STARLITE

STARLIGHT INTERNATIONAL HOLDINGS LIMITED

升岡國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

FINANCIAL RESULTS

The Board of Directors (the "Directors" or "We") of Starlight International Holdings Limited (the "Company") hereby announces the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014 together with the comparative figures for 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	**2014** HK$'000	2013 HK$'000
Turnover	3	**366,953**	515,408
Cost of sales		**(408,857)**	(465,183)
Gross (loss) profit		**(41,904)**	50,225
Other income		**16,245**	9,918
Distribution costs		**(46,406)**	(66,110)
Administrative expenses		**(87,556)**	(89,164)
Other gains and losses	4	**(7,650)**	(31,138)
(Decrease) increase in fair value of investment properties		**(22,111)**	68,904
Interest expenses		**(10,315)**	(8,186)
Share of profits (losses) of an associate		**651**	(225)
Loss before taxation	5	**(199,046)**	(65,776)
Tax credit	6	**9,682**	7,389
Loss for the year		**(189,364)**	(58,387)

	Notes	2014 HK$'000	2013 HK$'000
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**429**	75
Total comprehensive expense for the year		**(188,935)**	(58,312)
(Loss) profit for the year attributable to:			
Owners of the Company		**(193,036)**	(69,829)
Non-controlling interests		**3,672**	11,442
		(189,364)	(58,387)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(192,699)**	(69,759)
Non-controlling interests		**3,764**	11,447
		(188,935)	(58,312)
		HK cents	*HK cents*
Loss per share	*8*		
– Basic and diluted		**(11.04)**	(4.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties		**254,825**	276,936
Property, plant and equipment		**77,787**	99,248
Prepaid lease payments		**3,290**	3,411
Product development costs		**–**	–
Goodwill		**17,665**	17,665
Interest in an associate		**6,366**	5,715
Available-for-sale investments		**9,400**	9,400
Deferred tax assets		**18,951**	12,589
		388,284	424,964
Current assets			
Inventories		**80,842**	185,529
Debtors, deposits and prepayments	9	**31,530**	38,240
Prepaid lease payments		**121**	121
Investments held for trading		**475**	1,043
Financial assets designated at fair value through profit or loss		**–**	25
Pledged bank deposits		**1,077**	–
Bank balances and cash		**28,046**	35,806
		142,091	260,764
Current liabilities			
Creditors and accrued charges	10	**103,400**	66,130
Amount due to a shareholder		**12,000**	–
Taxation payable		**1,080**	2,043
Borrowings		**68,805**	91,135
Bank overdrafts		**1,969**	–
Convertible notes		**–**	33,453
		187,254	192,761
Net current (liabilities) assets		**(45,163)**	68,003
Total assets less current liabilities		**343,121**	492,967
Non-current liabilities			
Deferred tax liabilities		**4,995**	8,243
Net assets		**338,126**	484,724
Capital and reserves			
Share capital		**201,343**	162,731
Reserves		**120,373**	310,162
Equity attributable to owners of the Company		**321,716**	472,893
Non-controlling interests		**16,410**	11,831
Total equity		**338,126**	484,724

NOTES:

1. BASIS OF PREPARATION

The announcement has been presented in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 March 2014 have been prepared in accordance with accounting principles generally accepted in Hong Kong.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by HK$45,163,000 as at 31 March 2014 and the Group incurred recurring losses of HK$189,364,000 and HK$58,387,000 for the year ended 31 March 2014 and 31 March 2013, respectively. The Company will issue convertible bonds to Achieve Prosper Capital Limited (the "Purchaser") in the principal amount of HK$75,000,000 due three years from the date of issue. The completion of the subscription of the convertible bonds in the principal amount of HK$75,000,000 due three years from the date of issue to be issued by the Company (the "CB Subscription") is subject to the approvals from the shareholders of the Company at the special general meeting and The Stock Exchange of Hong Kong Limited, the completion of the sale and purchase agreement entered into by certain shareholders of the Company on 30 January 2014 (as supplemented by a supplemental agreement dated 21 March 2014 and the second supplemental agreement dated 19 May 2014) to dispose of an aggregate of 1,076,758,361 shares in the Company to the Purchaser and the closure of the unconditional mandatory cash general offer made by the Purchaser to the shareholders and optionholders of the Company (the "Offer"). At the date of approval of these consolidated financial statements, all the above conditions except for the closure of the Offer have been fulfilled. The offer will be closed on 21 July 2014 and the directors are of the opinion that the completion of the CB Subscription will follow as a matter of time. The Purchaser has also confirmed that the CB Subscription will be completed on the fifth business day after the closure of the Offer in accordance with the subscription agreement entered into by the Company with the Purchaser in relation to the CB Subscription. Taking into account that the estimated net proceeds from the CB Subscription of HK$74,788,000 (after deducting estimated transaction costs of HK$212,000) will improve the liquidity of the Group, accordingly, the directors of the Company considered it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirement prospectively. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 “Presentation of items of other comprehensive income”

The Group has applied the amendments to HKAS 1 “Presentation of items of other comprehensive income”. Upon the adoption of the amendments to HKAS 1, the Group’s “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income”. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Impact of the application of HKFRS 12 “Disclosure of interests in other entities”

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Except as described above, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKFRS 11	Accounting for acquisition of interest in joint operations[5]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferred accounts[6]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) – INT 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 July 2014.
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[5] Effective for annual periods beginning on or after 1 January 2016.
[6] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets in respect of available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Other than those disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's financial performance and provisions.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered by each operating division.

The Group is organised into three operating divisions, namely design, manufacture and sale of electronic products (representing consumer electronic audio and video equipment, karaoke equipment and accessories), property investment and securities trading. These divisions are the basis on which the Group reports its segment information.

Segment revenue and results

An analysis of the Group's revenue, which represents sales of goods, and results by reportable and operating segments is as follows:

	Design, manufacture and sale of electronic products *HK$'000*	Property investment *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Year ended 31 March 2014				
TURNOVER	**366,953**	**–**	**–**	**366,953**
SEGMENT RESULTS	**(172,063)**	**(8,576)**	**498**	**(180,141)**
Interest income				**15**
Unallocated expenses				**(9,256)**
Share of profits of an associate				**651**
Interest expenses				**(10,315)**
Loss before taxation				**(199,046)**

	Design, manufacture and sale of electronic products *HK$'000*	Property investment *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Year ended 31 March 2013				
TURNOVER	515,408	–	–	515,408
SEGMENT RESULTS	(124,922)	77,754	224	(46,944)
Interest income				11
Unallocated income				142
Unallocated expenses				(10,574)
Share of losses of an associate				(225)
Interest expenses				(8,186)
Loss before taxation				(65,776)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the results from each operating segment without allocation of central administration costs incurred by head office, share of results of an associate, interest income, dividend income from available-for-sale investments, and interest expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

An analysis of the Group's assets and liabilities by reportable and operating segments is as follows:

	Design, manufacture and sale of electronic products *HK$'000*	**Property investment** *HK$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
At 31 March 2014				
ASSETS				
Segment assets	**211,235**	**254,825**	**475**	**466,535**
Unallocated corporate assets				**63,840**
Consolidated total assets				**530,375**
LIABILITIES				
Segment liabilities	**103,400**	**–**	**–**	**103,400**
Unallocated corporate liabilities				**88,849**
Consolidated total liabilities				**192,249**
At 31 March 2013				
ASSETS				
Segment assets	344,214	276,936	1,068	622,218
Unallocated corporate assets				63,510
Consolidated total assets				685,728
LIABILITIES				
Segment liabilities	66,130	–	–	66,130
Unallocated corporate liabilities				134,874
Consolidated total liabilities				201,004

Unallocated corporate assets mainly represent interest in an associate, available-for-sale investments, deferred tax assets, pledged bank deposits and bank balances and cash.

