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STARLITE

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 2012

INTERIM RESULTS

The Board of Directors of Starlight International Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012*

		Six months ended	
		30 September	
	<i>Notes</i>	2012	2011
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	269,156	348,660
Cost of sales		(233,100)	(295,505)
Gross profit		36,056	53,155
Other income	4	4,902	19,216
Distribution costs		(26,692)	(54,636)
Administrative expenses		(41,468)	(53,471)
Increase in fair value of an investment property		–	11,000
Net decrease in fair value of financial instruments	5	(63)	(767)
Finance costs		(3,417)	(3,228)
Share of results of associates		(149)	40

		Six months ended	
		30 September	
		2012	2011
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss before taxation	6	(30,831)	(28,691)
Taxation	7	<u>(1,264)</u>	<u>720</u>
Net loss for the period		<u>(32,095)</u>	<u>(27,971)</u>
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		(125)	(285)
Revaluation of leasehold properties for own use upon transfer to investment properties		<u>–</u>	<u>9,376</u>
		<u>(125)</u>	<u>9,091</u>
Total comprehensive expense for the period		<u>(32,220)</u>	<u>(18,880)</u>
Loss for the period attributable to:			
Owners of the Company		(35,542)	(31,096)
Non-controlling interests		<u>3,447</u>	<u>3,125</u>
		<u>(32,095)</u>	<u>(27,971)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(35,659)	(21,987)
Non-controlling interests		<u>3,439</u>	<u>3,107</u>
		<u>(32,220)</u>	<u>(18,880)</u>
Loss per share			
– Basic and diluted	8	<u>(2.38) cents</u>	<u>(2.07) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012

		At 30 September 2012 <i>HK\$'000</i> (Unaudited)	At 31 March 2012 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		229,008	229,008
Property, plant and equipment	10	135,150	143,998
Prepaid lease payments		3,472	3,532
Goodwill		17,665	17,665
Interest in associates		5,791	6,150
Available-for-sale investments		9,400	9,400
Deferred tax assets		74	143
		400,560	409,896
Current assets			
Inventories		287,223	245,183
Debtors, deposits and prepayments	11	133,236	86,387
Prepaid lease payments		121	121
Investments held for trading		899	1,594
Financial assets designated at fair value through profit or loss		22	18
Bank balances and cash		41,261	90,989
		462,762	424,292
Current liabilities			
Creditors and accrued charges	12	180,552	108,179
Derivative financial instruments		-	17
Taxation payable		1,217	2,994
Borrowings		151,725	199,418
		333,494	310,608

		At 30 September 2012 <i>HK\$'000</i> (Unaudited)	At 31 March 2012 <i>HK\$'000</i> (Audited)
Net current assets		<u>129,268</u>	<u>113,684</u>
Total assets less current liabilities		<u>529,828</u>	<u>523,580</u>
Non-current liabilities			
Deferred tax liabilities		5,748	5,748
Convertible note	13	<u>33,217</u>	<u>–</u>
		<u>38,965</u>	<u>5,748</u>
Net assets		<u><u>490,863</u></u>	<u><u>517,832</u></u>
CAPITAL AND RESERVES			
Share capital	14	149,571	149,571
Reserves		<u>337,564</u>	<u>367,972</u>
Equity attributable to owners of the Company		487,135	517,543
Non-controlling interests		<u>3,728</u>	<u>289</u>
Total equity		<u><u>490,863</u></u>	<u><u>517,832</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012 (Unaudited)

