STARLITE
HOLDINGS LIMITED
星光集團有限公司*
(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

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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2014

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, 2014, together with the unaudited comparative figures for the corresponding period in the year 2013, as follows:

Condensed Consolidated Income Statement
For the six months ended 30th September, 2014

	Note	**Unaudited Six months ended 30th September, 2014**	2013
		HK$'000	HK$'000
Revenue	3	**902,383**	853,838
Cost of sales		**(726,139)**	(680,909)
Gross profit		**176,244**	172,929
Other (losses)/gains – net	5	**(1,518)**	4,140
Selling and distribution costs		**(50,010)**	(44,985)
General and administrative expenses		**(96,211)**	(95,081)
Operating profit	6	**28,505**	37,003

** For identification purpose*

Condensed Consolidated Income Statement (Continued)
For the six months ended 30th September, 2014

	Note	Unaudited Six months ended 30th September, **2014** HK$'000	2013 HK$'000
Finance income		**243**	167
Finance costs		**(5,225)**	(4,864)
Finance costs – net	7	**(4,982)**	(4,697)
Profit before income tax		**23,523**	32,306
Income tax expense	8	**(4,846)**	(15,109)
Profit for the period, attributable to equity holders of the Company		**18,677**	17,197
Earnings per share for profit attributable to equity holders of the Company during the period			
(expressed in HK cents per share)	9		
- Basic		**3.56**	3.28
- Diluted		**3.56**	3.28
Dividends	10	**5,251**	7,877

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30th September, 2014

	Unaudited Six months ended 30th September,	
	2014	2013
	HK$'000	HK$'000
Profit for the period	**18,677**	17,197
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss :		
Increase/(decrease) in fair value of available-for-sale financial assets	**77**	(88)
Currency translation differences	**1,876**	1,899
Total comprehensive income for the period, attributable to equity holders of the Company	**20,630**	19,008

Condensed Consolidated Statement of Financial Position
As at 30th September, 2014

	Note	**Unaudited As at 30th September, 2014 HK$'000**	Audited As at 31st March, 2014 HK$'000
ASSETS			
Non-current assets			
Land use rights		**25,437**	25,592
Property, plant and equipment		**435,734**	428,190
Prepayments for property, plant and equipment		**6,564**	28,275
Available-for-sale financial assets		**5,393**	5,316
Deferred income tax assets		**1,825**	2,139
		474,953	489,512
Current assets			
Inventories		**113,095**	120,608
Trade and bill receivables	11	**407,032**	230,218
Prepayments and deposits		**28,232**	30,215
Tax recoverable		**467**	505
Bank deposits with maturity over 3 months from date of deposits		**4,933**	10,599
Cash and cash equivalents		**190,287**	216,050
		744,046	608,195
LIABILITIES			
Current liabilities			
Borrowings		**195,317**	161,566
Finance lease obligation		**4,184**	4,036
Trade and bill payables	12	**199,212**	135,940
Accruals and other payables		**129,624**	110,077
Tax payable		**16,413**	39,329
		544,750	450,948
Net current assets		**199,296**	157,247
Total assets less current liabilities		**674,249**	646,759
Non-current liabilities			
Borrowings		**91,757**	77,683
Finance lease obligation		**2,207**	4,340
Deferred income tax liabilities		**6,144**	5,974
		100,108	87,997
Net assets		**574,141**	558,762
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**52,514**	52,514
Reserves	13	**521,627**	506,248
Shareholders' equity		**574,141**	558,762

Notes:

1. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th September, 2014 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, 2014, 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, 2014, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Adoption of amendments to existing standards and interpretation

The following amendments to standards and interpretation are mandatory for the Group's financial year beginning 1st April, 2014. The adoption of these amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

		Effective for accounting periods beginning on or after
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities	1st April, 2014
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities	1st April, 2014
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets	1st April, 2014

2. Accounting policies (Continued)

		Effective for accounting periods beginning on or after
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting	1st April, 2014
HK(IFRIC) – Int 21	Levies	1st April, 2014

The Group has not applied any new standards, amendments to standards and interpretation that have been issued but are not effective for the current accounting period.

