STARLIGHT INTERNATIONAL HOLDINGS LIMITED

升岡國際有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 485)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

INTERIM RESULTS

The Board of Directors of Starlight International Holdings Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the the six months ended 30 September 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

		Six months ended 30 September	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	3	**767,424**	1,197,351
Cost of sales		**(595,380)**	(865,385)
Gross profit		**172,044**	331,966
Other income	4	**8,113**	11,760
Distribution costs		**(97,116)**	(167,316)
Administrative expenses		**(59,979)**	(61,187)
Net (decrease) increase in fair value of financial instruments	5	**(5,655)**	1,395
Share of profits of associates		**1,175**	1,253
Finance costs		**(10,988)**	(10,368)
Profit before taxation		**7,594**	107,503
Taxation	7	**(724)**	(15,262)
Net profit for the period		**6,870**	92,241
Attributable to:			
Shareholders of the Company		**10,359**	91,341
Minority interests		**(3,489)**	900
		6,870	92,241
Earnings per share			
– Basic	8	**1.31 cents**	11.6 cents
– Diluted	8	**1.25 cents**	11.4 cents
Interim Dividend per share	9	**Nil cents**	4.8 cents

* *For identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2008

	Notes	**At 30.9.2008** ***HK$'000*** **(Unaudited)**	At 31.3.2008 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**108,652**	108,652
Property, plant and equipment	10	**294,757**	298,575
Prepaid lease payments		**64,369**	65,062
Product development costs		**433**	607
Goodwill		**26,301**	27,671
Interest in associates		**9,747**	8,573
Available-for-sale investments		**24,045**	24,052
Deferred tax assets		**7,542**	7,542
		535,846	540,734
Current assets			
Inventories		**600,185**	543,606
Debtors, deposits and prepayments	11	**527,754**	269,025
Prepaid lease payments		**1,386**	1,386
Amounts due from associates		**2,941**	3,989
Taxation recoverable		**5,262**	9,852
Investments held for trading		**10,634**	20,381
Derivative financial instruments		**–**	120
Financial assets designated at fair value through profit or loss		**2,554**	8,149
Bank balances and cash		**72,999**	77,068
		1,223,715	933,576
Current liabilities			
Creditors and accrued charges	12	**373,456**	176,212
Amount due to an associate		**2,809**	2,809
Derivative financial instruments		**941**	518
Taxation payable		**17,327**	16,603
Borrowings – amount due within one year		**522,726**	430,160
Bank overdrafts		**114**	8,171
		917,373	634,473

	Notes	At 30.9.2008 HK$'000 (Unaudited)	At 31.3.2008 HK$'000 (Audited)
Net current assets		**306,342**	299,103
Total assets less current liabilities		**842,188**	839,837
Non-current liabilities			
Borrowings – amount due over one year		**34,890**	34,890
Deferred tax liabilities		**5,171**	5,171
		40,061	40,061
Net assets		**802,127**	799,776
CAPITAL AND RESERVES			
Share capital	13	**315,253**	316,151
Share premium and reserves		**472,443**	465,588
Equity attributable to shareholders		**787,696**	781,739
Share option reserve of a listed subsidiary		**253**	253
Minority interests		**14,178**	17,784
Total equity		**802,127**	799,776

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Six months ended	
	30.9.2008	30.9.2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net Cash used in Operating Activities	**(56,500)**	(352,585)
Net Cash used in Investing Activities	**(23,309)**	(62,115)
Net Cash inflow from Financing Activities	**83,797**	430,605
Net Increase in Cash and Cash Equivalents	**3,988**	15,905
Cash and Cash Equivalents at beginning of period	**68,897**	90,679
Cash and Cash Equivalents at end of period	**72,885**	106,584
Analysis of balances of Cash and Cash equivalents		
Bank balances and cash	**72,999**	106,584
Bank overdrafts	**(114)**	–
	72,885	106,584

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2008 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of and as described in the annual financial statements for the year ended 31 March 2008.

