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 2010

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 2010 together with the comparative figures for 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 March 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
Turnover	2	**738,262**	1,281,062
Cost of sales		**(610,322)**	(1,024,197)
Gross profit		**127,940**	256,865
Other income		**16,796**	30,357
Distribution costs		**(124,860)**	(186,529)
Administrative expenses		**(130,493)**	(167,473)
Increase (decrease) in fair value of investment properties		**37,134**	(16,736)
Increase in fair value of derivative financial instruments		**2,451**	1,667
Increase (decrease) in fair value of financial assets designated at fair value through profit or loss		**71**	(1,591)
Increase (decrease) in fair value of investments held for trading		**5,476**	(12,868)
Loss on deemed partial disposal of a subsidiary		**(7)**	(150)
Finance costs		**(10,692)**	(22,528)
Share of profits of associates		**472**	578
Loss before taxation	3	**(75,712)**	(118,408)
Taxation	4	**(1,468)**	(1,280)
Loss for the year		**(77,180)**	(119,688)

* *For identification purpose only*

	Note	2010 HK$'000	2009 HK$'000
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**5,422**	(5,744)
Revaluation of leasehold properties for own use upon transfer to investment properties		**10,628**	–
Deferred taxation in respect of revaluation of the above properties		**(590)**	–
Other comprehensive income (expense) for the year		**15,460**	(5,744)
Total comprehensive expense for the year		**(61,720)**	(125,432)
Loss for the year			
Attributable to:			
Owners of the Company		**(67,490)**	(110,186)
Minority interests		**(9,690)**	(9,502)
		(77,180)	(119,688)
Total comprehensive expense for the year			
Attributable to:			
Owners of the Company		**(52,366)**	(115,438)
Minority interests		**(9,354)**	(9,994)
		(61,720)	(125,432)
		HK cents	*HK cents (restated)*
Loss per share	*6*		
– Basic and diluted		**(7.35)**	(11.99)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investment properties		**145,350**	91,916
Property, plant and equipment		**237,652**	272,565
Prepaid lease payments		**3,774**	63,676
Product development costs		**–**	260
Goodwill		**26,484**	26,541
Interest in associates		**8,174**	8,071
Available-for-sale investments		**24,046**	24,048
Deferred tax assets		**3,245**	5,918
		448,725	492,995
Current assets			
Inventories		**325,718**	402,471
Debtors, deposits and prepayments	7	**115,247**	181,451
Prepaid lease payments		**121**	1,386
Amounts due from associates		**3,010**	2,945
Taxation recoverable		**584**	4,919
Investments held for trading		**13,877**	6,955
Financial assets designated at fair value through profit or loss		**3**	798
Bank balances and cash		**80,440**	103,572
		539,000	704,497

	Note	2010 HK$'000	2009 HK$'000
Current liabilities			
Creditors and accrued charges	*8*	**144,779**	185,227
Amounts due to associates		**2,809**	2,809
Derivative financial instruments		**275**	50
Taxation payable		**1,671**	1,797
Borrowings – due within one year		**219,389**	302,309
Bank overdrafts		**218**	–
		369,141	492,192
Net current assets		**169,859**	212,305
Total assets less current liabilities		**618,584**	705,300
Non-current liabilities			
Deferred tax liabilities		**4,467**	5,821
Borrowings – due after one year		**–**	23,782
		4,467	29,603
Net assets		**614,117**	675,697
Capital and reserves			
Share capital		**314,035**	314,035
Reserves		**298,699**	351,065
Equity attributable to owners of the Company		**612,734**	665,100
Share option reserve of a listed subsidiary		**465**	392
Minority interests		**918**	10,205
Total equity		**614,117**	675,697

NOTES:

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC)* – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
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
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a change in the basis of measurement of segment result, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related party disclosures[7]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[5]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[4]
HKFRS 1 (Amendment)	Limited exemptions from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[4]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[8]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[7]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2010.
[5] Effective for annual periods beginning on or after 1 February 2010.
[6] Effective for annual periods beginning on or after 1 July 2010.
[7] Effective for annual periods beginning on or after 1 January 2011.
[8] Effective for annual periods beginning on or after 1 January 2013.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting treatment for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under HKFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 April 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable operating segments as compared with the primary reportable operating segments determined in accordance with HKAS 14, but resulted in a change in the basis of measurement of segment result, segment assets and segment liabilities.