Unallocated corporate liabilities mainly represent amount due to a shareholder, borrowings, bank overdrafts, convertible notes, taxation payable and deferred tax liabilities.

Other segment information

	Design, manufacture and sale of electronic products *HK$'000*	**Property investment** *HK$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measurement of segment results or segment assets:				
Year ended 31 March 2014				
Additions of property, plant and equipment	**3,350**	**–**	**–**	**3,350**
Decrease in fair value of investment properties	**–**	**(22,111)**	**–**	**(22,111)**
Increase in fair value of financial assets designated at fair value through profit or loss	**–**	**–**	**9**	**9**
Increase in fair value of investments held for trading	**–**	**–**	**479**	**479**
Release of prepaid lease payments	**121**	**–**	**–**	**121**
Depreciation of property, plant and equipment	**8,375**	**–**	**–**	**8,375**
Allowance for doubtful debts	**2,152**	**–**	**–**	**2,152**
Bad debt written off	**1,217**	**–**	**–**	**1,217**
Allowance for obsolete and slow-moving inventories	**62,570**	**–**	**–**	**62,570**
Impairment loss recognised in respect of property, plant and equipment	**16,054**	**–**	**–**	**16,054**

	Design, manufacture and sale of electronic products *HK$'000*	Property investment *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Amounts included in the measurement of segment results or segment assets:				
Year ended 31 March 2013				
Additions of property, plant and equipment	2,841	–	–	2,841
Increase in fair value of investment properties	–	68,904	–	68,904
Increase in fair value of derivative financial instruments	–	–	44	44
Increase in fair value of financial assets designated at fair value through profit or loss	–	–	7	7
Increase in fair value of investments held for trading	–	–	160	160
Release of prepaid lease payments	121	–	–	121
Depreciation of property, plant and equipment	19,075	–	–	19,075
Allowance for doubtful debts	3,072	–	–	3,072
Allowance for obsolete and slow-moving inventories	33,379	–	–	33,379
Impairment loss recognised in respect of property, plant and equipment	25,634	–	–	25,634

Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment results or segment assets:

	2014 ***HK$'000***	2013 *HK$'000*
Interest in an associate	**6,366**	5,715
Share of profits (losses) of an associate	**651**	(225)
Interest expenses	**(10,315)**	(8,186)

Geographical segments

The Group's operations are located in North America, Europe, Hong Kong (place of domicile), Mainland China (the "PRC") and other countries.

The Group's revenue from external customers (based on location of customers) and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended 31 March		**Non-current assets *(note)***	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**267,565**	358,749	**4,394**	3,798
Hong Kong	**10,581**	26,676	**268,529**	305,481
Canada	**83,532**	112,019	**–**	–
Europe	**5,275**	15,431	**–**	–
The PRC	**–**	–	**87,010**	93,696
Other countries	**–**	2,533	**–**	–
	366,953	515,408	**359,933**	402,975

Note: Non-current assets excluded available-for-sale investments and deferred tax assets.

4. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Other gains (losses) comprise:		
Allowance for doubtful debts	**(2,152)**	(3,072)
Bad debt written off	**(1,217)**	–
Increase in fair value of derivative financial instruments	**–**	44
Increase in fair value of financial assets designated at fair value through profit or loss	**9**	7
Increase in fair value of investments held for trading	**479**	160
Exchange loss, net	**(5,588)**	(4,205)
Gain on disposal of property, plant and equipment	**16,433**	1,562
Gain on disposal of a subsidiary	**440**	–
Impairment loss recognised in respect of property, plant and equipment	**(16,054)**	(25,634)
	(7,650)	(31,138)