The following interpretations are mandatory for the financial year beginning 1 April 2008 but are not currently relevant for the Group:

HK(IFRIC) – Int 12	'Service Concession Arrangements'
HK(IFRIC) – Int 14	'HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2008 and have not been adopted by the Group:

HK(IFRIC) – Int 13	'Customer Loyalty Programmes'
HK(IFRIC) – Int 15	'Agreements for the Construction of Real Estate'
HK(IFRIC) – Int 16	'Hedges of a Net Investment in a Foreign Operation'
HKAS 1 (Revised)	'Presentation of Financial Statements'
HKAS 23 (Revised)	'Borrowing Cost'
HKAS 27 (Revised)	'Consolidated and Separate Financial Statements'
HKAS 32 and HKAS 1 (Amendment)	'Puttable Financial Instruments and Obligations Arising on Liquidation'
HKAS 39 and HKFRS 7 (Amendment)	'Reclassification of Financial Assets'
HKFRS 2 (Amendment)	'Share-based Payment Vesting Conditions and Cancellations'
HKFRS 1 and HKAS 27 (Revised)	'Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate'
HKFRS 3 (Revised)	'Business Combinations'
HKFRS 8	'Operating Segments'

3. SEGMENT INFORMATION

Business segments

The Group is currently organised into two operating divisions – design, manufacture and sale of electronic products and securities trading. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

SIX MONTHS ENDED 30 SEPTEMBER 2008

	Design, manufacture and sale of electronic products *HK$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER	**767,424**	**–**	**767,424**
SEGMENT RESULT	**22,428**	**(5,386)**	**17,042**
Interest income			**365**
Share of profits of associates			**1,175**
Finance costs			**(10,988)**
Profit before tax			**7,594**
Taxation			**(724)**
Profit for the period			**6,870**

SIX MONTHS ENDED 30 SEPTEMBER 2007

	Design, manufacture and sale of electronic products *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
TURNOVER	1,197,351	–	1,197,351
SEGMENT RESULT	115,556	785	116,341
Interest income			277
Share of profits of associates			1,253
Finance costs			(10,368)
Profit before tax			107,503
Taxation			(15,262)
Profit for the period			92,241

4. OTHER INCOME

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Other income includes the following:		
Commission	**1,191**	3,126
Exchange gain, net	**596**	2,649
Income from investments	**1,173**	1,407
Rental income	**2,334**	1,717
Miscellaneous income	**2,819**	2,861
	8,113	11,760

5. NET (DECREASE) INCREASE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Increase in fair value of derivative financial instruments	**417**	–
(Decrease) increase in fair value of financial assets designated at fair value through profit or loss	**(669)**	1,478
Decrease in fair value of investments held for trading	**(5,403)**	(83)
	(5,655)	1,395

6. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortization of approximately HK$27,267,000 (HK$28,199,000 for the six months ended 30 September 2007) was charged to the consolidated income statement in respect of the Group's property, plant and equipment, prepaid lease payments and product development costs.

7. TAXATION

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current	**1,081**	7,565
Taxation (recovery) in other jurisdictions	**(357)**	7,697
Taxation attributable to the Company and its subsidiaries	**724**	15,262

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period.

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

8. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2008	2007
Net profit for the period and profit for the purpose of basic and diluted earnings per share	**HK$10,359,000**	HK$91,341,000
Weighted average number of shares for the purpose of basic earnings per share	**789,241,999**	790,432,436
Effect of dilutive potential ordinary shares for the purpose of dilutive earnings per share – Share option	**42,410,925**	10,126,751
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**831,652,924**	800,559,187

9. INTERIM DIVIDEND

The directors have resolved not to pay an interim dividend for the year ending 31 March 2009 (Year ended 31 March 2008: HK4.80 cents per share).

10. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Net book value at beginning of year	**298,575**	305,842
Currency realignment	**(64)**	–
Additions	**22,647**	32,959
Depreciation	**(26,401)**	(28,199)
	294,757	310,602

11. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2008, debtors, deposits and prepayments includes trade debtors of HK$448,539,000 (31 March 2008: HK$192,803,000). The Group provides credit periods of up to 90 days, depending on the products sold, to its trade customers. The following is an aged analysis of accounts receivable at the reporting date:

	30/9/2008	31/3/2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 – 30 days	**381,776**	103,982
31 – 60 days	**24,022**	38,261
61 – 90 days	**3,014**	17,269
Over 90 days	**39,727**	33,291
	448,539	192,803

