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, 2012

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, 2012, together with the unaudited comparative figures for the corresponding period in the year 2011, as follows:

Condensed Consolidated Income Statement
For the six months ended 30th September, 2012

	Note	**Unaudited Six months ended 30th September, 2012**	2011
		HK$'000	HK$'000
Revenue	3	**786,083**	774,230
Cost of sales		**(638,662)**	(641,502)
Gross profit		**147,421**	132,728
Other (losses)/gains – net	5	**(4,418)**	3,117
Selling and distribution costs		**(38,637)**	(41,246)
General and administrative expenses		**(83,475)**	(74,951)
Operating profit	6	**20,891**	19,648

Condensed Consolidated Income Statement (Continued)
For the six months ended 30th September, 2012

	Note	Unaudited Six months ended 30th September, **2012** HK$'000	2011 HK$'000
Finance income		**313**	238
Finance costs		**(4,324)**	(4,314)
Finance costs – net	7	**(4,011)**	(4,076)
Profit before income tax		**16,880**	15,572
Income tax expense	8	**(8,197)**	(7,394)
Profit for the period, attributable to equity holders of the Company		**8,683**	8,178
Earnings per share for profit attributable to equity holders of the Company during the period			
(expressed in HK cents per share)	9		
- Basic		**1.65**	1.56
- Diluted		**1.65**	1.56
Dividends	10	**5,251**	5,251

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th September, 2012

	Unaudited Six months ended 30th September,	
	2012	2011
	HK$'000	HK$'000
Profit for the period	**8,683**	8,178
Other comprehensive income		
Increase/(decrease) in fair value of available-for-sale financial assets	**183**	(142)
Currency translation differences	**3,792**	3,206
Total comprehensive income for the period, attributable to equity holders of the Company	**12,658**	11,242

Condensed Consolidated Statement of Financial Position
As at 30th September, 2012

	Note	**Unaudited As at 30th September, 2012**	Audited As at 31st March, 2012
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Land use rights		**26,485**	26,854
Property, plant and equipment		**412,022**	431,891
Prepayments for property, plant and equipment		**14,770**	3,642
Available-for-sale financial assets		**1,583**	1,400
Deferred income tax assets		**2,320**	2,178
		457,180	465,965
Current assets			
Inventories		**128,375**	106,133
Trade and bill receivables	11	**362,289**	214,743
Prepayments and deposits		**28,949**	16,626
Tax recoverable		**122**	122
Bank deposits with maturity over 3 months from date of deposits		**5,097**	20,910
Cash and cash equivalents		**153,988**	189,517
		678,820	548,051
LIABILITIES			
Current liabilities			
Borrowings		**157,620**	202,225
Trade and bill payables	12	**210,291**	110,614
Accruals and other payables		**97,009**	74,900
Derivative financial instruments		**1,723**	2,536
Tax payable		**33,948**	28,644
		500,591	418,919
Net current assets		**178,229**	129,132
Total assets less current liabilities		**635,409**	595,097
Non-current liabilities			
Borrowings		**63,100**	29,367
Deferred income tax liabilities		**9,753**	10,581
		72,853	39,948
Net assets		**562,556**	555,149
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**52,514**	52,514
Reserves	13	**510,042**	502,635
Shareholders' equity		**562,556**	555,149

Notes:

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2012 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, 2012, 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, 2012, as described in those annual financial statements.

(a) Effect of adopting amendments to standards

For the six months ended 30th September, 2012, the following revised standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1st April, 2012:

HKAS 12 (Amendment) Deferred tax: Recovery of underlying assets

HKFRS 1 (Amendment) Severe hyperinflation and removal of fixed dates for first-time adopters

HKFRS 7 (Amendment) Disclosures – transfers of financial assets

(b) Standards, interpretations and amendments which are not yet effective

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1st January, 2012. The Group has not early adopted these new and revised standards, interpretations and amendments to standards.

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,	
	2012	2011
	HK$'000	HK$'000
Sales of packaging materials, labels, and paper products, including environmentally friendly paper products	**769,932**	759,996
Others	**16,151**	14,234
	786,083	774,230

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, and assesses performance 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, 2012 and 2011 are as follows:

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30th September, 2012				
Total revenue	615,774	150,628	88,140	854,542
Segment revenue	(109)	(68,350)	-	(68,459)
Revenue (from external customers)	615,665	82,278	88,140	786,083
Operating profit	11,882	4,698	4,311	20,891
Finance income	72	225	16	313
Finance costs	(3,169)	(737)	(418)	(4,324)
Income tax expense	(5,573)	(1,128)	(1,496)	(8,197)
Profit for the period	3,212	3,058	2,413	8,683
Other information :				
Depreciation and amortisation for the period	17,822	13,072	2,780	33,674
Capital expenditure	11,048	4,878	8,684	24,610

