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, 2010

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, 2010, together with the unaudited comparative figures for the corresponding period in the year 2009, as follows:

Condensed Consolidated Income Statement
For the six months ended 30th September, 2010

	Note	**Unaudited Six months ended 30th September, 2010**	2009
		HK$'000	HK$'000
Revenue	3	**875,533**	652,339
Cost of sales		**(724,023)**	(517,835)
Gross profit		**151,510**	134,504
Other (losses)/gains – net	5	**(3,068)**	3,349
Selling and distribution costs		**(49,790)**	(30,060)
General and administrative expenses		**(75,809)**	(68,450)
Operating profit	6	**22,843**	39,343

Condensed Consolidated Income Statement (Continued)

	Note	Unaudited Six months ended 30th September, **2010** **HK$'000**	 2009 HK$'000
Finance income		**129**	144
Finance costs		**(5,118)**	(3,927)
Finance costs – net	7	**(4,989)**	(3,783)
Profit before income tax		**17,854**	35,560
Income tax expense	8	**(7,275)**	(3,900)
Profit for the period, attributable to equity holders of the Company		**10,579**	31,660
Earnings per share for profit attributable to equity holders of the Company during the period			
(expressed in HK cents per share)	9		
- Basic		**2.02**	6.32
- Diluted		**2.00**	6.23
Dividends	10	**5,240**	5,221

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th September, 2010

	Unaudited Six months ended 30th September, 2010 HK$'000	2009 HK$'000
Profit for the period	**10,579**	31,660
Other comprehensive income		
Increase in fair value of available-for-sale financial assets	**47**	294
Currency translation differences	**12,676**	11,128
Total comprehensive income for the period, attributable to equity holders of the Company	**23,302**	43,082

Condensed Consolidated Statement of Financial Position
As at 30th September, 2010

	Note	Unaudited As at 30th September, 2010	Audited As at 31st March, 2010 (Restated)
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**26,565**	26,448
Property, plant and equipment		**463,089**	443,084
Prepayments for property, plant and equipment		**1,011**	14,703
Available-for-sale financial assets		**1,298**	1,251
Deferred income tax assets		**5,877**	5,816
		497,840	491,302
Current assets			
Inventories		**151,408**	132,152
Trade and bill receivables	11	**428,728**	210,561
Prepayments and deposits		**17,039**	14,731
Tax recoverable		**2,513**	1,940
Derivative financial instruments		**-**	72
Bank balances and cash		**181,144**	184,976
		780,832	544,432
LIABILITIES			
Current liabilities			
Borrowings		**200,627**	153,357
Trade and bill payables	12	**312,957**	180,678
Accruals and other payables		**93,722**	57,881
Derivative financial instruments		**3,502**	3,502
Current income tax liabilities		**31,220**	27,404
		642,028	422,822
Net current assets		**138,804**	121,610
Total assets less current liabilities		**636,644**	612,912
Non-current liabilities			
Borrowings		**64,064**	55,996
Deferred income tax liabilities		**12,370**	12,148
		76,434	68,144
Net assets		**560,210**	544,768
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**52,398**	52,398
Reserves	13	**507,812**	492,370
Shareholders' equity		**560,210**	544,768

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30th September, 2010 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, 2010, 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, 2010, as described in those annual financial statements.

(a) For the six months ended 30th September, 2010, the following revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1st April, 2010 that are relevant for the Group:

HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners
HKAS 17 (Amendment) Improvements to HKFRSs 2009	Leases

The amendments to HKFRS 3 and HK(IFRIC)-Int 17 have had no material impact on the Group's condensed consolidated interim financial information as the amendments were consistent with policies already adopted by the Group. The impact of the reminder of these standards on the condensed consolidated interim financial information is as follows:

- HKAS 27 (Revised). The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in profit or loss.

2. Accounting policies (Continued)

- HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for accounting periods beginning 1st January, 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1st April, 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The accounting for land interest classified as finance lease is as below:

  If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

  The effect of the adoption of this amendment is as below:

	1st April, 2010 HK$'000	1st April, 2009 HK$'000
Decrease in leasehold land and land use rights	3,107	3,195
Increase in property, plant and equipment	3,107	3,195

  The adoption of this amendment did not result in any change in opening retained earnings as at 1st April, 2009.

2. Accounting policies (Continued)

(b) The following amendments to existing standards are mandatory for the first time for the financial year beginning 1st April, 2010, but are not relevant for the Group.