12. CREDITORS AND ACCRUED CHARGES

At 30 September 2008, creditors and accrued charges includes trade creditors of HK$265,696,000 (31 March 2008: HK$101,584,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	30/9/2008	31/3/2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 – 30 days	**210,982**	70,671
31 – 60 days	**21,713**	17,887
61 – 90 days	**13,452**	5,500
Over 90 days	**19,549**	7,526
	265,696	101,584

13. SHARE CAPITAL

	Number of shares	**Issued and Fully paid Share capital** *HK$'000*
Balance at 1 April 2008	790,378,828	316,151
Repurchase of shares	(2,245,000)	(898)
Balance at 30 September 2008	788,133,828	315,253

14. CAPITAL COMMITMENTS

	30/9/2008 ***HK$'000***	31/3/2008 *HK$'000*
Contracted for but not provided in the consolidated financial statements in respect of:		
– capital expenditure for acquisition of property, plant and equipment	**3,728**	4,067

15. CONTINGENT LIABILITIES

There are no contingent liabilities on both dates 30 September 2008 and 31 March 2008.

16. RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Group at any time during the six months period.

17. COMPARATIVE FIGURES

Certain figures in the 2007/2008 interim financial statements have been reclassified to conform with the basis of presentation used in the current period.

BUSINESS REVIEW AND GROUP RESULTS

Electronic division

The first six months of the current fiscal year has proven to be a historically challenging time throughout the world. As a major manufacturer, we unfortunately have not been able to avoid the effects of the current economic turmoil. Our turnover decreased by 36% or $430M in the first six months of the current fiscal year compared with the last fiscal year. The primary cause of this decrease was a result of the financial instability which was triggered by the subprime mortgage in the United States in February 2008. Consequently, the credit market became tight and retailers took a conservative approach to purchasing goods from factories in the PRC. Most of our major customers in US and in Europe have curtailed their purchase programs or delayed shipments. Our decrease in turnover can also be attributed to the Group taking more cautionary measures to reduce selling to customers that did not have a strong credit rating to avoid potential bad debt losses. Although the reduction occurred across our major product categories, video products suffered the highest losses. Since the last fiscal year, we have begun phasing out opening price point (OPP) DVD products and we intend to replace them with higher-end products such as digital photo frames, iPod related products and portable DVD players. Due to declining consumer demands and other factors, we have only been able to replace some of the losses.

At the beginning of the fiscal year, small TFT screen panels and LCD panels' prices began to fall. We were hopeful that we could increase our sales in this category. However, the decline in panel prices did not provide any benefit to us, but rather contributed to a reduction in our gross profit margin. The primary reason for this is that panel prices were dropping faster than the lead time to deliver. By the time we received delivery, prices had fallen again and we were legally obligated to pay the higher cost at the original purchase order date. In order to retain our customers, we were forced to absorb the differences. From August onwards panel prices fell rapidly. Some of our major customers were demanding rebates immediately to reduce their inventory costs and the goods on order.

Our gross profit margin dropped by an average of 5%. Despite the unusual drop in small TFT screen prices, higher oil prices resulted in increased raw material costs in plastic resins. In addition, the costs of operating in PRC have increased as the new labor law in China has generally raised the average wage we paid to our workers and the Chinese RMB appreciated steadily. In a climate of declining consumer demands, we were unable to pass on the higher costs to our customers.

In spite of the above, we are pleased to report that our selling and distribution costs were reduced by 42% for the first six months of the current fiscal year as compared to the same period last year. Our administrative costs, which consist of mostly fixed overhead costs, had a moderate decrease of 1% in this fiscal period. Our finance costs incurred a 6% increase primarily due to a higher portion of our sales coming from domestic sales out of warehouses in both the US and Canada. In domestic sales, we finance inventory and accounts receivable, resulting in a longer sale cycle. As the economy worsens in the US, we see this trend as continuing as retailers are reluctant to purchase by container loads out of our factory.

Net profit attributable to shareholders reduced by 89% to $10M. While we are disappointed by the result, we must review this performance in the light of recent turmoil. Within our control, we have reduced selling, distribution and administrative expenses. We have taken steps to reduce our carrying of inventory compared with the same period last year and we have reduced our bank borrowing significantly since the last fiscal year.