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,	
	2014	2013
	HK$'000	HK$'000
Sales of packaging materials, labels, and paper products, including environmentally friendly paper products	**886,691**	840,220
Others	**15,692**	13,618
	902,383	853,838

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, 2014 and 2013 are as follows:

	Southern China	Eastern China	South East Asia	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Six months ended 30th September, 2014				
Total revenue	692,330	164,280	99,594	956,204
Segment revenue	(231)	(53,590)	-	(53,821)
Revenue (from external customers)	692,099	110,690	99,594	902,383
Operating profit	20,748	5,006	2,751	28,505
Finance income	64	159	20	243
Finance costs	(3,585)	(885)	(755)	(5,225)
Income tax expense	(2,827)	(1,325)	(694)	(4,846)
Profit for the period	14,400	2,955	1,322	18,677
Other information :				
Depreciation and amortisation for the period	17,507	11,084	6,228	34,819
Capital expenditure	16,875	1,625	1,073	19,573

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, 2013				
Total revenue	645,233	175,221	96,585	917,039
Segment revenue	(9)	(63,192)	-	(63,201)
Revenue (from external customers)	645,224	112,029	96,585	853,838
Operating profit	24,292	10,286	2,425	37,003
Finance income	47	103	17	167
Finance costs	(3,602)	(631)	(631)	(4,864)
Income tax expense	(10,923)	(3,231)	(955)	(15,109)
Profit for the period	9,814	6,527	856	17,197
Other information :				
Depreciation and amortisation for the period	15,936	12,741	4,854	33,531
Capital expenditure	19,858	6,067	3,831	29,756

4. Segment information (Continued)

(ii) An analysis of the Group's assets and liabilities by segments as at 30th September, 2014 and 31st March, 2014 is as follows :-

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 30th September, 2014				
Segment assets	792,872	239,416	184,419	1,216,707
Deferred income tax assets	426	1,399	-	1,825
Tax recoverable	64	403	-	467
Total assets	793,362	241,218	184,419	1,218,999
Segment liabilities	476,739	80,094	65,468	622,301
Deferred income tax liabilities	3,865	-	2,279	6,144
Tax payable	15,147	-	1,266	16,413
Total liabilities	495,751	80,094	69,013	644,858

	Southern China HK$'000	Eastern China HK$'000	South East Asia HK$'000	Group HK$'000
As at 31st March, 2014				
Segment assets	665,131	242,715	187,217	1,095,063
Deferred income tax assets	426	1,713	-	2,139
Tax recoverable	64	441	-	505
Total assets	665,621	244,869	187,217	1,097,707
Segment liabilities	360,916	67,996	64,730	493,642
Deferred income tax liabilities	3,865	-	2,109	5,974
Tax payable	36,790	-	2,539	39,329
Total liabilities	401,571	67,996	69,378	538,945

5. Other (losses)/gains - net

	Unaudited Six months ended 30th September, 2014 HK$'000	2013 HK$'000
Other (losses)/gains – net		
Net exchange (losses)/gains	**(6,401)**	1,437
Net gain on disposal of property, plant and equipment	**1,107**	47
Others	**3,776**	2,656
	(1,518)	4,140

6. Operating profit

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

	Unaudited Six months ended 30th September, 2014 HK$'000	2013 HK$'000
Employment costs (including directors' emoluments)	**280,077**	249,092
Depreciation of property, plant and equipment and amortisation of land use rights	**34,819**	33,531
(Write-back of provision)/provision for impairment of receivables – net	**(554)**	1,107

7. Finance costs – net

	Unaudited Six months ended 30th September, 2014 HK$'000	2013 HK$'000
Interest expense on bank borrowings		
- wholly repayable within five years	**4,886**	4,470
- not wholly repayable within five years	**339**	391
Fair value loss/(gain) on interest-rate swaps		
- realised	**-**	887
- unrealised	**-**	(884)
	5,225	4,864
Interest income from bank deposits	**(243)**	(167)
	4,982	4,697

8. Income tax expense

The Company is exempted from taxation in Bermuda until 2035. 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% (2013: 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 rate of 25% during the period (2013: 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% (2013: 17%).

