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, 2011

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, 2011, together with the unaudited comparative figures for the corresponding period in the year 2010, as follows:

Condensed Consolidated Income Statement
For the six months ended 30th September, 2011

	Note	**Unaudited Six months ended 30th September, 2011**	2010
		HK$'000	HK$'000
Revenue	3	**774,230**	875,533
Cost of sales		**(641,502)**	(724,023)
Gross profit		**132,728**	151,510
Other gains /(losses)– net	5	**3,117**	(3,068)
Selling and distribution costs		**(41,246)**	(54,551)
General and administrative expenses		**(74,951)**	(71,048)
Operating profit	6	**19,648**	22,843

Condensed Consolidated Income Statement (Continued)
For the six months ended 30th September, 2011

	Note	**Unaudited Six months ended 30th September, 2011 HK$'000**	2010 HK$'000
Finance income		**238**	129
Finance costs		**(4,314)**	(5,118)
Finance costs – net	7	**(4,076)**	(4,989)
Profit before income tax		**15,572**	17,854
Income tax expense	8	**(7,394)**	(7,275)
Profit for the period, attributable to equity holders of the Company		**8,178**	10,579
Earnings per share for profit attributable to equity holders of the Company during the period			
(expressed in HK cents per share)	9		
- Basic		**1.56**	2.02
- Diluted		**1.56**	2.00
Dividends	10	**5,251**	5,240

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th September, 2011

	Unaudited Six months ended 30th September, 2011 HK$'000	2010 HK$'000
Profit for the period	**8,178**	10,579
Other comprehensive income		
(Decrease)/increase in fair value of available-for-sale financial assets	**(142)**	47
Currency translation differences	**3,206**	12,676
Total comprehensive income for the period, attributable to equity holders of the Company	**11,242**	23,302

Condensed Consolidated Statement of Financial Position
As at 30th September, 2011

	Note	**Unaudited As at 30th September, 2011**	Audited As at 31st March, 2011
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Land use rights		**26,989**	26,743
Property, plant and equipment		**448,938**	446,402
Prepayments for property, plant and equipment		**863**	1,135
Available-for-sale financial assets		**1,291**	1,433
Deferred income tax assets		**2,611**	2,548
		480,692	478,261
Current assets			
Inventories		**141,897**	142,193
Trade and bill receivables	11	**346,205**	236,633
Prepayments and deposits		**21,809**	13,748
Tax recoverable		**51**	51
Bank balances and cash		**152,421**	196,745
		662,383	589,370
LIABILITIES			
Current liabilities			
Borrowings		**166,860**	168,832
Trade and bill payables	12	**224,520**	154,973
Accruals and other payables		**80,213**	68,099
Derivative financial instruments		**3,349**	3,349
Current income tax liabilities		**35,356**	30,737
		510,298	425,990
Net current assets		**152,085**	163,380
Total assets less current liabilities		**632,777**	641,641
Non-current liabilities			
Borrowings		**33,439**	45,561
Deferred income tax liabilities		**12,856**	12,963
		46,295	58,524
Net assets		**586,482**	583,117
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**52,514**	52,514
Reserves	13	**533,968**	530,603
Shareholders' equity		**586,482**	583,117

Notes:

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2011 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, 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. Accounting policies

(a) Effect of adopting amendments to standards and interpretations

In 2011, the Group adopted HKAS 34 (Amendment), "Interim financial reporting", which is mandatory for accounting periods beginning on or after 1st January, 2011.

Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1st January, 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The adoption of the above amendment to standard did not result in any additional disclosure in this condensed consolidated interim financial information.

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1st January, 2011. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRSs (Amendment) Improvements to HKFRSs 2010, except for amendment to HKAS 34 "Interim financial reporting" as disclosed above.

HKAS 32 (Amendment)	Classification of right issues
HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments

2. Accounting policies (Continued)

(b) New standards and amendments to standards that have been issued but are not effective for the financial year ending 31st March, 2012 and have not been early adopted by the Group

(i) Effective for the Group for annual period beginning on 1st April, 2012

HKFRS 7 (Amendment)	Disclosures - transfers of financial assets
HKAS 12 (Amendment)	Deferred tax - recovery of underlying assets

(ii) Effective for the Group for annual period beginning on 1st April, 2013

HKFRS 9	Financial instruments
Additions to HKFRS 9	Financial instruments - financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures

The Directors anticipate that the adoption of these new standards and amendments to standards will not result in a significant impact on the results and financial position of 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, and paper products, including environmentally friendly paper products. Revenues/turnover is analysed as follows :

	Unaudited Six months ended 30th September,	
	2011	2010
	HK$'000	HK$'000
Sales of packaging materials, labels, and paper products, including environmentally friendly paper products	**759,996**	860,446
Others	**14,234**	15,087
	774,230	875,533