Securities trading

The Group recorded a segment result of a loss of HK$5.4 million for the period.

PROSPECTS

All current economic forecasts point to a recession in the US and potentially around the globe. We are cautious about our prospect for the next 12 months and we have planned accordingly. With the current condition of falling component prices and lower operating costs in the PRC, we see opportunity to target some of our products and market them aggressively. We expect that growth in karaoke and musical instruments will continue in this fiscal year. Through our subsidiary, The Singing Machine Company, Inc., we plan to launch a new on-line store to sell karaoke machines, musical instruments, accessories, and downloadable music during the next half of the fiscal year. We anticipate this distribution method will have much higher gross margin.

We are working with Disney to create a new product lineup for spring 2009. We are enthusiastic that this will lift our sales. We have experienced some success in creating a new line of youth electronics with a major discount retailer in the US. We are planning an extension on this line to include the pre-school age group karaoke and musical instruments and these we expect to be available in the fall of 2009.

We have taken steps to cut our work force in the PRC and we plan to operate with a leaner overhead during these worsened economic conditions. Management is confident we have a viable strategy in place to combat the current adverse economic environment.

FINANCIAL POSITION

Liquidity and financial resources

On 30 September 2008 the Group had cash, deposits and marketable securities of $86 million (31 March 2008: $106 million). Net bank borrowings was 70% of shareholders' equity (31 March 2008: 45%). Cash was used to primarily finance the increase in inventory and account receivable leading up to the holiday selling season. The Group's net bank borrowings were substantially reduced as of November 2008 when cash was collected from the account receivable. As management is cautious about the current economic condition, inventory at 30 September 2008 was $103 million less than the same period in 2007. We will monitor our inventory closely in the next half of the fiscal year.

Trade receivable was $448 million at 30 September 2008 (31 March 2008: $193 million). The increase reflects the seasonality of the Group's trade pattern and we expect receivable will be reduced to the March 2008 level at the end of the current fiscal year.

Financing and capital structure

The Group finances its operations from retained earnings and short term bank borrowings. As at 30 September 2008 our banking facilities amounted to HK$1,478 million of which $620 million was utilized (31 March 2008: HK$475 million). All bank borrowings were denominated in Hong Kong dollars or US dollars at prevailing market rate. We plan that our bank borrowings will be further reduced in the next six months as we collect from receivable and sell our inventory.

The Group's transactions were mostly denominated in US dollars and HK dollars. Apart from the exposure to the Chinese RMB, we consider our exposure to exchange risk as minimal.

During a period of economic down turn, management will focus on reducing our borrowings and maintain cash reserve to fund our operation in the next half of this fiscal year.

STAFF

As at 30 September 2008, the Group had a total staff of 4,555 of which 4,446 were employed in the PRC 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.

CORPORATE GOVERNANCE

The Company has met the code provisions of the Code on Corporate Governance Practices ("the Code") as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 September 2008 except as below:

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 of directors of the Company is of the view that Mr. Lau acting as both the chairman and managing director of the Company is acceptable and in the best interest 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.

DIRECTORS' SECURITIES TRANSACTIONS

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, as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 September 2008.

AUDIT COMMITTEE

The Company has established an audit committee comprising Messrs. Peter Hon Sheung Tin, Norman Ho Hau Chong and Chan Chak Chung. Terms of reference of the audit committee have been updated in compliance with the Code. The audit committee together with the management of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2008, the Company repurchased its shares on the Stock Exchange as follows:

Month	Number of Shares	Price per share Lowest	Price per share Highest	Aggregate Consideration
		HK$	*HK$*	*HK$*
September 2008	2,245,000	0.31	0.33	708,962.50

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was debited to accumulated profits. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises three executive directors, namely Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and a non-executive director namely Mr. Hon Sheung Tin, Peter and three independent non-executive directors namely, Mr. Ho Hau Chong, Norman, Mr. Chan Chak Chung and Mr. Winston Calptor Chuck.

By Order of the Board
Lau Sak Hong, Philip
Chairman

Hong Kong, 19 December 2008