	Unaudited Six months ended 30th September,	
	2014	2013
	HK$'000	HK$'000
Current income tax expense		
- Hong Kong profits tax	**2,109**	11,944
- Mainland China Corporate Income Tax	**2,044**	3,531
- Singapore Corporate Income Tax	**693**	955
	4,846	16,430
Deferred income tax	**-**	(1,321)
	4,846	15,109

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,	
	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**18,677**	17,197
Weighted average number of ordinary shares in issue ('000)	**525,135**	525,135
Basic earnings per share (HK cents)	**3.56**	3.28

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. There were no share options outstanding during the six months ended 30th September, 2013 and 30th September, 2014.

For the period ended 30th September, 2013 and 30th September, 2014, diluted earnings per share equals basic earnings per share as there were no dilutive potential shares.

10. Dividends

	Unaudited Six months ended 30th September,	
	2014	2013
	HK$'000	HK$'000
Proposed interim dividends of HK1 cent (2013: HK1 cent) per share	**5,251**	5,251
Special dividends : Nil (2013: HK0.5 cent) per share	**-**	2,626
	5,251	7,877

11. Trade and bill receivables

	Unaudited As at 30th September, 2014 HK$'000	Audited As at 31st March, 2014 HK$'000
Trade receivables	**412,614**	236,454
Less : provision for impairment of receivables	**(6,016)**	(6,546)
Trade receivables-net	**406,598**	229,908
Bill receivables	**434**	310
Trade and bill receivables	**407,032**	230,218

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, 2014 HK$'000	Audited As at 31st March, 2014 HK$'000
1 to 90 days	**381,395**	202,860
91 to 180 days	**26,398**	24,515
181 to 365 days	**2,746**	7,074
Over 365 days	**2,509**	2,315
	413,048	236,764
Less: Provision for impairment of receivables	**(6,016)**	(6,546)
	407,032	230,218

12. Trade and bill payables

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

	Unaudited As at 30th September, 2014 HK$'000	Audited As at 31st March, 2014 HK$'000
1 to 90 days	**185,742**	125,843
91 to 180 days	**12,067**	5,588
181 to 365 days	**970**	4,329
Over 365 days	**433**	180
	199,212	135,940

13. Reserves

Movements were:

Unaudited

For the six months ended 30th September, 2014

	Share premium	Capital reserve	Investment reserve	Translation reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1st April, 2014	127,796	1,792	1,017	74,587	301,056	506,248
Profit for the period	-	-	-	-	18,677	18,677
Other comprehensive income						
- Increase in fair value of available-for-sale financial assets	-	-	77	-	-	77
- Currency translation differences	-	-	-	1,876	-	1,876
Total comprehensive income for the period	-	-	77	1,876	18,677	20,630
2013/14 final dividends paid	-	-	-	-	(5,251)	(5,251)
As at 30th September, 2014	127,796	1,792	1,094	76,463	314,482	521,627

Unaudited

For the six months ended 30th September, 2013

	Share premium	Capital reserve	Investment reserve	Translation reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1st April, 2013	127,796	1,792	1,160	78,838	299,127	508,713
Profit for the period	-	-	-	-	17,197	17,197
Other comprehensive income						
- Decrease in fair value of available-for-sale financial assets	-	-	(88)	-	-	(88)
- Currency translation differences	-	-	-	1,899	-	1,899
Total comprehensive income for the period	-	-	(88)	1,899	17,197	19,008
2012/13 final dividends paid	-	-	-	-	(5,251)	(5,251)
As at 30th September, 2013	127,796	1,792	1,072	80,737	311,073	522,470

RESULTS

The Group recorded steady growth in the six months ended 30th September, 2014. Compared with the same period last year, turnover increased by 6% to approximately HK$902 million while profit attributable to shareholders increased by 9% to approximately HK$19 million.

The satisfactory growth was achieved as the Group successfully: (i) obtained more packaging orders from the toy industry and maintained growth in the paper products and luxury packaging categories; (ii) increased its exposure to the United States and Europe whilst also expanding into new markets; (iii) maintained its profitability by obtaining better prices for orders and containing the costs; and (iv) improved the performance of the southeast Asia operation.

Based on our current order book and customers' indication, the management is prudently optimistic about the Group's business for the second half. Nonetheless, the management is well aware of the challenges ahead, and will continue to implement measures to safeguard the Group's performance, details of which are described in the "Business Review and Prospects" section.

INTERIM DIVIDENDS

The Board of Directors has declared an interim dividend of HK1 cent (2013: HK1 cent and a special dividend of HK0.5 cent) per share for the six months ended 30th September, 2014 payable on Monday, 9th February, 2015 to shareholders whose names appear on the Register of Members on Friday, 9th January, 2015.