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, 2011 and 2010 are as follows:

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30th September, 2011				
Total revenue	602,966	127,564	108,292	838,822
Segment revenue	(5,600)	(58,992)	-	(64,592)
Revenue (from external customers)	597,366	68,572	108,292	774,230
Operating profit/(loss)	23,052	(8,231)	4,827	19,648
Finance income	135	72	31	238
Finance costs	(3,352)	(962)	-	(4,314)
Income tax expense	(6,282)	-	(1,112)	(7,394)
Profit/(loss) for the period	13,553	(9,121)	3,746	8,178
Other information :				
Depreciation and amortisation for the period	17,600	13,065	2,552	33,217
Capital expenditure	28,222	813	-	29,035

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, 2010				
Total revenue	680,286	137,506	97,461	915,253
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)

(ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2011 and 31st March, 2011 is as follows :-

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30th September, 2011				
Segment assets	733,078	271,444	135,891	1,140,413
Deferred income tax assets	178	2,433	-	2,611
Tax recoverable	51	-	-	51
Total assets	733,307	273,877	135,891	1,143,075
Segment liabilities	392,331	81,738	34,312	508,381
Deferred income tax liabilities	9,156	-	3,700	12,856
Current income tax liabilities	31,641	606	3,109	35,356
Total liabilities	433,128	82,344	41,121	556,593

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st March, 2011				
Segment assets	640,495	291,081	133,456	1,065,032
Deferred income tax assets	178	2,370	-	2,548
Tax recoverable	51	-	-	51
Total assets	640,724	293,451	133,456	1,067,631
Segment liabilities	329,850	82,669	28,295	440,814
Deferred income tax liabilities	9,156	-	3,807	12,963
Current income tax liabilities	27,036	-	3,701	30,737
Total liabilities	366,042	82,669	35,803	484,514

5. Other gains/(losses) - net

	Unaudited Six months ended 30th September, 2011 HK$'000	2010 HK$'000
Other gains/(losses) – net		
Net exchange gain/(loss)	**3,037**	(3,520)
Net loss on disposal of property, plant and equipment	**(1)**	(6)
Write back of impairment of property, plant and equipment	**-**	392
Fair value gain on foreign exchange forward contracts		
- realised	**-**	66
Others	**81**	-
	3,117	(3,068)

6. Operating profit

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

	Unaudited Six months ended 30th September, 2011 HK$'000	2010 HK$'000
Employment costs (including directors' emoluments)	**202,576**	189,342
Depreciation of property, plant and equipment and amortisation of land use rights	**33,217**	31,904
Provision for impairment of receivables – net	**-**	2

7. Finance costs – net

	Unaudited Six months ended 30th September, 2011 HK$'000	2010 HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**3,412**	4,209
- not wholly repayable within five years	**8**	8
Fair value loss on interest-rate swaps		
- realised	**894**	901
	4,314	5,118
Interest income from bank deposits	**(238)**	(129)
	4,076	4,989

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% (2010: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Subsidiaries established and operated in the Mainland China are subject to the PRC Corporate Income Tax at rates ranging from 12.5% to 25% during the period (2010: 12.5% to 25%). In accordance with the applicable law and regulations, the Group's subsidiaries established in the Mainland China as wholly foreign owned enterprises or contractual joint ventures are entitled to full exemption from Corporate Income Tax for the first two years and a 50% reduction in Corporate Income Tax for the next three years, commencing from the first profitable year or 1st January, 2008, whichever is earlier, after offsetting unexpired tax losses carried forward from previous years.

8. Income tax expense (Continued)

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 17% (2010: 17%).

	Unaudited Six months ended 30th September, 2011 HK$'000	2010 HK$'000
Current income tax expense		
- Hong Kong profits tax	**5,646**	4,514
- PRC Corporate Income Tax	**466**	868
- Singapore Corporate Income Tax	**1,112**	1,731
	7,224	7,113
Deferred income tax	**170**	162
	7,394	7,275

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, 2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**8,178**	10,579
Weighted average number of ordinary shares in issue ('000)	**525,135**	523,975
Basic earnings per share (HK cents)	**1.56**	2.02

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,	
	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**8,178**	10,579
Weighted average number of ordinary shares in issue ('000)	**525,135**	523,975
Adjustments for share options ('000)	**655**	5,548
Weighted average number of ordinary shares for diluted earnings per share ('000)	**525,790**	529,523
Diluted earnings per share (HK cents)	**1.56**	2.00

10. Dividends

	Unaudited Six months ended 30th September,	
	2011	2010
	HK$'000	HK$'000
Proposed interim dividends of HK1 cent (2010: HK1 cent) per share	**5,251**	5,240