The Group is organised into two operating divisions, namely design, manufacture and sale of electronic products (representing consumer electronic audio and video equipment, musical instruments and accessories) 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 segments is as follows:

	Design, manufacture and sale of electronic products	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 March 2010			
TURNOVER	**738,262**	**–**	**738,262**
SEGMENT RESULTS	**(103,193)**	**8,159**	**(95,034)**
Interest income			**162**
Unallocated income			**5,134**
Unallocated expenses			**(12,416)**
Increase in fair value of investment properties			**37,134**
Finance costs			**(10,692)**
Loss before taxation			**(75,712)**
Taxation			**(1,468)**
Loss for the year			**(77,180)**
Year ended 31 March 2009			
TURNOVER	1,281,062	–	1,281,062
SEGMENT RESULTS	(58,422)	(12,789)	(71,211)
Interest income			525
Unallocated income			5,045
Unallocated expenses			(13,503)
Decrease in fair value of investment properties			(16,736)
Finance costs			(22,528)
Loss before taxation			(118,408)
Taxation			(1,280)
Loss for the year			(119,688)

Segment results represent the results from each segment without allocation of central administration costs incurred by head office, increase/decrease in fair value of investment properties, interest income, dividend income from available-for-sale investments, rental income, finance costs and taxation. 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 segments is as follows:

	Design, manufacture and sale of electronic products *HK$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
At 31 March 2010			
ASSETS			
Segment assets	**712,392**	**18,658**	**731,050**
Unallocated corporate assets			**256,675**
Consolidated total assets			**987,725**
LIABILITIES			
Segment liabilities	**144,779**	**275**	**145,054**
Unallocated corporate liabilities			**228,554**
Consolidated total liabilities			**373,608**
At 31 March 2009			
ASSETS			
Segment assets	953,994	10,180	964,174
Unallocated corporate assets			233,318
Consolidated total assets			1,197,492
LIABILITIES			
Segment liabilities	184,556	619	185,175
Unallocated corporate liabilities			336,620
Consolidated total liabilities			521,795

Unallocated corporate assets mainly represent investment properties, available-for-sale investments, deferred tax assets, amounts due from associates, taxation recoverable and bank balances and cash.

Unallocated corporate liabilities mainly represent borrowings, amounts due to associates, taxation payable and deferred tax liabilities.

Other segment information

	Design, manufacture and sale of electronic products *HK$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measurement of segment result or segment assets:			
Year ended 31 March 2010			
Additions of property, plant and equipment	**18,840**	**–**	**18,840**
Amortisation of product development costs	**260**	**–**	**260**
Increase in fair value of derivative financial instruments	**–**	**(2,451)**	**(2,451)**
Increase in fair value of financial assets designated at fair value through profit or loss	**–**	**(71)**	**(71)**
Increase in fair value of investments held for trading	**–**	**(5,476)**	**(5,476)**
Release of prepaid lease payments	**121**	**–**	**121**
Depreciation of property, plant and equipment	**47,380**	**–**	**47,380**
Allowance for doubtful debts	**2,005**	**–**	**2,005**
Allowance for obsolete and slow-moving inventories	**11,291**	**–**	**11,291**
Impairment loss recognised in respect of other receivables	**7,767**	**–**	**7,767**
Year ended 31 March 2009			
Additions of property, plant and equipment	34,576	–	34,576
Amortisation of product development costs	347	–	347
Increase in fair value of derivative financial instruments	–	(1,667)	(1,667)
Decrease in fair value of financial assets designated at fair value through profit or loss	–	1,591	1,591
Decrease in fair value of investments held for trading	–	12,868	12,868
Release of prepaid lease payments	1,386	–	1,386
Depreciation of property, plant and equipment	53,514	–	53,514
Allowance for doubtful debts	14,436	–	14,436
Allowance for obsolete and slow-moving inventories	10,451	–	10,451

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

	2010	2009
	HK$'000	*HK$'000*
Investment properties	**145,350**	91,916
Interest in associates	**8,174**	8,071
Increase (decrease) in fair value of investment properties	**37,134**	(16,736)
Interest expense	**10,692**	22,528
Impairment loss recognised in respect of goodwill – unallocated	**–**	1,569