HKAS 39 (Amendment)	Financial instrument: Recognition and measurement
HKAS 32 (Amendment)	Financial Instrument : Presentation - Classification of Rights Issues
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 (Amendment)	Share-based payment

(c) The following new standards, new interpretations, amendments and revision to standards and interpretations have been issued but are not effective for the financial year beginning 1st April, 2010 and have not been early adopted.

HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendment)	The Limit on a Defined Benefit Asset, Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

3. Revenue

The Company is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels, and paper products, including environmentally friendly paper products. Revenues/turnover is analysed as follows :

	Unaudited Six months ended 30th September,	
	2010	2009
	HK$'000	HK$'000
Sales of packaging materials, labels, and paper products, including environmentally friendly paper products	**860,446**	645,649
Others	**15,087**	6,690
	875,533	652,339

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 Chairman/Chief Executive Officer 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 Chairman/Chief Executive Officer of the Company considers the business from geographical perspective, i.e. determined by the location of major factory plants including Southern China, Eastern China and South East Asia.

The Chairman/Chief Executive Officer 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, 2010 and 2009 are as follows:

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30th September, 2010				
Total revenue	680,286	137,506	97,461	915,253
Inter-segment revenue	(92)	(39,397)	(231)	(39,720)
Revenue (from external customers)	680,194	98,109	97,230	875,533
Operating profit/(loss)	28,033	(12,119)	6,929	22,843
Finance income	38	47	44	129
Finance costs	(3,819)	(1,299)	-	(5,118)
Income tax expense	(5,321)	-	(1,954)	(7,275)
Profit/(loss) for the period	18,931	(13,371)	5,019	10,579
Other information :				
Depreciation and amortisation for the period	17,850	12,114	1,940	31,904
Capital expenditure	9,810	5,807	3,381	18,998

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, 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/(loss)	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/(loss) 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)

(ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2010 and 31st March, 2010 is as follows :-

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30th September, 2010				
Segment assets	840,927	301,625	127,730	1,270,282
Deferred income tax assets	2,720	3,157	-	5,877
Tax recoverable	2,513	-	-	2,513
Total assets	846,160	304,782	127,730	1,278,672
Segment liabilities	521,085	117,540	36,247	674,872
Deferred income tax liabilities	8,620	-	3,750	12,370
Current income tax liabilities	27,511	-	3,709	31,220
Total liabilities	557,216	117,540	43,706	718,462

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st March, 2010				
Segment assets	618,597	277,689	131,692	1,027,978
Deferred income tax assets	2,720	3,096	-	5,816
Tax recoverable	1,940	-	-	1,940
Total assets	623,257	280,785	131,692	1,035,734
Segment liabilities	333,259	90,422	27,733	451,414
Deferred income tax liabilities	8,619	-	3,529	12,148
Current income tax liabilities	24,821	-	2,583	27,404
Total liabilities	366,699	90,422	33,845	490,966

5. Other (losses)/gains - net

	Unaudited Six months ended 30th September, 2010 HK$'000	2009 HK$'000
Other (losses)/gains – net		
Net exchange (loss)/gain	**(3,520)**	2,274
Net (loss)/gain on disposal of property, plant and equipment	**(6)**	64
Write back of impairment of property, plant and equipment	**392**	236
Fair value gain/(loss) on foreign exchange forward contracts		
- realised	**66**	(639)
Others	**-**	1,414
	(3,068)	3,349

6. Operating profit

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

	Unaudited Six months ended 30th September, 2010 HK$'000	2009 HK$'000
Employment costs (including directors' emoluments)	**189,342**	148,521
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	**31,904**	33,471
Provision/(write back) for impairment of receivables – net	**2**	(108)

7. Finance costs – net

	Unaudited Six months ended 30th September, 2010 HK$'000	2009 HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**4,209**	3,013
- not wholly repayable within five years	**8**	9
Interest element on finance leases obligations	**-**	9
Fair value loss on interest-rate swaps		
- realised	**901**	896
	5,118	3,927
Interest income from bank deposits	**(129)**	(144)
	4,989	3,783

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% (2009: 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 12.5% to 25% during the period (2009: 20% 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% (2009: 17%).