	Share capital	Share premium	Merger reserve	Goodwill reserve	Capital reserve	Investment revaluation reserve	Other property revaluation reserve	Translation reserve	Share option reserve	Warrant reserve	Convertible note reserve	Capital redemption reserve	Accumulated profits/(loss)	Sub-total	Share of net assets of subsidiaries	Share option reserve of a listed subsidiary	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011	150,524	132,582	37,138	(3,688)	50	(82)	13,956	9,683	4,596	1,250	-	291,495	37,179	674,683	(1,753)	563	(1,190)	673,493
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(267)	-	-	-	-	-	(267)	(18)	-	(18)	(285)
Revaluation of leasehold properties for own use upon transfer to investment properties	-	-	-	-	-	-	9,376	-	-	-	-	-	-	9,376	-	-	-	9,376
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(31,096)	(31,096)	3,125	-	3,125	(27,971)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	9,376	(267)	-	-	-	-	(31,096)	(21,987)	3,107	-	3,107	(18,880)
	150,524	132,582	37,138	(3,688)	50	(82)	23,332	9,416	4,596	1,250	-	291,495	6,083	652,696	1,354	563	1,917	654,613
Recognition of equity settled share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	111	111	111
Cancellation of warrants upon expired	-	-	-	-	-	-	-	-	-	(1,250)	-	-	1,250	-	-	-	-	-
At 30 September 2011	<u>150,524</u>	<u>132,582</u>	<u>37,138</u>	<u>(3,688)</u>	<u>50</u>	<u>(82)</u>	<u>23,332</u>	<u>9,146</u>	<u>4,596</u>	<u>-</u>	<u>-</u>	<u>291,495</u>	<u>7,333</u>	<u>652,696</u>	<u>1,354</u>	<u>674</u>	<u>2,028</u>	<u>654,724</u>
At 1 April 2012	149,571	132,582	37,138	-	85	-	52,578	9,220	3,936	-	-	292,448	(160,015)	517,543	(418)	707	289	517,832
Exchange difference arising on translation of foreign operations and expense recognised directly in equity	-	-	-	-	-	-	-	(117)	-	-	-	-	-	(117)	(8)	-	(8)	(125)
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(35,542)	(35,542)	3,447	-	3,447	(32,095)
Total recognised income and expense for the period	-	-	-	-	-	-	-	(117)	-	-	-	-	(35,542)	(35,659)	3,439	-	3,439	(32,220)
	149,571	132,582	37,138	-	85	-	52,578	9,103	3,936	-	-	292,448	(195,557)	481,884	3,021	707	3,728	485,612
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	1,564	-	-	-	-	1,564	-	-	-	1,564
Issue of convertible notes	-	-	-	-	-	-	-	-	-	3,687	-	-	-	3,687	-	-	-	3,687
At 30 September 2012	<u>149,571</u>	<u>132,582</u>	<u>37,138</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>52,578</u>	<u>9,103</u>	<u>5,500</u>	<u>-</u>	<u>3,687</u>	<u>292,448</u>	<u>(195,557)</u>	<u>487,135</u>	<u>3,021</u>	<u>707</u>	<u>3,728</u>	<u>490,863</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012*

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(34,256)	(113,934)
Net cash used in investing activities	(1,266)	(248)
Net cash inflow from financing activities	(14,206)	68,887
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(49,728)	(45,295)
Cash and cash equivalents at beginning of period	90,989	69,168
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>41,261</u>	<u>23,873</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	41,261	26,171
Bank overdrafts	–	(2,298)
	<hr/>	<hr/>
	<u>41,261</u>	<u>23,873</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the six months ended 30 September 2012 has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”.

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

In the current period, the Group has applied, for the first time, a number of new or revised standards and interpretations (“new or revised HKFRSs”). The adoption of new or revised HKFRSs has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements for the current or prior accounting periods.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 to 2011 cycle ¹
Amendments to HKFRS 1	First-time adoption of HKFRSs – Government loans ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ²
HKFRS 9	Financial instruments ²
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosures of interests in other entities transition guidance ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ³
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ⁴
HKAS 19 (Revised 2011)	Employee benefits ¹
HKAS 27 (Revised 2011)	Separate financial statements ¹
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ¹
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2014.

3. SEGMENT INFORMATION

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 segments is as follows:

SIX MONTHS ENDED 30 SEPTEMBER 2012

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u><u>269,156</u></u>	<u><u>–</u></u>	<u><u>269,156</u></u>
SEGMENT RESULTS	<u><u>(26,881)</u></u>	<u><u>89</u></u>	<u><u>(26,792)</u></u>
Interest income			5
Unallocated income			3,834
Unallocated expense			(4,312)
Share of results of associates			(149)
Finance costs			<u>(3,417)</u>
Loss before taxation			(30,831)
Taxation			<u>(1,264)</u>
Loss for the period			<u><u>(32,095)</u></u>

SIX MONTHS ENDED 30 SEPTEMBER 2011

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>348,660</u>	<u>–</u>	<u>348,660</u>
SEGMENT RESULTS	<u>(35,347)</u>	<u>(429)</u>	(35,776)
Interest income			47
Unallocated income			2,520
Unallocated expense			(3,294)
Increase in fair value of an investment property			11,000
Share of profits of associates			40
Finance costs			<u>(3,228)</u>
Loss before taxation			(28,691)
Taxation			<u>720</u>
Loss for the period			<u>(27,971)</u>

4. OTHER INCOME

	Six months ended 30 September	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Other income includes:		
Commission	97	67
Exchange gain, net	–	39
Gain on disposal of property, plant and equipment	–	1,013
Income from investments	202	339
Interest income	5	47
Rental income	3,834	2,520
Miscellaneous income	<u>764</u>	<u>15,191</u>
	<u>4,902</u>	<u>19,216</u>

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

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in fair value of derivative financial instruments	42	–
Increase (decrease) in fair value of financial assets designated at fair value through profit or loss	5	(9)
Decrease in fair value of investments held for trading	(110)	(758)
	<u>(63)</u>	<u>(767)</u>

6. LOSS BEFORE TAXATION

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	10,146	15,543
Minimum lease payments under operating leases in respect of rented premises	4,703	5,003
Release of prepaid lease payments	60	60
Interest on bank borrowings wholly repayable within five years	3,556	3,228
Imputed interest on convertible notes	604	–
Share-based payments	1,564	–
Staff costs including directors' remuneration and share-based payments	<u>30,232</u>	<u>42,681</u>

7. TAXATION

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	–	–
Taxation in other jurisdictions	<u>1,195</u>	<u>473</u>
Deferred taxation	<u>69</u>	<u>(1,193)</u>
	<u>1,264</u>	<u>(720)</u>

No provision of Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both periods.

