 2 (Amendment), "Share-based payment"
- HK(IFRIC) 9 (Amendment), "Reassessment of embedded derivatives" and HKAS 39 (Amendment), "Financial instruments: Recognition and measurement"
- HK(IFRIC) 13, "Customer loyalty programmes"
- HK(IFRIC) 15, "Agreements for the construction of real estate"
- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation"

The Group has not early adopted new standards, amendments to standards and interpretations that have been issued but are not effective for the financial year beginning 1st April, 2009.

The Group is in the process of assessment of the impact of the new standards, amendments to standards and interpretations to the Group and considers that the adoption would have no significant impacts to the Group.

3. Revenue

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. Revenues/turnover is analysed as follows :

	Unaudited Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
Sales of packaging materials, labels, paper products and environmentally friendly products	**645,649**	781,266
Others	**6,690**	7,872
	652,339	789,138

4. 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 Board of Directors of the Company reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board of Directors of the Company considers the business from geographical perspective, i.e. determine by the location of major factory plants. From the geographical perspectives, management assesses the performance of business operations including Southern China, Eastern China and South East Asia.

The Board of Directors of the Company assesses the performance of the operating segments based on revenue, operating profit, net profit, capital expenditure, assets and liabilities.

4. Segment information (Continued)

(i) The segment results for the six months ended 30th September, 2009 and 2008 are as follows:

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30th September, 2009				
Total revenue	506,664	97,466	91,661	695,791
Inter-segment revenue	(8,258)	(35,166)	(28)	(43,452)
Revenue (from external customers)	498,406	62,300	91,633	652,339
Operating profit	32,311	(241)	7,273	39,343
Finance income	62	55	27	144
Finance costs	(2,998)	(920)	(9)	(3,927)
Income tax expense	(2,296)	-	(1,604)	(3,900)
Profit for the period	27,079	(1,106)	5,687	31,660
Other information :				
Depreciation and amortisation for the period	18,178	12,513	2,780	33,471
Capital expenditure	16,893	1,046	-	17,939

4. Segment information (Continued)

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30th September, 2008				
Total revenue	614,115	139,500	89,244	842,859
Inter-segment revenue	(7,563)	(46,158)	-	(53,721)
Revenue (from external customers)	606,552	93,342	89,244	789,138
Operating profit	40,068	11,379	5,170	56,617
Finance income	108	75	147	330
Finance costs	(5,229)	(2,168)	(72)	(7,469)
Income tax expense	(7,177)	-	(1,309)	(8,486)
Profit for the period	27,770	9,286	3,936	40,992
Other information :				
Depreciation and amortisation for the period	20,018	12,820	2,199	35,037
Capital expenditure	12,698	29,390	3,108	45,196

4. Segment information (Continued)

(ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2009 and 31st March, 2009 is as follows :-

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30th September, 2009				
Segment assets	647,715	281,486	135,022	1,064,223
Deferred income tax assets	1,805	2,050	-	3,855
Tax recoverable	3,394	-	-	3,394
Total assets	652,914	283,536	135,022	1,071,472
Segment liabilities	367,925	79,295	41,270	488,490
Deferred income tax liabilities	11,070	-	2,607	13,677
Current income tax liabilities	27,358	-	2,312	29,670
Total liabilities	406,353	79,295	46,189	531,837

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st March, 2009				
Segment assets	526,557	280,006	105,730	912,293
Deferred income tax assets	1,804	2,031	-	3,835
Tax recoverable	3,392	-	-	3,392
Total assets	531,753	282,037	105,730	919,520
Segment liabilities	286,634	59,427	30,712	376,773
Deferred income tax liabilities	11,069	-	2,426	13,495
Current income tax liabilities	25,935	-	1,432	27,367
Total liabilities	323,638	59,427	34,570	417,635