	Unaudited Six months ended 30th September, 2010 HK$'000	2009 HK$'000
Current income tax expense		
- Hong Kong profits tax	**4,514**	2,571
- PRC Corporate Income Tax	**868**	423
- Singapore Corporate Income Tax	**1,731**	724
	7,113	3,718
Deferred income tax	**162**	182
	7,275	3,900

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, 2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**10,579**	31,660
Weighted average number of ordinary shares in issue ('000)	**523,975**	501,174
Basic earnings per share (HK cents)	**2.02**	6.32

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,	
	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**10,579**	31,660
Weighted average number of ordinary shares in issue ('000)	**523,975**	501,174
Adjustments for share options ('000)	**5,548**	6,955
Weighted average number of ordinary shares for diluted earnings per share ('000)	**529,523**	508,129
Diluted earnings per share (HK cents)	**2.00**	6.23

10. Dividends

	Unaudited Six months ended 30th September,	
	2010	2009
	HK$'000	HK$'000
Proposed interim dividends of HK1 cent (2009: HK1 cent) per share	**5,240**	5,221

11. Trade and bill receivables

	Unaudited As at 30th September, 2010 HK$'000	Audited As at 31st March, 2010 HK$'000
Trade receivables	**443,417**	222,183
Less : provision for impairment of receivables	**(16,087)**	(16,162)
Trade receivables-net	**427,330**	206,021
Bill receivables	**1,398**	4,540
Trade and bill receivables	**428,728**	210,561

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, 2010 HK$'000	Audited As at 31st March, 2010 HK$'000
1 to 90 days	**402,861**	186,319
91 to 180 days	**38,250**	35,065
181 to 365 days	**2,552**	3,073
Over 365 days	**1,152**	2,266
	444,815	226,723
Less: Provision for impairment of receivables	**(16,087)**	(16,162)
	428,728	210,561

12. Trade and bill payables

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

	Unaudited As at 30th September, 2010 HK$'000	Audited As at 31st March, 2010 HK$'000
1 to 90 days	**276,528**	169,278
91 to 180 days	**32,353**	10,917
181 to 365 days	**3,057**	150
Over 365 days	**1,019**	333
	312,957	180,678

13. Reserves

Movements were:

Unaudited

For the six months ended 30th September, 2010

	Share premium	Capital reserve	Share-based compensation reserve	Investment reserve	Translation reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1st April, 2010	127,404	1,169	2,150	515	37,682	323,450	492,370
Profit for the period	-	-	-	-	-	10,579	10,579
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	47	-	-	47
- Currency translation differences	-	-	-	-	12,676	-	12,676
Total comprehensive income for the period	-	-	-	47	12,676	10,579	23,302
2009/10 final dividends paid	-	-	-	-	-	(7,860)	(7,860)
As at 30th September, 2010	127,404	1,169	2,150	562	50,358	326,169	507,812

Unaudited

For the six months ended 30th September, 2009

	Share premium	Capital Reserve	Share-based compensation reserve	Investment Reserve	Translation Reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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

RESULTS

Turnover of the Group amounted to approximately HK$876 million for the six months ended 30th September, 2010, an increase of 34% compared with the same period last year. However, profit attributable to shareholders dropped by 67% to approximately HK$11 million.

The decline in net profit was largely the result of (i) lower prices of orders obtained from customers leading to reduction in profit margins, and (ii) significantly higher costs of labour and raw materials experienced by the Group's operations, which could not be transferred timely to customers as negotiations on prices of orders seesawed. Other attributable factors included airfreight charges incurred by the Group to cope with rush orders due to labour shortage during the period.

The increase in turnover reflected both restocking and new product launches by customers in light of the steady, albeit slow, recovery of the United States economy. It also reflected the Group's success in further diversifying into the European market, as well as the Group's strategic move to expand domestic sales in Mainland China.

Continuing with the objective to increase the Group's profitability in a sustainable manner, the management is targeting its effort on growth markets and sectors and examining other feasible opportunities of growth, details of which are described in the "Business Review and Prospects" section.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK1 cent (2009: HK1 cent) per share for the six months ended 30th September, 2010 payable on Wednesday, 23rd February, 2011 to shareholders whose names appear on the Register of Members on Wednesday, 16th February, 2011.

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

As explained in the Group's last annual report, two major negative forces brought strong pressure on the Group's profit margins; the situation became more pronounced during the period under review. First and foremost was the lower prices of orders obtained from customers, who resisted price increases demanded by suppliers in the face of significant uncertainty in consumer sentiment. Some customers took measures to simplify their product features or formats, or canceling products that failed to meet their profit targets. Others threatened to switch to other suppliers or manufacturing bases that offered lower prices.

The second adverse impact was the higher operating costs in Mainland China. The minimum wages in Shenzhen, Guangzhou, and Shaoguan, where the Group's southern China plants are located, have increased by double digits during the period under review. As for the Group's eastern China operation in Suzhou, the minimum wage also rose by double digit effective February 2010. Furthermore, the prices of major paper materials scaled to high levels during the period, which could not be fully reflected in the prices of orders due to customers' resistance to price adjustments.

