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 2012

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 2012 together with the comparative figures for 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 March 2012

	Notes	**2012** **HK$'000**	2011 *HK$'000*
Turnover	2	**631,830**	637,633
Cost of sales		**(571,348)**	(532,743)
Gross profit		**60,482**	104,890
Other income		**18,342**	14,677
Distribution costs		**(139,213)**	(100,046)
Administrative expenses		**(105,058)**	(115,413)
Other gains and losses	3	**(62,919)**	(773)
Increase in fair value of investment properties		**54,346**	61,381
Interest on borrowings wholly repayable within five years		**(7,369)**	(8,081)
Share of (losses) profits of associates		**(1,696)**	291
Loss before taxation	4	**(183,085)**	(43,074)
Taxation	5	**(10,434)**	(840)
Loss for the year		**(193,519)**	(43,914)

	Notes	2012 HK$'000	2011 HK$'000
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**(495)**	288
Revaluation of leasehold properties for own use upon transfer to investment properties		**40,979**	1,321
Deferred tax liability on revaluation of leasehold properties for own use upon transfer to investment properties		**(2,357)**	–
Reclassification of adjustment in respect of impairment of available-for-sale investments		**82**	–
Other comprehensive income for the year		**38,209**	1,609
Total comprehensive expense for the year		**(155,310)**	(42,305)
Loss for the year			
Attributable to:			
Owners of the Company		**(194,862)**	(41,216)
Non-controlling interests		**1,343**	(2,698)
		(193,519)	(43,914)
Total comprehensive (expense) income for the year			
Attributable to:			
Owners of the Company		**(156,621)**	(39,625)
Non-controlling interests		**1,311**	(2,680)
		(155,310)	(42,305)
		HK cents	*HK cents*
Loss per share	7		
– Basic and diluted		**(12.98)**	(3.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment properties		**229,008**	208,442
Property, plant and equipment		**143,998**	203,965
Prepaid lease payments		**3,532**	3,653
Product development costs		**–**	–
Goodwill		**17,665**	26,484
Interests in associates		**6,150**	8,176
Available-for-sale investments		**9,400**	24,040
Deferred tax assets		**143**	3,943
		409,896	478,703
Current assets			
Inventories		**245,183**	345,183
Debtors, deposits and prepayments	*8*	**86,387**	184,138
Prepaid lease payments		**121**	121
Amount due from an associate		**–**	3,030
Taxation recoverable		**–**	37
Investments held for trading		**1,594**	2,252
Financial assets designated at fair value through profit or loss		**18**	20
Bank balances and cash		**90,989**	69,168
		424,292	603,949
Current liabilities			
Creditors and accrued charges	*9*	**108,179**	151,767
Amount due to an associate		**–**	2,809
Derivative financial instruments		**17**	–
Taxation payable		**2,994**	1,046
Borrowings		**199,418**	253,332
		310,608	408,954
Net current assets		**113,684**	194,995
Total assets less current liabilities		**523,580**	673,698
Non-current liabilities			
Deferred tax liabilities		**5,748**	205
Net assets		**517,832**	673,493
Capital and reserves			
Share capital		**149,571**	150,524
Reserves		**367,972**	524,159
Equity attributable to owners of the Company		**517,543**	674,683
Non-controlling interests		**289**	(1,190)
Total equity		**517,832**	673,493

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").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related party disclosures
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

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.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Transfers of financial assets
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures
HKFRS 9	Financial instruments
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
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
HKAS 19 (Revised 2011)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement financial liabilities for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 attributable to a financial liability's 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 at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2015. Except for available-for-sale investments, the directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Group's other financial assets and liabilities based on the consolidated statement of financial position of the Group as at 31 March 2012. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies 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 in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2013. Other than the available-for-sale investments and investment properties carried at fair value, the application of the new standard is not expected to affect the measurement of the Group's assets and liabilities reported in the consolidated financial statements as at 31 March 2012 but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, 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 to HKAS 1 are effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than those disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and financial position of the Group.

2. 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 or services delivered or provided by each operating division.