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, 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)

(ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2012 and 31st March, 2012 is as follows :-

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30th September, 2012				
Segment assets	724,325	245,476	163,757	1,133,558
Deferred income tax assets	272	2,048	-	2,320
Tax recoverable	122	-	-	122
Total assets	724,719	247,524	163,757	1,136,000
Segment liabilities	380,715	100,778	48,250	529,743
Deferred income tax liabilities	6,406	-	3,347	9,753
Tax payable	29,757	1,137	3,054	33,948
Total liabilities	416,878	101,915	54,651	573,444

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st March, 2012				
Segment assets	621,102	234,265	156,349	1,011,716
Deferred income tax assets	56	2,122	-	2,178
Tax recoverable	122	-	-	122
Total assets	621,280	236,387	156,349	1,014,016
Segment liabilities	320,652	57,843	41,147	419,642
Deferred income tax liabilities	7,309	-	3,272	10,581
Tax payable	25,303	123	3,218	28,644
Total liabilities	353,264	57,966	47,637	458,867

5. Other (losses)/gains - net

	Unaudited Six months ended 30th September, 2012 HK$'000	2011 HK$'000
Other (losses)/gains – net		
Net exchange (losses)/gains	**(3,725)**	3,037
Net loss on disposal of property, plant and equipment	**(90)**	(1)
Others	**(603)**	81
	(4,418)	3,117

6. Operating profit

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

	Unaudited Six months ended 30th September, 2012 HK$'000	2011 HK$'000
Employment costs (including directors' emoluments)	**218,199**	202,576
Depreciation of property, plant and equipment and amortisation of land use rights	**33,674**	33,217
Provision for impairment of receivables – net	**2,207**	-

7. Finance costs – net

	Unaudited Six months ended 30th September, 2012 HK$'000	2011 HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**3,853**	3,412
- not wholly repayable within five years	**425**	8
Fair value loss/(gain) on interest-rate swaps		
- realised	**859**	894
- unrealised	**(813)**	-
	4,324	4,314
Interest income from bank deposits	**(313)**	(238)
	4,011	4,076

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% (2011: 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 (2011: 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% (2011: 17%).

	Unaudited Six months ended 30th September,	
	2012	2011
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**6,692**	5,646
- Mainland China Corporate Income Tax	**1,128**	466
- Singapore Corporate Income Tax	**1,496**	1,112
	9,316	7,224
Deferred income tax	**(1,119)**	170
	8,197	7,394

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,	
	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**8,683**	8,178
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic earnings per share (HK cents)	**1.65**	1.56

9. Earnings per share (Continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. Shares issuable under the employee share option scheme are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to 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. The computation of diluted earnings per share does not assume the exercise of the outstanding share options as the exercise price of these options is higher than the average market price for shares.

	Unaudited Six months ended 30th September,	
	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**8,683**	8,178
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Adjustments for share options ('000)	**-**	655
Weighted average number of ordinary shares for diluted earnings per share ('000)	**525,135**	525,790
Diluted earnings per share (HK cents)	**1.65**	1.56

10. Dividends

	Unaudited Six months ended 30th September,	
	2012	2011
	HK$'000	HK$'000
Proposed interim dividends of HK1 cent (2011: HK1 cent) per share	**5,251**	5,251

11. Trade and bill receivables

	Unaudited As at 30th September, 2012 HK$'000	Audited As at 31st March, 2012 HK$'000
Trade receivables	**369,479**	220,943
Less : provision for impairment of receivables	**(8,271)**	(7,856)
Trade receivables-net	**361,208**	213,087
Bill receivables	**1,081**	1,656
Trade and bill receivables	**362,289**	214,743

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, 2012 HK$'000	Audited As at 31st March, 2012 HK$'000
1 to 90 days	**340,516**	186,351
91 to 180 days	**24,459**	30,494
181 to 365 days	**2,467**	3,465
Over 365 days	**3,118**	2,289
	370,560	222,599
Less: Provision for impairment of receivables	**(8,271)**	(7,856)
	362,289	214,743

12. Trade and bill payables

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

	Unaudited As at 30th September, 2012 HK$'000	Audited As at 31st March, 2012 HK$'000
1 to 90 days	**192,286**	99,025
91 to 180 days	**17,014**	9,652
181 to 365 days	**889**	1,605
Over 365 days	**102**	332
	210,291	110,614

13. Reserves

Movements were:

	Unaudited For the six months ended 30th September, 2012						
	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, 2012	127,796	1,169	1,942	664	72,734	298,330	502,635
Profit for the period	-	-	-	-	-	8,683	8,683
Other comprehensive income							
- Increase in fair value of available-for-sale financial assets	-	-	-	183	-	-	183
- Currency translation differences	-	-	-	-	3,792	-	3,792
Total comprehensive income for the period	-	-	-	183	3,792	8,683	12,658
Employee share option scheme							
- Lapse of share options	-	-	(611)	-	-	611	-
2011/12 final dividends paid	-	-	-	-	-	(5,251)	(5,251)
As at 30th September, 2012	127,796	1,169	1,331	847	76,526	302,373	510,042

	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

RESULTS

For the six months ended 30th September, 2012, the Group's turnover amounted to approximately HK$786 million, an increase of 2% compared with the same period last year. Profit attributable to shareholders grew by 6% to approximately HK$9 million.

The mild improvement in the Group's performance can be attributed to the multi-pronged measures being taken by the Group to optimize its resources and increase its competitiveness amidst a highly difficult operating environment. During the period under review, these measures have enabled the Group to (i) benefit from the United States and European importers' reduction of suppliers in the face of a weak global economy; (ii) enhance the performance of the Group's eastern China operation; and (iii) mitigate the negative impact brought by the higher operating costs in China.

Notwithstanding the improvement, the management remains cautious about the overall market conditions given the great uncertainty prevailing in major economies. Moreover, the Group's Singapore subsidiary is undergoing a transition as its new plant being established in Malaysia will take time to contribute a profit. The management will strive to enhance the Group's overall performance by further leveraging on the multi-pronged measures while prudently seeking for new business opportunities, 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 (2011: HK1 cent) per share for the six months ended 30th September, 2012 payable on Friday, 22nd February, 2013 to shareholders whose names appear on the Register of Members on Wednesday, 30th January, 2013.

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

The period under review presented a number of daunting challenges to the printing and packaging industry in China.

First and foremost, with the United States economy staggering and the Eurozone debt crisis deepening, orders from these two major markets were generally weak and unsteady, and often characterized by tight delivery schedules and low pricing.

Secondly, the operating costs in China went up further while the price of raw materials remained at high levels. As an illustration, the minimum wages in Shenzhen and Suzhou, where some of the Group's plants are located, were both increased by double digits in February 2012 and June 2012, respectively, while the Group's Shaoguan plant offered higher-than-minimum wages in February 2012 in response to labour shortage in the region.

Last but not least, driven by depressing market conditions, major brands in the United States and Europe adopted consolidated purchasing programmes under which goods and services were purchased in larger quantities from fewer suppliers to achieve better pricing and/or services.

Rising to these challenges, the Group implemented a number of proactive measures, including (i) the strengthening of design and innovation capabilities to expand the Group's product categories and facilitate the Group's engagement in original design manufacturing business; (ii) adoption of stronger sales initiatives and marketing strategies to expand into new markets such as Japan; (iii) extension of lean manufacturing practices and allocation of additional resources to automation in the Group's Mainland plants to further reduce manufacturing costs and increase operating efficiency; and (iv) expansion of domestic sales in China.

By optimizing our resources to increase our competitive advantages, the Group's southern China operation was able to benefit from the consolidated purchasing programmes adopted by major customers and maintained its sales despite the depressing market conditions. Moreover, with the adoption of stronger sales initiatives and marketing strategies, together with an increase in operating efficiency, the Group's eastern China operation achieved significant improvement in both sales and profitability. These positive developments have helped the Group to mitigate the impact of higher operating costs on its overall operations in China.

Going forward, the management is exploring other means to increase the Group's source of revenue and improve its performance while maintaining a strong financial position and prudent capital investment. One of the possible means for the longer term is the better utilization of the Group's manufacturing network and resources in China. In the near term, the management will focus on the further improvement of its China operation and the smooth transition of the South East Asia operation to generate higher integrative efficiency.

Southern China Region

In the six months ended 30th September, 2012, the Group's southern China operation recorded a decline in profit. The major reason was an increase in operating costs, in particular labour costs. As an illustration, the minimum wages in Shenzhen were further increased by double digits in February 2012, and the Group's Shaoguan plant also offered higher-than-minimum wages in the same month in response to labour shortage in the region. Other operating costs including freight also increased, largely as a result of the high prices of oil and other commodities. On the other hand, the price of orders was brought down due to intense competition in the printing and packaging industry. Under these circumstances, paper products, which used to be more resilient, recorded a small decline in sales during the period under review.