Taking a long-term strategy for sustainable growth, the Group further diversified into Europe and increased its domestic sales in Mainland China. As a result, the Group's reliance on the United States market decreased further during the period under review. Moreover, by allocating more resources to growth sectors such as luxury packaging and children's books, the Group was able to increase its presence in market segments that are more receptive to quality products at reasonable prices.

Moving ahead, the Group is considering additional measures to enhance its productivity, such as adopting a more aggressive lean manufacturing program. In addition, the Group is examining other feasible means to improve its profit margins, such as the manufacture of children's books for sale in Mainland China, which can leverage on the Group's existing strength and network on the Mainland.

Southern China Region

In the six months ended 30th September, 2010, the Group's southern China operation recorded an increase in turnover but a decline in net profit. Significantly improved sales were seen in the printing and packaging division, led by information technology and toy customers. Strong growth was achieved in the luxury packaging business, supported by new endeavors made in the French market, while children's books also recorded satisfactory growth. The Group intends to leverage on its strength in these categories to further penetrate other European countries.

There are strong indications that the operating costs in Mainland China will rise further due to wage increases and the likely appreciation of Renminbi in the next stage. The silver lining is that raw material prices are showing signs of stabilizing. On the other hand, with high unemployment and weak consumer sentiment prevailing in the United States and Europe, it will be difficult for suppliers to increase prices. The Group is examining other feasible opportunities in new growth areas to increase its profit margins, such as the means and strategy of entering into the children's books market in Mainland China. Moreover, as described below, the Group is reviewing further measures to increase the productivity of its China operations.

Eastern China Region

As a strategic move to expand the Group's domestic sales in the Mainland, the eastern China operation has adopted an aggressive pricing strategy. This led to an increase in sales at the expense of profit in the short term, as the price of orders could not fully reflect the much higher operating costs. Hence, the eastern China operation recorded a loss during the period under review.

To improve the performance of the eastern China operation, the management is exploring areas that could enhance its profitability, such as the better identification of customer groups that could generate more profits; the streamlining of workflow; and the identification of major operations for automation or semi-automation. This review is taken together with the southern China operation with a view to enhance the Group’s overall productivity and efficiency in the Mainland.

Southeast Asia Operation

The Singapore subsidiary managed to increase its sales and profit during the period under review, benefiting from strong demand from the Asian economies as well as higher sales to the New Zealand market. In order to increase its capacity and to expand its business in the Asia-Pacific region, the Singapore subsidiary commenced a new post-press operation in Malaysia in July 2010. The Singapore subsidiary will continue to leverage on its innovative design, printing and packaging technology rather than to compete solely on prices.

Prospects

The Federal Reserve has recently announced a second round of quantitative easing measures to stimulate the pace of economic recovery in the United States. Notwithstanding this, customers in general continue to adopt a prudent view towards the economic outlook, and remain cautious about price adjustments initiated by suppliers. On the other hand, many customers give increasing attention to the stronger China and Asian markets, which is providing more business opportunities for major printers such as Starlite that have strong networks in the region.

Another development that is likely to benefit the Group is the increasing environmental consciousness of multinational corporations in response to consumers’ demand. Many of them have already implemented measures to ensure that the materials used in their products are from responsible forest sources. This growing trend may offer new opportunities for larger companies like Starlite that compete on business integrity and environmental compliance. The Group is strengthening and leveraging on its strengths in this respect as part of the means to achieve long-term sustainable growth.

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, 2010, the Group's cash and cash equivalents amounted to approximately HK$155 million.

During the period under review, the interest expenses of the Group amounted to approximately HK$5.1 million compared to approximately HK$3.9 million recorded in the same period last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB49 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 30th September, 2010, the Group had a working capital surplus of approximately HK$139 million compared to a working capital surplus of approximately HK$122 million as at 31st March, 2010. The Group's net gearing ratio as at 30th September, 2010 was approximately 19% (31st March, 2010: 10%). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and bill payables) less cash and cash equivalents of approximately HK$109 million (31st March, 2010: HK$52 million). Total capital is calculated as 'equity', as shown in the consolidated statement of financial position of approximately HK$560 million (31st March, 2010: HK$545 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2010, certain assets of the Group with an aggregate carrying value of approximately HK$92 million (31st March, 2010: HK$36 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, 2010.

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, 2010 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, 2010, 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, 14th February, 2011 to Wednesday, 16th February, 2011 (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 Friday, 11th February, 2011.

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.hkexnews.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, 2010 will be dispatched to the shareholders and published on the above websites in due course.

On behalf of the Board
Starlite Holdings Limited
Lam Kwong Yu
Chairman

Hong Kong, 25th November, 2010

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.*