5. Other gains - net

	Unaudited Six months ended 30th September, 2009 HK$'000	2008 HK$'000
Other gains – net		
Net exchange gain	**2,274**	2,961
Net gain/(loss) on disposal of property, plant and equipment	**64**	(65)
Write back/(provision for) impairment of property, plant and equipment	**236**	(750)
Fair value loss on foreign exchange forward contracts - realised	**(639)**	-
Sundry income	**1,414**	995
	3,349	3,141

6. Operating profit

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

	Unaudited Six months ended 30th September, 2009 HK$'000	2008 HK$'000
Employment costs (including directors' emoluments)	**148,521**	150,281
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**33,471**	35,037
(Write back)/provision for impairment of receivables – net	**(108)**	7,607

7. Finance costs – net

	Unaudited Six months ended 30th September, 2009 HK$'000	2008 HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**3,013**	7,387
- not wholly repayable within five years	**9**	10
Interest element on finance leases obligations	**9**	72
Fair value loss on interest-rate swaps		
- realised	**896**	-
	3,927	7,469
Interest income from bank deposits	**(144)**	(330)
	3,783	7,139

8. 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 16.5% (2008: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Subsidiaries established and operated in the PRC are subject to the PRC Corporate Income Tax at rates ranging from 20% to 25% during the period (2008: 18% to 25%). In accordance with the applicable law and regulations, the Group's subsidiaries established in the PRC 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.

8. Income tax expense (Continued)

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 17% (2008: 18%).

	Unaudited Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**2,571**	9,382
- PRC Corporate Income Tax	**423**	274
- Singapore Corporate Income Tax	**724**	1,367
	3,718	11,023
Deferred income tax	**182**	(2,537)
	3,900	8,486

9. 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,	
	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**31,660**	40,992
Weighted average number of ordinary shares in issue ('000)	**501,174**	483,436
Basic earnings per share (HK cents)	**6.32**	8.48

9. Earnings per share (Continued)

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. 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 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,	
	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**31,660**	40,992
Weighted average number of ordinary shares in issue ('000)	**501,174**	483,436
Adjustments for share options ('000)	**6,955**	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	**508,129**	483,436
Diluted earnings per share (HK cents)	**6.23**	8.48

10. Dividends

	Unaudited Six months ended 30th September,	
	2009	2008
	HK$'000	HK$'000
Proposed interim dividends of HK 1 cent (2008: HK1 cent) per share	**5,221**	5,164

11. Trade and bill receivables

	Unaudited As at 30th September, 2009 HK$'000	Audited As at 31st March, 2009 HK$'000
Trade receivables	**316,057**	196,020
Less : provision for impairment of receivables	**(26,176)**	(26,791)
Trade receivables-net	**289,881**	169,229
Bill receivables	**8,012**	3,515
Trade and bill receivables	**297,893**	172,744

The Group grants to its customers credit terms generally ranging from 30 to 120 days. The ageing analysis of trade and bill receivables is as follows :

	Unaudited As at 30th September, 2009 HK$'000	Audited As at 31st March, 2009 HK$'000
1 to 90 days	**295,217**	155,194
91 to 180 days	**25,875**	37,462
181 to 365 days	**2,074**	5,987
Over 365 days	**903**	892
	324,069	199,535
Less: Provision for impairment of receivables	**(26,176)**	(26,791)
	297,893	172,744

12. Trade and bill payables

The ageing analysis of trade and bill payables is as follows:

	Unaudited As at 30th September, 2009 HK$'000	Audited As at 31st March, 2009 HK$'000
1 to 90 days	**204,357**	86,774
91 to 180 days	**25,163**	11,781
181 to 365 days	**120**	3,253
Over 365 days	**656**	475
	230,296	102,283