5. LOSS BEFORE TAXATION

	2014	2013
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Allowance for obsolete and slow-moving inventories (included in cost of sales)	**62,570**	33,379
Auditors' remuneration	**3,545**	3,603
Depreciation of property, plant and equipment	**8,375**	19,075
Interest expenses on:		
– borrowings wholly repayable within five years	**6,651**	5,271
– convertible notes	**3,664**	2,915
Minimum lease payments under operating leases in respect of rented premises	**6,522**	8,765
Release of prepaid lease payments	**121**	121
Research and development costs	**7,025**	13,172
Share-based payments for advisors	**82**	679
Staff costs including directors' remuneration	**57,060**	61,743

6. TAX CREDIT

	2014	2013
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current year	**34**	–
Underprovision in prior years	**52**	–
	86	–
Taxation in other jurisdictions		
Current year	**554**	2,250
(Over) underprovision in prior years	**(712)**	312
	(158)	2,562
Deferred taxation	**(9,610)**	(9,951)
	(9,682)	(7,389)

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. DIVIDENDS

The directors have resolved not to recommend a dividend for the year ended 31 March 2014 (2013: nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2014	2013
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(193,036)**	(69,829)

	Number of shares	
	2014	2013
Weighted average number of shares for the purpose of basic and diluted loss per share	**1,747,814,332**	1,547,487,013

For the year ended 31 March 2014, the calculation of diluted loss per share does not assume the exercise of the outstanding share options as it would result in a decrease in the loss per share and the exercise prices of those share options are higher than the average market price for shares.

For the year ended 31 March 2013, the calculation of diluted loss per share does not assume the exercise of the outstanding share options and conversion of the Company's outstanding convertible notes as it would result in a decrease in the loss per share for both years and the exercise prices of those share options and convertible notes are higher than the average market price for shares.

9. TRADE DEBTORS

The aged analysis of trade debtors net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective recognition dates, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**10,740**	16,308
31 – 60 days	**311**	1,262
61 – 90 days	**2,093**	1,565
Over 90 days	**4,906**	6,702
	18,050	25,837

The Group allows an average credit period ranging from 30 days to 90 days to its trade customers.

10. TRADE CREDITORS

The aged analysis of trade creditors presented based on the invoice date at the end of the reporting period is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**8,900**	10,134
31 – 60 days	**2,031**	2,978
61 – 90 days	**139**	707
Over 90 days	**21,884**	14,962
	32,954	28,781

The average credit period on purchases of goods is 90 days.

CHAIRMAN'S STATEMENT

Business review

Results

Our turnover decreased by 29% to HK$367 million from HK$515 million and our net loss deteriorated to HK$189 million from a net loss of HK$58 million in last fiscal year.

Electronics Division

The decrease in turnover was due to the continued decline in the TV/DVD sales. The LCD TV market in North America remained highly competitive; demand was falling and selling prices were depressed due to price cutting competition.

Sales of karaoke products decreased by 5% due to poor weather during the holiday season in the winter of 2013 in the North America.

Gross loss margin of 11% was the result of impairment of inventory and tooling charges; declining selling prices and increasing costs of production. The impairment of inventory was related to third party licensed products which expired at the end of 2013 and allowance for inventories held by subsidiaries to be transferred to the Creditors' Scheme upon it becoming effective.

Other revenue increased by 64% due to higher rental income from leasing of properties to third party tenants.

Selling and distribution expenses decreased by HK$19.7 million or 30%. The decrease was proportional to the decrease in turnover.

Administrative expenses decreased by HK$1.6 million or 2% compared with last fiscal year mainly due to our continued effort to cut our operating expenses.

Finance costs increased by HK$2 million due to new factoring facility provided to one of our overseas subsidiary.

Securities Trading

The Group recorded a segment profit of HK$498,000 for the year.

Properties Investment

The Group reported a segment loss of HK$8.6 million for the year.