11. Trade and bill receivables

	Unaudited As at 30th September, 2011 HK$'000	Audited As at 31st March, 2011 HK$'000
Trade receivables	**350,897**	239,593
Less : provision for impairment of receivables	**(5,089)**	(5,148)
Trade receivables-net	**345,808**	234,445
Bill receivables	**397**	2,188
Trade and bill receivables	**346,205**	236,633

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, 2011 HK$'000	Audited As at 31st March, 2011 HK$'000
1 to 90 days	**322,447**	194,155
91 to 180 days	**24,873**	42,644
181 to 365 days	**1,817**	2,242
Over 365 days	**2,157**	2,740
	351,294	241,781
Less: Provision for impairment of receivables	**(5,089)**	(5,148)
	346,205	236,633

12. Trade and bill payables

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

	Unaudited As at 30th September, 2011 HK$'000	Audited As at 31st March, 2011 HK$'000
1 to 90 days	**207,293**	133,877
91 to 180 days	**14,994**	18,312
181 to 365 days	**1,685**	2,187
Over 365 days	**548**	597
	224,520	154,973

13. Reserves

Movements were:

Unaudited

For the six months ended 30th September, 2011

	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, 2011	127,796	1,169	2,122	697	63,420	335,399	530,603
Profit for the period	-	-	-	-	-	8,178	8,178
Other comprehensive income							
- Decrease in fair value of available-for-sale financial assets	-	-	-	(142)	-	-	(142)
- Currency translation differences	-	-	-	-	3,206	-	3,206
Total comprehensive income for the period	-	-	-	(142)	3,206	8,178	11,242
Employee share option scheme							
- Lapse of share options	-	-	(183)	-	-	183	-
2010/11 final dividends paid	-	-	-	-	-	(7,877)	(7,877)
As at 30th September, 2011	127,796	1,169	1,939	555	66,626	335,883	533,968

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

RESULTS

The Group recorded a turnover of approximately HK$774 million for the six months ended 30th September, 2011, a decrease of 12% compared with the same period last year. Profit attributable to shareholders fell by 23% to approximately HK$8 million.

The results reflected a further deterioration in the operating environment for export-oriented manufacturers in China, marked by (i) customers' cutback on orders and their resistance to price increases initiated by manufacturers, in view of the continued decline in consumer sentiment across the United States and Europe; (ii) the higher operating costs in China as represented by a further increase in minimum wages and the appreciation of the Renminbi during the period under review; and (iii) the prevailing high price of raw materials, which also reduced the profitability of the Group's South East Asia operation.

The management is implementing measures to increase the Group's source of revenue and improve its performance, 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 (2010: HK1 cent) per share for the six months ended 30th September, 2011 payable on Wednesday, 22nd February 2012 to shareholders whose names appear on the Register of Members on Wednesday, 8th February, 2012.

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

Wide concern about the United States economy and the European debt crisis has adversely affected consumer sentiment in these two major economic blocs, causing multinational distributors and domestic retailers to adopt conservative strategies towards restocking and new product launches in these markets. As a result, the Group experienced a decline in turnover during the six months ended 30th September, 2011, with customers cutting orders and pressing for lower prices for their orders. On the operational side, the further increase in operating costs in China and the prevailing high price of raw materials have hampered the Group's profit margins. As an illustration, the Mainland's minimum wages were further increased in February-March 2011 by double digits, which affected all of the Group's manufacturing plants or subsidiaries in China.

Confronting these challenges, the Group is implementing a number of measures to increase its sales and improve its performance. First, the Group is allocating more resources to developing new business in market segments such as luxury packaging that have high growth potential with reasonable prices, and has secured a higher market share in these market segments. Second, the Group is adopting a more extensive lean manufacturing program for its Mainland operations with encouraging progress being made. Third, the Group's Singapore subsidiary is further expanding its operations in Malaysia in order to expand sales to the ASEAN markets and increase its competitiveness.

Moreover, the management is exploring other means to increase the Group's source of revenue and improve its performance. One of the strategies being examined is the viability of evolving the Group into an original design manufacturer by leveraging on its existing innovative design capability. Other means being explored include ways that can better utilize the Group's manufacturing network and resources in China. The management will prudently evaluate the feasibility of these means with the best interest of the Group's long-term development in mind.

Southern China Region

In the six months ended 30th September, 2011, the Group's southern China operation recorded a decrease in both turnover and net profit. Its printing and packaging business was adversely affected as major customers cut back on their restocking initiatives and new product launches while intense competition in the printing and packaging industry brought pressure on the price of orders. Paper products managed to report a marginal growth in sales, proving once again that these products are more sustainable in times of economic downturn. The Group intends to leverage on its strength in these categories to increase its market penetration and develop new market segments.