13. 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
	Unaudited						
	For the six months ended 30th September, 2009						
As at 1st April, 2009	124,747	1,169	2,401	200	26,528	295,204	450,249
Profit for the period	-	-	-	-	-	31,660	31,660
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	294	-	-	294
- Currency translation differences	-	-	-	-	11,128	-	11,128
Total comprehensive income for the period	-	-	-	294	11,128	31,660	43,082
2008/09 final dividends paid	-	-	-			(7,745)	(7,745)
Employee share option scheme							
- Share based payments	-	-	171	-	-	-	171
- Issue of shares upon exercise of employee share options	1,976	-	(310)	-	-	-	1,666
As at 30th September, 2009	126,723	1,169	2,262	494	37,656	319,119	487,423

	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
	Unaudited						
	For the six months ended 30th September, 2008						
As at 1st April, 2008	104,527	1,169	1,484	657	33,778	248,515	390,130
Profit for the period	-	-	-	-	-	40,992	40,992
Other comprehensive income							
- Decrease in fair value of available-for-sale financial assets	-	-	-	(100)	-	-	(100)
- Currency translation differences	-	-	-	-	(410)	-	(410)
Total comprehensive income for the period	-	-	-	(100)	(410)	40,992	40,482
2007/08 final dividends paid	-	-	-	-	-	(7,745)	(7,745)
Issue of shares under open offer	20,220	-	-	-	-	-	20,220
As at 30th September, 2008	124,747	1,169	1,484	557	33,368	281,762	443,087

RESULTS

For the six months ended 30th September, 2009, the Group's turnover was approximately HK$652 million, a decline of 17% compared with the same period last year. Profit attributable to shareholders fell by 23% to approximately HK$32 million.

The setback in the Group's performance was a direct result of the global recession triggered by the credit crisis in the United States. As customers drastically cut orders and pressed for lower contract prices in light of the deterioration in consumer demand in the United States, both sales and profit margins of the Group were adversely affected during the period.

Notwithstanding the setback, the Group managed to maintain a profit for the period under review, by further expanding into the European market; focusing its marketing efforts on growing industries and resilient sectors; tightening the Group's financial control; and increasing the Group's operating efficiency.

Sales in the second financial quarter fell less compared to the sales decline in the first financial quarter. This improvement may be due to seasonal factors; however, it may also indicate the return of some confidence among customers. As it is still too early to draw a conclusion, the management will continue to adopt a prudent approach in business planning. But the management is also making strategic preparations as described below, and will act swiftly and forcefully as and when opportunities arise.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK1 cent (2008: HK1 cent) per share for the six months ended 30th September, 2009 payable on Friday, 22nd January, 2010 to shareholders whose names appear on the Register of Members on Thursday, 7th January, 2010.

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

The Group's Hong Kong and Mainland China operations were dealt a severe blow as the world plunged into the most serious recession in decades. The Group has cautioned about this in its last annual report, warning that "customers began to cut orders since the end of the third quarter of the financial year ended 31st March, 2009, and the impact became more pronounced in recent months." Such impact affected not only the quantity of orders, but also the pricing of orders. Indeed, sales to almost all sectors were down, with the toys industry taking the lead. In terms of market, sales to the United Sates recorded the largest decline.

The Group took a number of counter-measures and successfully mitigated the impact of the global recession on its performance. First, the Group further expanded into the European market, which accounted for a significantly higher percentage of the Group's turnover compared to a year ago. Second, the Group focused its marketing efforts on growing industries as well as those sectors that are traditionally more resilient to the economic downturn. Such sectors include children's books and luxury packaging. The Group was able to maintain the sales of the former, and increased the sales of the latter. Third, the Group further utilized its lower cost manufacturing facility in Shaoguan to contain its production costs, and adopted stringent measures to control its financial expenses and increase its operating efficiency.

Moving ahead, the Group is making preparations to expand its domestic business in China, including the setting up of a new branch factory by the Suzhou subsidiary in Yangzhou, details of which are described in the sub-section titled "Eastern China Region". The Group has also secured new customers for domestic sales, and is exploring other means to further utilize the Group's existing strength and network on the Mainland.