Prospect

As disclosed in the Joint Announcement issued by Achieve Prosper Capital Limited, Fairy King Prawn Holdings Limited and the Company dated 21 March 2014, my family and I entered into a sale and purchase agreement with Achieve Prosper Capital Limited (the "Purchaser") to sell our majority shareholdings in the Company. Achieve Prosper Capital Limited is beneficially owned by Hong Kong Shihua Holdings Limited, which is wholly owned by Liaoning Shihua (Group) Property Development Company Limited and is principally engaged in property development, property leasing, sales of construction materials, outdoor and shop advertising, and vehicle storage in the PRC, focusing on Liaoning province. The sale and purchase agreement has been completed on 26 June 2014.

As disclosed in the Circular issued by the Company dated 24 May 2014, the Group has also implemented the Group Restructuring to separate the Distributed Businesses and the Scheme Businesses from the Remaining Business and to facilitate the Distribution In Specie and the Creditors' Scheme.

The Group has been suffering losses for six consecutive financial years from 2009 to 2014. Falling demand and keen competition in the television set market in North America have driven down selling prices and sales volume of the Group's television set products. On the other hand, the Group's manufacturing operation, which mainly produces television sets, is facing escalating manufacturing costs in the PRC (in particular labour costs due to labour shortage) and appreciation of Renminbi. The falling demand and selling prices, together with the rising manufacturing costs, have caused wasted capacity of the manufacturing operations of the Group and substantial losses to the Group. The management of the Company considers that the prospect of restoring optimum scale of the manufacturing operation and improving the Group's profitability is slim. Accordingly, in order to ring-fence the profitable businesses of the Remaining Group so that the financial position of the Remaining Group will not be adversely affected by the continuing deterioration of the manufacturing operation, the management of the Company decides to implement the Creditors' Scheme to deconsolidate the manufacturing operation of the Group.

Upon the Creditors' Scheme becoming effective, the Scheme Subsidiaries which are engaged in manufacturing and sourcing of raw material will be transferred to the Administrators Vehicle for realization for the benefit of the creditors of the Company who are subject to the Creditors' Scheme. Financial performance of these non-promising Scheme Subsidiaries will be deconsolidated from the Company's consolidated financial statements and profitability of the Company will improve. Furthermore, without having to support the under-utilised manufacturing arm, the Remaining Group may source finished goods from independent suppliers at more competitive prices and achieve a more flexible cost structure in response to market conditions. Therefore, it is expected that deconsolidation of the manufacturing arm by way of the Creditors' Scheme will improve financial performance and position of the Remaining Group.

At the adjourned special general meeting of the Company on 19 June 2014, the resolution for approving transfer of the Scheme Subsidiaries to the Administrators' Vehicle has been approved. Subject to the approval of the Creditors' Scheme by the requisite majority of creditors and approval from the Courts, the Creditors' Scheme shall become effective and the Scheme Subsidiaries shall be transferred to the Administrators' Vehicle.

During the negotiations between the parties to the Sale and Purchase Agreement, the Purchaser has expressed that it is not interested in the Distributed Businesses, namely the Group's business of property investment and sale of television sets prior to the Group Restructuring. On 26 June 2014, the Company has distributed shares to its shareholders in the Privateco, which upon completion of the Group Restructuring will operate the Distributed Businesses and a wholly owned subsidiary of the Company prior to the Distribution In Specie.

As a result of the Distribution In Specie, the Privateco together with the Distributed Businesses (the "Privateco Group") will cease to be a subsidiary of the Company, and the Group will continue to carry on the Remaining Business, representing the business of sale of electronic products, such as karaoke, audio, video, musical instrument and clocks and other electronic products acquired from the Scheme Subsidiaries, the Privateco Group or third party suppliers to external customers in the U.S. and Canada. The Privateco Group will continue to carry on the business of property investment and sale of certain existing models of electronic products to the Remaining Group in accordance with the terms of the Framework Purchase Agreement, which was also approved by shareholders of the Company at the adjourned SGM held on 19 June 2014.