In view of the rising operating costs in Mainland China, the southern China operation is taking the lead in the implementation of lean manufacturing, standardization and automation policies as well as enhancement and optimization of operating procedures. Moreover, the management is exploring the feasibility of engaging in the original design manufacture business, as well as the viability of other means that can better utilize the Group's manufacturing network and resources in China. For the time being, as the global economic outlook remains uncertain, the southern China division will continue to strictly control its capital investment and closely monitor its stocks and customer credits.

Eastern China Region

Affected by a decline in sales and higher operating costs, the eastern China operation recorded a loss during the period under review. However, the loss amount has narrowed when compared with the same period last year.

The management will continue to implement measures to improve the performance of the eastern China operation. These measures include the better identification of customer groups that could generate more positive financial results; the streamlining of workflow; and the full implementation of lean manufacturing to enhance its overall operating efficiency. With the economy of the Yangtze River Delta gaining momentum, the eastern China operation is well positioned to benefit from the growth and expand the Group's domestic business in China.

Southeast Asia Operation

The Group's Singapore subsidiary recorded a growth in turnover but a decline in profit during the period under review. In order to stay competitive in the marketplace in view of the appreciation of the Singapore dollar, the Singapore subsidiary could not fully pass on the high prices of raw materials and increased labour costs to customers, thus experienced a reduction in its profit margins.

In order to increase its productivity and expand its business in the Asia-Pacific region, the Singapore subsidiary will further expand its production facilities in Malaysia where a post-press facility has been set up by the Singapore subsidiary in July 2010. Moreover, the Singapore subsidiary will continue to leverage on its innovative design, printing and packaging technology rather than to compete solely on prices.

Prospects

In its World Economic Outlook report published in September 2011, the International Monetary Fund (IMF) warned that "the global economy is in a dangerous new phase." Titled "Slowing Growth, Rising Risks", the report said "global activity has weakened and become uneven, confidence has fallen sharply recently, and downside risks are growing." The IMF expected the world's economic output to increase by 4% in both 2011 and 2012, compared to 5.1% growth in 2010. It had previously forecast growth of 4.3% for 2011 back in June.

Given the huge uncertainty on the global economic horizon, it is likely that customers will continue to adopt conservative strategies in the second half of the financial year. As described above, the Group is adopting measures and exploring other means to meet these challenges and to turn them into opportunities. The management believes that the Group, with its strong competitive advantages, healthy finance, and prudent management, will be able to emerge as one of the major winners as the printing and packaging industry in China goes through these testing times.

In the longer term, the management believes China will provide strong growth opportunities for the Group as it grows rapidly to become a major market for consumer products. Solid action is being taken by the Chinese government to support this development, not least the increase in wages that are set to stimulate the demand for consumer goods. The Group is strengthening its expansion of domestic sales in China 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, 2011, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$152 million.

During the period under review, the interest expense of the Group amounted to approximately HK$4.3 million compared to approximately HK$5.1 million recorded last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB45 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 30th September, 2011, the Group had a working capital surplus of approximately HK$152 million compared to a working capital surplus of approximately HK$139 million as at 30th September, 2010. The Group's net gearing ratio as at 30th September, 2011 was 12% (30th September, 2010: 19%), based on short-term and long-term bank borrowings and bill payables, net of bank balance and cash of approximately HK$68 million (30th September, 2010: HK$109 million), and shareholders' funds of approximately HK$586 million (30th September, 2010: HK$560 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2011, certain assets of the Group with an aggregate book carrying value of approximately HK$53 million (30th September, 2010: HK$92 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, 2011.

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.

NOMINATION COMMITTEE

The Nomination Committee was established on 1st September, 2011 which is currently composed of the Chairman of the Board, one Non-Executive Director and the three Independent Non-Executive Directors of the Company. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes.

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, 2011 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 they have complied with the required standard of dealings and code of conduct regarding securities dealings by directors as set out in the Model Code for the six months ended 30th September, 2011 with the following exception.

Mr. Lam Kwong Yu was newly married in April of 2011 and was not, at the relevant times, aware that his spouse had held shares of the Company until subsequently (see below), and that, during several occasions from April to June of 2011 after their marriage, his spouse had further acquired 840,000 shares of the Company without obtaining the prior approval of the Company's chairman. Certain of the said acquisitions occurred during a black-out period of the Company, but neither Mr. Lam Kwong Yu nor his spouse was in possession of any price sensitive information during the relevant times of the acquisitions. Mr. Lam Kwong Yu only became aware of his spouse's ownership and acquisitions of the shares in July of 2011 and upon which, he had then promptly notified and reported the same, first to the Company and then, to the Stock Exchange. Mr. Lam Kwong Yu had also since then advised his spouse as to his obligations under the Model Code and applicable laws.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 6th February, 2012 to Wednesday, 8th February, 2012 (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 4:30 p.m. on Friday, 3rd February, 2012.

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, 2011 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, 2011

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

* *For identification purpose.*