Southern China Region

In the six months ended 30th September, 2009, the Group's printing and packaging divisions in southern China recorded a significant decline in turnover, which affected the Group's profitability. Strong growth was achieved in the luxury packaging business, supported by new endeavors made in the French market. Children's books proved resilient by maintaining sales at steady levels. The Group also participated in major trade fairs to enhance its corporate brand and marketing effort. The Shaoguan plant further increased its contribution to the Group, by utilizing its cost advantage to offset the impact of lower contract prices.

Whilst there was a surge of orders and deliveries in the second financial quarter, it is difficult to predict demand in the third and fourth financial quarters as customers are still keeping inventory at low levels. Some customers have expressed cautious optimism about the business outlook in the fourth financial quarter, with expectations that consumer confidence is likely to improve, but they have warned that prevailing high unemployment could hamper the recovery in the United States.

Eastern China Region

The Suzhou subsidiary recorded a loss during the period as a result of the significant cutback of orders by export customers. The silver lining is that sales to domestic businesses were less affected. Further efforts are being made to tap domestic businesses including the cosmetics and health care sectors following the restructuring of the subsidiary's management team in October 2009. New prestigious customers have recently been secured by the Suzhou subsidiary in the domestic packaging business for consumer products.

In addition, the Suzhou subsidiary is establishing a new branch factory in Yangzhou to provide printing and packaging services for a world-renowned health care brand selling its products in China and the international markets. The services might also include co-packing.

Southeast Asia Operation

The Singapore subsidiary managed to increase its sales and profit during the period under review, benefiting from a growth of export sales to the European market. The Group is still looking for opportunities to increase the capacity of the Singapore subsidiary and to further expand its business in the Asia Pacific region.

Prospects

Towards the end of the third financial quarter, the Group received some urgent, albeit small, orders. In spite of this, customers generally express difficulty in determining the outlook of the economy. Under these circumstances, the Group is cautiously monitoring the conditions in its export markets, as well as the inventory re-stocking of its customers. In the meantime, the Group is actively seeking to increase its domestic business in China as part of its long-term development plan.

As the economic recession intensified, many local printing houses began to lower their prices in exchange for orders, which has increased the pressure on contract prices. Moreover, some Mainland printers of considerable size are expanding their customer bases to the publishing sector, which presents another challenge. Notwithstanding these challenges, the management remains optimistic about the Group's prospects. The management firmly believes that the Group, with a healthy balance sheet, a stable and professional team, and a reliable and efficient manufacturing infrastructure, can weather the turmoil and emerge in a stronger position.

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, 2009, the Group's cash and cash equivalents amounted to approximately HK$147 million.

During the period under review, the interest expenses of the Group amounted to approximately HK$3.9 million compared to approximately HK$7.5 million recorded in the same period last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB65 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 30th September, 2009, the Group had a working capital surplus of approximately HK$107 million compared to a working capital surplus of approximately HK$76 million as at 31st March, 2009. The Group's net gearing ratio as at 30th September, 2009 was approximately 11% (31st March, 2009: 21%). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, bill payables and finance lease obligations) less cash and cash equivalents of approximately HK$60 million (31st March, 2009: HK$106 million). Total capital is calculated as 'equity', as shown in the consolidated statement of financial position of approximately HK$540 million (31st March, 2009: HK$502 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2009, certain assets of the Group with an aggregate carrying value of approximately HK$33 million (31st March, 2009: HK$33 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 six months ended 30th September, 2009.

REMUNERATION COMMITTEE

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

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.

CORPORATE GOVERNANCE

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, 2009 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 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.

COMPLIANCE WITH 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, in respect of the six months ended 30th September, 2009, 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 Tuesday, 5th January, 2010 to Thursday, 7th January, 2010 (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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Monday, 4th January, 2010.

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 http://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, 2009 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, 14th December, 2009

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, BBS, JP and Mr. Tam King Ching, Kenny.

* *For identification purpose.*