Geographical segments

The Group's operations are located in North America, Europe, Hong Kong (place of domicile), Mainland China, Japan and Korea 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)*	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**470,094**	829,352	**6,849**	8,444
Europe	**144,107**	356,038	**–**	–
Canada	**107,434**	29,147	**185**	301
Mainland China	**1,864**	85	**157,830**	178,825
Japan and Korea	**379**	–	**–**	–
Hong Kong	**235**	39,549	**256,570**	275,382
Other countries	**14,149**	26,891	**–**	77
	738,262	1,281,062	**421,434**	463,029

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Customer A[1]	**131,485**	N/A[2]
Customer B[1]	**127,525**	149,476
Customer C[1]	**80,294**	213,252
Customer D[1]	**N/A[2]**	217,165
Customer E[1]	**N/A[2]**	177,678

[1] Revenue from electronic products.

[2] The corresponding revenue did not contribute over 10% of the total sales of the Group.

3. LOSS BEFORE TAXATION

	2010 *HK$'000*	2009 *HK$'000*
Loss before taxation has been arrived at after charging (crediting):		
Allowance for doubtful debts	**2,005**	14,436
Allowance for obsolete and slow-moving inventories	**11,291**	10,451
Depreciation of property, plant and equipment	**47,380**	53,514
Exchange (gain) loss, net	**(5,138)**	6,620
Impairment loss recognised in respect of available-for-sale investments (included in administrative expenses)	**2**	4
Impairment loss recognised in respect of goodwill (included in administrative expenses)	**–**	1,569
Impairment loss recognised in respect of other receivables	**7,767**	–
Interest on borrowings wholly repayable within five years	**10,692**	22,528
Loss (gain) on disposal of property, plant and equipment	**168**	(15,268)
Gain on disposal of prepaid lease payments	**(2,661)**	–
Interest income	**(162)**	(525)

4. TAXATION

	2010	2009
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	**60**	46
Overprovision in prior years	**(88)**	(1,830)
	(28)	(1,784)
Taxation in other jurisdictions		
Current year	**754**	812
Under(over)provision in prior years	**13**	(22)
	767	790
Deferred taxation	**729**	2,274
	1,468	1,280

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% at the estimated assessable profit for both years.

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

5. DIVIDENDS

The directors have resolved not to recommend a dividend for the year ended 31 March 2010 (2009: nil).

6. LOSS PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(67,490)**	(110,186)

	Number of Shares	
	2010	2009
		(restated)
Weighted average number of shares for the purposes of basic and diluted loss per share	**918,553,929**	918,995,644

The number of shares for the purposes of calculating basic and diluted earnings per share for both years has been adjusted to reflect the open offer completed in July 2010.

The calculation of diluted loss per share for 2010 and 2009 does not assume the exercise of the outstanding share options as it would result in a decrease in the loss per share for both years and the exercise prices of those options are higher than the average market price for shares for both years.

7. DEBTORS, DEPOSITS AND PREPAYMENTS

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 is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**37,640**	67,376
31 – 60 days	**5,802**	5,002
61 – 90 days	**4,690**	9,338
Over 90 days	**18,003**	20,287
	66,135	102,003

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

8. CREDITORS AND ACCRUED CHARGES

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

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**18,684**	29,264
31 – 60 days	**16,859**	16,914
61 – 90 days	**2,032**	19,641
Over 90 days	**55,046**	54,504
	92,621	120,323

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

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Results

The Group's performance for year ended 31 March, 2010 continued to be affected by the prolonged global economic recession and slow recovery. Lack of confidence in the consumer market and fierce pricing pressure from customers resulted in a decrease of 42% in turnover of the Group from HK$1,281M to HK$738M and a net loss of HK$67M attributable to the owners of the Company. (2009: net loss of HK$110M)

Electronics Division

The Group's two major markets, North America and Europe, were slow to regain their economic stability and consumer confidence. Unemployment was high throughout these regions during the fiscal year. Consequently, sales to North America decreased by 33% and Europe by 59%. Our marketing effort was made difficult due to competition from the brand name manufacturers. These manufacturers reduced their prices in order to maintain their turnover. After their price cutting, the differential between a brand name product and our product was so small that there was no price incentive for retailers to carry our products in their stores.