BUSINESS REVIEW AND PROSPECTS

Hong Kong/Mainland China Operations

Overview

As mentioned in the last annual report, the Group has categorized its businesses into four major blocks, namely: (i) proprietary products with confidentiality undertaking; (ii) packaging including luxury packaging and specialty printing; (iii) children's books and greeting cards; and (iv) original design manufacturing (ODM) and original brand manufacturing (OBM) businesses. The Group's strategy is to steer its marketing effort towards these four blocks in a shrewd manner to enhance its profitability and to build a long-term sustainable growth base.

The strategy resulted in steady growth for the Group during the period under review. With the recovery of the United States economy gaining momentum and the European economy stabilizing, the Group was able to obtain more packaging orders from the toy industry and maintained growth in the children's books and luxury packaging segments. Benefiting from improved prices, these orders were able to offset the negative effect brought about by the delay in orders from the technology, media and telecommunications sectors.

Cost management forms part and parcel of the strategy. During the six months ended 30th September, 2014, the labour costs in China continued to rise. As an illustration, wages soared by double digits in our Shenzhen and Shaoguan plants in February and May 2014, respectively, while those in our Guangzhou plant increased by single digit in May 2014. The silver lining was that the price of raw materials and fuel remained stable. Internally, by adopting lean manufacturing, automation, value stream mapping and stringent cost control measures, the Group was able to maintain its gross profit margins. Improvement was also seen in the southeast Asia operation, where the Malaysian plant gained higher efficiency and narrowed its loss.

Moving forward, the Group is taking solid measures to increase the positive impact of the strategy. First and foremost, the Group is dedicating more resources to the ODM and OBM businesses. The Group is launching a series of innovative eco-friendly design products under the brand name Team Green, which include paper and plywood puzzles and paper speakers. The Group is also building up a global network for the distribution of the products, which now spans from Japan, Hong Kong and southern China, to Australia, Russia, and France; negotiations for more distributors in countries such as the United States and Britain are under way. Moreover, GreenTaNet, the e-business platform for the sales and marketing of Team Green products, will be officially launched in November 2014; the Team Green products will also be sold on other online stores such as Amazon.com and Tmall.com. As a further step, the Group has obtained trial orders from customers in the publishing and greeting card industries to make eco-friendly products bearing customers' brand names. If these products are well received by consumers, orders of larger quantity are expected.

Secondly, the Group will continue to improve its cost efficiency by reinforcing systems including lean manufacturing, automation, and value stream mapping. In this regard, more small machines and equipment such as robotic arm will be developed and installed to increase production efficiency. The Group will also prioritize its production resources in a shrewd manner based on the overall value of orders.

Last but not least, the Group will continue to allocate more resources to luxury packaging and to develop the high growth sectors such as information technology, food and cosmetics. This strategy will help increase the Group's adaptivity to seasonal or cyclical factors and provide a stronger platform for the Group to expand domestic sales in China. The Group will also explore emerging markets such as the Middle East, South America and Russia.

Southern China Region

In the six months ended 30th September, 2014, the Group's southern China operation recorded a growth in turnover and profit.

Sales of the printing and packaging division expanded with orders from the toys sector gradually recovering. Sales with the technology, media and telecommunications sectors fell short of expectations as customers delayed their orders. Paper products managed to secure steady sales growth which the management believes is likely to continue in the second half of the financial year.

Wages rose across-the-board at the southern China operation's three plants in Shenzhen, Guangzhou and Shaoguan. Fortunately, the price of raw materials and fuel leveled off. Other positive factors—including improved prices for orders, higher sales in greeting cards and luxury packaging, and more stringent cost control—contributed to the improvement of the southern China operation.

Moving into the second half of the financial year, the southern China division will strive to expand the ODM and OBM businesses. As mentioned above, an international distribution network has been established to sell the Team Green products, supported by GreenTaNet and other online sales channels. The Group will also utilize promotion and event marketing to build up the Team Green brand. Meanwhile, the southern China division will seek to further expand its luxury packaging business. In this regard, the Group participated in the LUXE PACK SHANGHAI and LUXE PACK NEW YORK exhibitions in April and May, and will join the LUXE MONACO show in late October 2014.