As part of the means to counter the rise in labour costs, the southern China operation is adopting a new automation initiative while continuing and enhancing the implementation of lean manufacturing and standardization as well as enhancement and optimization of operating procedures. Furthermore, the Group is actively expanding into the original design manufacturing business and exploring other means to better utilize the Group's manufacturing network and resources in China.

Overall, as the global economic outlook remains highly uncertain, the southern China division will continue to strictly control its capital investment and closely monitor its stocks and customer credits.

Eastern China Region

The eastern China operation made significant improvement during the period under review, recording a double-digit increase in sales and a turnaround to profit. This is mainly attributable to the strengthening of sales and marketing initiatives; the targeting of specific sectors that have strong growth potential; the securing of multinational customers that generate more positive financial results; and a further increase in domestic business in China.

Beginning June 2012, the minimum wages in Suzhou, where the Group's eastern China operation is located, has been increased by double digits. The Group will implement further measures to enhance the performance of the eastern China operation, which include the full implementation of lean manufacturing and the strengthening of customer relationships. 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 experienced a decline in both turnover and profit during the period under review. This is mainly attributable to cutback of orders by customers as well as lower prices in the wake of poor consumer sentiment in major markets. Moreover, as reported in the last annual report, the Group has purchased a new factory in Johor, Malaysia in February 2012 to be managed by the Singapore subsidiary. As such, the management team in Singapore has been given the responsibility of overseeing the preparation work of the Malaysian plant.

The Malaysian plant will install a new Heidelberg 6-Colour printing press, with commercial production expected to take place in late 2012. Given that the two operations in Singapore and Malaysia will be run in parallel for a period of time, there might be temporary dilutive effect on the performance of the Singapore subsidiary. Nonetheless, the management believes that the Malaysian expansion plan will benefit the Singapore subsidiary in the long run as it will enable the Singapore subsidiary to enjoy the lower costs in Malaysia. Moreover, it will facilitate the Singapore subsidiary in further increasing its capacity and expanding its sales.

Prospects

The International Monetary Fund (IMF) has stepped up its warning on the growing risk of a global recession. In its World Economic Outlook (WEO) report published in October 2012, titled "Coping with High Debt and Sluggish Growth", the IMF says "the recovery has suffered new setbacks, and uncertainty weighs heavily on the outlook." It highlights the two major threats to the global economy, namely the "fiscal cliff" in the United States and the Eurozone debt crisis. Assuming solid action can be taken to address these two issues, the IMF forecasts that the world economy will expand 3.3% this year, down from the estimate of 3.5% growth it issued in July. Its forecast for growth next year is 3.6%, down from 3.9% three months ago and 4.1% in April. However, the report admits that "the WEO forecast could once again be disappointed on both accounts" given the major difficulties confronting policymakers.

Given the significant uncertainty overclouding the economic horizon, the Group will maintain a prudent approach in its allocation of resources, focusing primarily on enhancing its competitive advantages. On the other hand, the Group is also making long-term plans to capture opportunities that are likely to emerge as the world economy eventually recovers. Such plans include the establishment of the Malaysian production plant, the further development of domestic sales in China, the expansion into new markets and product categories, and the transformation of the Group into a high value manufacturer that provides original design manufacturing products and commercial services.

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, 2012, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$159 million.

During the period under review, the interest expense of the Group amounted to approximately HK$4.3 million compared to approximately HK$4.3 million recorded last year. Currently, the Group has Renminbi-denominated loan facilities amounting to approximately RMB15 million that are available for the Group's Shenzhen, Guangzhou, Shaoguan and Suzhou plants for working capital purposes.

As at 30th September, 2012, the Group had a working capital surplus of approximately HK$178 million compared to a working capital surplus of approximately HK$152 million as at 30th September, 2011. The Group's net gearing ratio as at 30th September, 2012 was 12% (30th September, 2011: 12%), based on short-term and long-term bank borrowings and bill payables, net of bank balance and cash of approximately HK$66 million (30th September, 2011: HK$68 million), and shareholders' funds of approximately HK$563 million (30th September, 2011: HK$586 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2012, certain assets of the Group with an aggregate book carrying value of approximately HK$72 million (30th September, 2011: HK$53 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, 2012.

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 is 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 the Corporate Governance Code and Corporate Governance Report (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, 2012 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.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As Mr. Lam Kwong Yu, the Chairman of the Company, is also an Executive Director of the Company, this code provision is not applicable.

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.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Kwok Lam Kwong, Larry, *BBS, JP,* was unable to attend the Annual General Meeting and Special General Meeting of the Company held on 15th August, 2012 as he was engaged in other prior business commitments.

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, 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 28th January, 2013 to Wednesday, 30th January, 2013 (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, 25th January, 2013.

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, 2012 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, 29th November, 2012

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.*