As a result of the abovementioned Group Restructuring, Distribution In Specie and implementation of the Creditors' Scheme, management is confident the Remaining Group will streamline its operation with the remaining trading business and will provide an opportunity for the Company to turn around to profitability in the near future.

Management will focus to revamp new products and designs. In January 2014, our overseas subsidiary received the honoree award issued by the International Consumer Electronics Show (CES) organization in Las Vegas, United States for design and innovation of our Home karaoke product. This was a great acknowledgement to us that we are stepping in the right direction. We will build on our strength to market new products and will partner with third party manufacturers to make the products for us.

The Purchaser will conduct a review on the financial position and the operations of the Company and will formulate long-term business plans and strategy of the Company, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company.

Financial Position

Liquidity and Financial Resources

The financial position of the Group remained stable. As at 31 March 2014, cash and bank deposits amounted to HK$28 million, as compared to HK$36 million last year.

Gearing ratio calculated as total borrowings, which excludes convertible notes and amount due to a shareholder, to shareholders' funds was 0.22 (2013: 0.19), and net borrowings, calculated as total borrowings less bank balances and cash, to shareholders' funds was 0.13 (2013: 0.12). Current ratio calculated as current assets to current liabilities changed to 0.76 from 1.35 last year.

Financing and Capital Structure

The Group finances its operations by combination of equity and borrowings. As at 31 March 2014, the Group's total borrowings is about HK$71 million (2013: HK$91 million), of which the whole amount is repayable within one year. Net borrowings is HK$43 million (2013: HK$55 million).

The Group's transactions were mostly denominated in US dollars and Hong Kong dollars. The exposure to exchange rate risk was insignificant.

Pledge of Assets

As at 31 March 2014, the Group pledged certain assets with carrying value of HK$236 million (2013: HK$239 million) to secure general credit facilities and margin accounts with securities brokers.

Contingent Liabilities

As at 31 March 2014, the Group had no contingent liabilities.

Staff

As at 31 March 2014, the Group had a total staff of 201 of which 174 were employed in the PRC and overseas for the Group's manufacturing and distribution business.

The Group provides employee benefits such as staff insurance, retirement scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year neither the Company nor any its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board has adopted all the code provisions contained in the Corporate Governance Code ("the Code") in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as its own code on corporate governance practices.

During the year ended 31 March 2014, the Company has complied with the Code except the following:

1. Pursuant to code provision A.2.1, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Philip Lau Sak Hong is currently the chairman and managing director of the Company. Having considered the current business operation and the size of the Group, the Board is of the view that Mr. Lau acting as both the chairman and managing director of the Company is acceptable and in the best interests of the Company. The Board will review this situation periodically.

2. The Company was incorporated in Bermuda and enacted by private act, the Starlight International Holdings Limited Company Act, 1989 of Bermuda (the "1989 Act"). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the bye-laws of the Company ("the Bye-laws"). As the Company is bound by the provisions of the 1989 Act, the Bye-laws cannot be amended to fully reflect the requirements of the code provision A.4.2 which stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   To enhance good corporate governance practices, Mr. Philip Lau Sak Hong, the chairman and managing director of the Company has voluntarily retired from his directorship at annual general meeting of the Company at least once every three years in order for the Company to comply with the Code, provided that, being eligible for re-election, he may offer himself for re-election at the annual general meeting.

AUDIT COMMITTEE

The audit committee comprises two Independent Non-Executive Directors and a Non-Executive Director and reports directly to the Board of Directors. The audit committee meets regularly with the Group's senior management and the external auditors to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the annual results of the Group for the year ended 31 March 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the year ended 31 March 2014.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises four executive directors, namely Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol; a non-executive director, Mr. Hon Sheung Tin, Peter, and three independent non-executive directors namely, Mr. Chan Chak Chung, Mr. Chuck Winston Calptor and Mr. Tang Yee Man.

By Order of the Board
Starlight International Holdings Limited
Lau Sak Hong, Philip
Chairman

Hong Kong, 30 June 2014

* *For identification purpose only*