Eastern China Region

The eastern China operation recorded a decline in both sales and profit, as orders from existing and potential customers fell short of budget while labour costs increased.

More orders were secured for labels printing during the period under review. However, growth in domestic business was insignificant as a result of increased market competition and softened consumer sentiment in the China market.

Looking forward, the fluctuation of orders is expected to remain a major challenge facing the eastern China operation. The Group will increase its effort to enlarge the clientele, targeting high growth sectors and multinational customers with more regular orders, while utilizing its high quality and innovative packaging solutions and specialty printing services to bring orders from major corporations in the information technology, food and cosmetics sectors.

Southeast Asia Operation

During the period under review, the southeast Asia operation recorded a decline in turnover but a growth in profit. Sales at Starlite Printers (Far East) Pte Ltd, our Singapore subsidiary, fell slightly while the new factory in Johor, Malaysia narrowed its loss with higher sales recorded.

The results reflected signs that the Malaysian factory is gaining ground in increasing its cost efficiency and building up a solid customer base for long-term growth.

Looking ahead, the parallel running of the two plants might continue to affect the performance of the Singapore subsidiary for some time, until the relocation process is completed in the first quarter of next year. Upon this, all production will be handled by the Malaysian plant, enabling the Singapore subsidiary to provide customers with more cost-effective manufacturing and fulfilment services. Efforts are being made by the southeast Asia operation to expand business in markets such as Australia and New Zealand and explore the possibility of engaging in the production of labour-intensive paper products.

Prospects

In its latest World Economic Outlook (WEO) report issued in October 2014, the International Monetary Fund (IMF) has cut its forecast for global economic growth for both 2014 and 2015 and warned that the recovery is "weak and uneven". The IMF is now forecasting 3.3% growth this year, down from its forecast in July of 3.4%. Next year, it predicts 3.8% growth, against an earlier prediction of 4.0%. According to the WEO report, “among advanced economies, the United States and the United Kingdom in particular are leaving the crisis behind and achieving decent growth…in emerging market economies, lower potential growth is the dominating factor.” The WEO report also emphasized the increase in downside risks—both in the short and medium term—that could dent global confidence and growth. Such risks include heightened geopolitical risks, financial excess, secular stagnation, and low potential growth.

Facing this challenging environment, the Group is carefully charting its course with foresight for the coming years. The underlying principles are: (i) maintaining a prudent approach in financial and cash flow management; (ii) balancing reward against risk; (iii) allocating resources to where the value is; and (iv) staying vigilant for sudden changes. As an example, the Group will not invest in new printing presses in the next two years. Instead, more effort will be spent on increasing production efficiency. Moreover, the Group will steer resources in a shrewd manner and on a value basis, focusing on the ODM and OBM businesses, lean management and automation, and domestic business in China for the time being. The management is hopeful that these strategic measures will enable the Group to achieve sustainable growth and bring reasonable returns for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of funding include cash generated from the Group's operations and banking facilities provided to the Group by banks mainly in Hong Kong and Mainland China. As at 30th September, 2014, the Group's cash and bank balances and short-term bank deposits amounted to approximately HK$195 million.

During the period under review, the interest expense of the Group amounted to approximately HK$5.2 million compared to approximately HK$4.9 million recorded in the same period of 2013. 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, 2014, the Group had a working capital surplus of approximately HK$199 million compared to a working capital surplus of approximately HK$196 million as at 30th September, 2013. The Group's net gearing ratio as at 30th September, 2014 was 17% (30th September, 2013: 12%), based on short-term and long-term bank borrowings, finance lease obligation and bill payables, net of bank balance and cash of approximately HK$99 million (30th September, 2013: HK$71 million), and shareholders' funds of approximately HK$ 574 million (30th September, 2013: HK$575 million). The Group will continue to adopt prudent policies to maintain a healthy financial position.

CHARGE ON ASSETS

As at 30th September, 2014, certain assets of the Group with an aggregate book carrying value of approximately HK$69 million (30th September, 2013: HK$65 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 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 7,000 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, 2014.

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, 2014 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 by rotation 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 of the Company held on 15th August, 2014 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, 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 7th January, 2015 to Friday, 9th January, 2015 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders must deliver their share transfer forms and share certificates to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6th January, 2015.

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, 2014 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, 27th November, 2014

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.