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

	Design, manufacture and sale of electronic products *HK$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
Year ended 31 March 2012			
TURNOVER	**631,830**	**–**	**631,830**
SEGMENT RESULTS	**(213,732)**	**(448)**	**(214,180)**
Interest income			**63**
Unallocated income			**9,795**
Unallocated expenses			**(24,044)**
Increase in fair value of investment properties			**54,346**
Share of losses of associates			**(1,696)**
Finance costs			**(7,369)**
Loss before taxation			**(183,085)**

	Design, manufacture and sale of electronic products *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Year ended 31 March 2011			
TURNOVER	637,633	–	637,633
SEGMENT RESULTS	(90,885)	117	(90,768)
Interest income			81
Unallocated income			4,858
Unallocated expenses			(10,836)
Increase in fair value of investment properties			61,381
Share of profits of associates			291
Finance costs			(8,081)
Loss before taxation			(43,074)

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, increase in fair value of investment properties, share of results of associates, gain on deregistration of an associate, write-back of amount due to an associate, interest income, dividend income from available-for-sale investments, impairment loss recognised in respect of available-for-sale investments, rental income and finance costs. 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$'000*	**Securities trading** *HK$'000*	**Consolidated** *HK$'000*
At 31 March 2012			
ASSETS			
Segment assets	**494,817**	**3,681**	**498,498**
Unallocated corporate assets			**335,690**
Consolidated total assets			**834,188**
LIABILITIES			
Segment liabilities	**108,179**	**17**	**108,196**
Unallocated corporate liabilities			**208,160**
Consolidated total liabilities			**316,356**

	Design, manufacture and sale of electronic products *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
At 31 March 2011			
ASSETS			
Segment assets	758,126	7,690	765,816
Unallocated corporate assets			316,836
Consolidated total assets			1,082,652
LIABILITIES			
Segment liabilities	151,767	–	151,767
Unallocated corporate liabilities			257,392
Consolidated total liabilities			409,159

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

Unallocated corporate liabilities mainly represent borrowings, amount due to an associate, 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 results or segment assets:			
Year ended 31 March 2012			
Additions of property, plant and equipment	**4,467**	**–**	**4,467**
Decrease in fair value of derivative financial instruments	**–**	**9**	**9**
Decrease in fair value of financial assets designated at fair value through profit or loss	**–**	**2**	**2**
Decrease in fair value of investments held for trading	**–**	**467**	**467**
Release of prepaid lease payments	**121**	**–**	**121**
Depreciation of property, plant and equipment	**30,417**	**–**	**30,417**
Allowance for doubtful debts	**7,221**	**–**	**7,221**
Allowance for obsolete and slow-moving inventories	**18,000**	**–**	**18,000**
Impairment loss recognised in respect of goodwill	**8,819**	**–**	**8,819**
Write-off of other receivables	**17,450**	**–**	**17,450**
Impairment loss recognised in respect of property, plant and equipment	**14,126**	**–**	**14,126**

	Design, manufacture and sale of electronic products *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Year ended 31 March 2011			
Additions of property, plant and equipment	6,678	–	6,678
Increase in fair value of derivative financial instruments	–	(96)	(96)
Decrease in fair value of financial assets designated at fair value through profit or loss	–	12	12
Decrease in fair value of investments held for trading	–	129	129
Release of prepaid lease payments	121	–	121
Depreciation of property, plant and equipment	39,975	–	39,975
Allowance for doubtful debts	1,161	–	1,161
Allowance for obsolete and slow-moving inventories	5,890	–	5,890
Write-off of other receivables	680	–	680

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

	2012 *HK$'000*	2011 *HK$'000*
Investment properties	**229,008**	208,442
Interests in associates	**6,150**	8,176
Share of (losses) profits of associates	**(1,696)**	291
Increase in fair value of investment properties	**54,346**	61,381
Interest expense	**7,369**	8,081

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)*	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**448,177**	515,876	**2,987**	3,523
Canada	**116,044**	50,072	**–**	–
Europe	**36,585**	51,072	**–**	–
The PRC	**82**	–	**137,544**	143,575
Hong Kong	**10,445**	9,704	**259,822**	303,622
Other countries	**20,497**	10,909	**–**	–
	631,830	637,633	**400,353**	450,720

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:

	2012	2011
	HK$'000	*HK$'000*
Customer A[1]	**236,667**	157,738
Customer B[1]	**109,379**	168,782

[1] Revenue from sales of electronic products.

3. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Other gains and losses comprise:		
Allowance for doubtful debts	**(7,221)**	(1,161)
(Decrease) increase in fair value of derivative financial instruments	**(9)**	96
Decrease in fair value of financial assets designated at fair value through profit or loss	**(2)**	(12)
Decrease in fair value of investments held for trading	**(467)**	(129)
Exchange (loss) gain, net	**(4,661)**	1,119
Gain on deregistration of an associate	**270**	–
Gain on disposal of property, plant and equipment	**1,479**	–
Impairment loss recognised in respect of available-for-sale investments	**(14,722)**	(6)
Impairment loss recognised in respect of goodwill	**(8,819)**	–
Write-off of other receivables	**(17,450)**	(680)
Impairment loss recognised in respect of property, plant and equipment	**(14,126)**	–
Write-back of amount due to an associate	**2,809**	–
	(62,919)	(773)

4. LOSS BEFORE TAXATION

	2012	2011
	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)	**18,000**	5,890
Auditors' remuneration	**3,395**	3,351
Depreciation of property, plant and equipment	**30,417**	39,975
Minimum lease payments under operating leases in respect of rented premises	**9,635**	9,033
Release of prepaid lease payments	**121**	121
Research and development costs *(note (a))*	**22,899**	29,050
Share-based payments for an advisor	**41**	–
Staff costs including directors' remuneration *(note (b))*	**76,698**	94,517

Notes:

(a) The research and development costs included staff costs of HK$4,290,000 (2011: HK$5,628,000).

(b) The staff costs for the year included retirement benefits scheme contributions of HK$4,529,000 (2011: HK$4,788,000) and share-based payments of HK$513,000 (2011: HK$1,138,000).

5. TAXATION

	2012	2011
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	**–**	–
Under(over)provision in prior years	**1,773**	(23)
	1,773	(23)
Taxation in other jurisdictions		
Current year	**1,660**	1,514
Underprovision in prior years	**15**	45
	1,675	1,559
Deferred taxation	**6,986**	(696)
	10,434	840

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

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

6. DIVIDENDS

The directors have resolved not to recommend a dividend for the year ended 31 March 2012 (2011: nil).

7. LOSS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purposes of basic and diluted loss per share	**(194,862)**	(41,216)

	Number of Shares	
	2012	2011
Weighted average number of shares for the purpose of basic and diluted loss per share	**1,501,255,115**	1,295,292,468

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 for both years and the exercise prices of those options are higher than the average market price for shares for both years.

8. 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:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**36,802**	75,387
31 – 60 days	**4,033**	9,132
61 – 90 days	**5,934**	2,707
Over 90 days	**22,108**	24,554
	68,877	111,780

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

9. 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:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**27,165**	34,823
31 – 60 days	**7,240**	14,723
61 – 90 days	**6,214**	2,912
Over 90 days	**18,472**	43,682
	59,091	96,140

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

CHAIRMAN'S STATEMENT

Results

The Group's results worsened as the global economy continued into the fourth year of slowdown and instability. Our sales turnover decreased by 1% to HK$632 million but our net loss increased to HK$194 million from a net loss of HK$44 million in fiscal 2011.

Electronics Division

Last fiscal year we began to diversify our product mix by selling a new line of digital imaging products. Our focus was to build up the digital imaging sales to 35% of total sales turnover in fiscal 2012. We achieved only 8% in as our digital imaging license with Polaroid was cut short mutually in December 2011. Although the license granted to us was exclusive in North America, we found the selling off period granted to the previous licensee overlapped and extended into our licensing period. We had difficulty selling to major distributors because the market was flooded with close out products offered by the previous licensee. Our selling price was also depressed due to competition from the close out offers. Sales of our video, audio and karaoke products were similar to last fiscal year.

Gross profit decreased to 9.6% from 16.4% in last fiscal year. During the second half of this fiscal year, foreseeing the early termination of the digital imaging license, we took quick steps to sell off our digital camera products at near costs to eliminate most of our inventory holdings. Gross profit on mid size LCD TV also decreased on average of 6% from July 2011 to October 2011 due to severe price competition. Prices in the other categories generally decreased across the board in the second half of the fiscal year as retailers in the US launched early price cutting wars to attract holiday shoppers. We also made provisions to write down obsolete raw materials and inventory, consists mostly of DVD players and related components. The current consumer preference is to view movies on-line thus making DVD players obsolete.