We experienced gain in sales of the LCD high definition television sets in North America during fiscal 2010. We attributed this gain to that the North American households are finally ready to switch from their old CRT TV to digital TV. If our assessment is correct, we expect a good opportunity to regain our turnover focusing on the digital television market.

Our gross profit margin decreased by 3% in fiscal 2010. Due to the global recession, we decided to close out a lot of our inventory kept in the warehouses in North America. This move was necessary to free up the financing costs and reduced the storage costs in warehouses. We estimated that the close out factor accounted for half of the drop (1.5%) in the gross profit margin in fiscal 2010. Other factors attributable to the decline in the gross profit margin were fierce pricing pressure and a slight increase in our cost structure due to higher labor and material costs throughout the year.

Selling and distribution costs were reduced by HK$62M and administrative expenses by HK$37M, of which HK$17M was from salaries and wages of the administrative staff. We will continue to monitor our overhead expenses as part of the effort to regain profitability of the Group.

Securities Trading

The Group recorded a segment profit of HK$8.2 million for the year.

Prospect

The speed of recovery of the global economic condition has been slow and has severely affected our performance in fiscal 2010. We, however, remain positive on the outlook of our business. In April 2010, we entered into an exclusive licensing agreement with Polaroid for a period of 5 years with options for two additional renewal terms. This license gives us ready access to compete with other brand name manufacturers. Under the agreement, we have rights to use the Polaroid brand name on a wide range of electronic products; the major categories include TV, DVD, Blu-Ray DVD, portable DVD, DVD home theater systems, E-books readers and Ipod docking stations. So far the response has been favorable from our retail customers.

Sensing there is a great demand for digital TV in North America in the future years, we will launch the LED TV in August 2010. We will be targeting the 19" – 32" TV to suit the smaller households and meet the demand for the second and third bedroom in the family. After this launch, we plan to introduce Blu-Ray DVD with the LED TV as a combo unit or as a stand alone unit to the market. We have also been able to strengthen our sales force in US by hiring two ex-Polaroid sales executives to our sales team. We are pleased that we have regained a few major accounts recently offering our Polaroid LED TV.

In May 2010, we launched an open offer of our shares to shareholders to raise approximately HK$72M in cash to finance the Polaroid project. The open offer has been completed in July 2010. We will continue to reduce our inventory to provide additional working capital for our operation which will be further streamlined to reduce our administrative and overhead expenditure.

While we are cautiously optimistic about the global economy, we believe we are on track to improve our performance in the future years.

FINANCIAL POSITION

Liquidity and Financial Resources

The financial position of the Group remained stable. As at 31 March 2010, cash and deposits amounted to HK$80 million, as compared to HK$104 million last year.

Gearing ratio calculated as total borrowings to shareholders' funds was 0.36 (2009: 0.49), and net borrowings to shareholders funds was 0.23 for the year (2009: 0.33). Current ratio calculated as current assets to current liabilities changed to 1.46 from 1.43 last year.

Financing and Capital Structure

The Group finances its operations by combination of equity and borrowings. As at 31 March 2010, the Group's total borrowings is about HK$219 million (2009: HK$326 million), of which the whole amount is repayable within one year. Net borrowings, calculated as borrowings less bank balances and cash, is HK$139 million (2009: HK$223 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 2010, the Group pledged certain assets and liabilities with carrying value of HK$32 million (2009: HK$46 million) to secure general credit facilities for margin accounts with brokers.

Contingent Liabilities

As at 31 March 2010, the Group had no contingent liabilities.

STAFF

As at 31 March 2010, the Group had a total staff of 1,804 of which 1,709 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.

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 Company is committed to maintaining a high standard of corporate governance. The Board of directors of the Company ("the Board") firmly believes that to maintain a good, solid and sensible framework of corporate governance will ensure the Company to run its business in the best interests of its shareholders as a whole.

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

During the year ended 31 March 2010, 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 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 will voluntarily retire 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 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 2010.

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 2010.

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, 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
Starlight International Holdings Limited
Lau Sak Hong, Philip
Chairman

Hong Kong, 23 July 2010