Selling and distribution expenses increased by HK$39 million or 39% over last fiscal year. This increase includes a one-off settlement with Polaroid to terminate the digital imaging license. The other increases include promotional funds to retailers in the US and payments to the US environmental protecting agencies for electronic waste disposal of TV products.

Administrative expenses decreased by HK$10 million or 9% over last fiscal year due mainly to our continued effort throughout the year to cut our payroll expenses.

Finance costs were reduced by HK$0.7 million to HK$7.4 million due to a lower level of borrowing.

The Group reported a net loss of HK$194 million in this fiscal year. The increase in net loss was caused by a decrease in the gross profit from HK$105 million in fiscal 2011 to HK$60 million in fiscal 2012. The increase in net loss was also due to an impairment/write-off of HK$55 million of our assets in receivables, available-for-sale investments, plant and equipment and goodwill on overseas subsidiaries.

Write-off of receivable consisted of a non-refundable advance payment to secure certain technology patent which was not used and became expired. Impairment in an investment was a result of a lower growth expectation of the investment unit. We wrote off the residual carrying costs of our moulds which we no longer plan to produce in the future. The goodwill impairment represents the premium paid on the acquisition of overseas companies. Prolonged economic downturn has caused these subsidiaries to under perform over the last several years.

Securities Trading

The Group recorded a segment loss of HK$448,000 for the year.

Prospect

We will continue to implement cost cutting measures in our operation in fiscal 2013. In November 2011, we consolidated two factory production facilities into one building and began leasing the other building for rental income. In administration, we combined staff on two floors onto one floor and made available one floor for leasing beginning in August 2012. These steps will increase the Group's rental revenue in fiscal 2013.

In product development, we are currently developing a technology new product for home entertainment. We are optimistic this new product and concept will be successful when launch in 2013.

We acknowledge the consumer electronic industry is facing many challenges presently. Manufacturing costs keep rising and there are significant labor shortage in Southern China. Selling prices continued to deteriorate due to weak consumer spending globally. We will address these challenges by engaging external consultants to advise on any business re-engineering plans to improve the performance of the Group.

The net loss we experienced in fiscal 2012 was disappointing. Management is positive that we will implement plans to overcome the current challenges in our operation in fiscal 2013.

FINANCIAL POSITION

Liquidity and Financial Resources

The financial position of the Group remained stable. As at 31 March 2012, cash and bank deposits amounted to HK$91 million, as compared to HK$69 million last year.

Gearing ratio calculated as total borrowings to shareholders' funds was 0.39 (2011: 0.38), and net borrowings to shareholders' funds was 0.21 for the year (2011: 0.27). Current ratio calculated as current assets to current liabilities changed to 1.37 from 1.48 last year.

Financing and Capital Structure

The Group finances its operations by combination of equity and borrowings. As at 31 March 2012, the Group's total borrowings is about HK$199 million (2011: HK$253 million), of which the whole amount is repayable within one year. Net borrowings, calculated as borrowings less bank balances and cash, is HK$108 million (2011: HK$184 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 2012, the Group pledged certain assets with carrying value of HK$191 million (2011: HK$177 million) to secure general credit facilities and margin accounts with securities brokers.

Contingent Liabilities

As at 31 March 2012, the Group had no contingent liabilities.

STAFF

As at 31 March 2012, the Group had a total staff of 716 of which 680 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, the Company repurchased its shares on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") as follows:

Month	Number of shares of HK$0.10 each repurchased	Price per share Lowest	Price per share Highest	Aggregate consideration
		HK$	*HK$*	*HK$'000*
September 2011	3,410,000	0.096	0.117	353
October 2011	2,340,000	0.096	0.102	229
December 2011	3,780,000	0.100	0.102	382
	9,530,000			964

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 discount on repurchase was charged against 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.

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[note] ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") as its own code on corporate governance practices.

Note: The Code on Corporate Governance Practices has been amended by the Stock Exchange and now known as Corporate Governance Code with effect from 1 April, 2012.

During the year ended 31 March 2012, 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 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 2012.

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 2012.

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. Ho Hau Chong, Norman, Mr. Chan Chak Chung and Mr. Chuck Winston Calptor.

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

Hong Kong, 26 June 2012

* *For identification purpose only*