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

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

8. LOSS PER SHARE

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

	Six months ended	
	30 September	
	2012	2011
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>HK\$(35,542,000)</u>	<u>HK\$(31,096,000)</u>
Weighted average number of shares for the purpose of basic loss earnings per share	<u>1,495,716,290</u>	<u>1,505,246,290</u>

The calculation of diluted loss per share for both periods does not assume the exercise of the outstanding share options and the conversion of the outstanding convertible notes as it would result in a decrease in the loss per share.

9. INTERIM DIVIDEND

The directors have resolved not to pay an interim dividend for the year ending 31 March 2013 (Year ended 31 March 2012: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book value at beginning of period	143,998	203,965
Additions	1,378	3,314
Disposal	(80)	(2,007)
Transfer to investment properties	–	(7,543)
Depreciation	<u>(10,146)</u>	<u>(15,543)</u>
	<u>135,150</u>	<u>182,186</u>

11. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2012, debtors, deposits and prepayments includes trade debtors of HK\$114,928,000 (31 March 2012: HK\$68,877). 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 September	31 March
	2012	2012
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	91,716	36,802
31 – 60 days	699	4,033
61 – 90 days	84	5,934
Over 90 days	<u>22,429</u>	<u>22,108</u>
	<u>114,928</u>	<u>68,877</u>

12. CREDITORS AND ACCRUED CHARGES

At 30 September 2012, creditors and accrued charges includes trade creditors of HK\$115,926,000 (31 March 2012: HK\$59,091,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
0 – 30 days	79,023	27,165
31 – 60 days	20,637	7,240
61 – 90 days	6,508	6,214
Over 90 days	9,758	18,472
	<u>115,926</u>	<u>59,091</u>

13. CONVERTIBLE NOTES

On 15 June 2012, the Company issued 1.5% coupon convertible notes in principal amount of HK\$36,300,000 due eighteen months from the issue of the convertible notes and at an initial conversion price of HK\$0.104 (subject to anti-dilutive adjustment) per share of the Company. The convertible notes entitle the holder thereof to convert the notes into new shares of the Company at any time on or before the maturity date. Unless previously converted, purchased and cancelled, the convertible notes will be redeemed at 100% of the outstanding principal amount on the maturity date.

Convertible notes contain two components: liability and equity elements. The fair values of the liability components of the convertible notes were determined by using market rates for a similar non-convertible note. The fair value of the liability component was calculated using discount rate at 7.4% per annum. The movement of the liability component of the convertible notes is set out below:

	<i>HK'000</i>
Fair value of convertible notes issued during the period	
Proceeds of issue	<u>36,300</u>
Equity component	<u>(3,687)</u>
Liability component at date of issue	32,613
Imputed interests at 7.4% per annum	<u>604</u>
At 30 September 2012	<u><u>33,217</u></u>

14. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Ordinary shares Authorised: At 1 April 2011, 30 September 2011, 31 March 2012 and 30 September 2012 of HK\$0.10 each	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid: Balance at 1 April 2011	1,505,246,290	150,524
Repurchase of shares	<u>(9,530,000)</u>	<u>(953)</u>
Balance at 30 September 2011, 31 March 2012 and 30 September 2012	<u>1,495,716,290</u>	<u>149,571</u>

15. CAPITAL COMMITMENTS

	30 September 2012 (Unaudited) <i>HK\$'000</i>	31 March 2012 (Audited) <i>HK\$'000</i>
Contracted for but not provided in the consolidated financial statements in respect of: – capital expenditure for acquisition of property, plant and equipment	<u>255</u>	<u>440</u>

16. CONTINGENT LIABILITIES

There are no significant contingent liabilities as of 30 September 2012 and 31 March 2012.

17. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions:

- (a) On 25 April 2012, the Company granted a total of 48,850,000 share options to directors and an associate of the Company at an exercise price of HK\$0.105 per share and vested immediately under the terms of the existing share option scheme.
- (b) On 16 June 2012, the Company issued 1.5% coupon convertible notes to Mr. Lau Shek Yuen (the “Noteholder”) in principal amount of HK\$36,300,000 due eighteen months from the issue of the convertible notes and at an conversion price of HK\$0.104 (subject to anti-dilutive adjustment) per share of the Company. Based on the conversion price of HK\$0.104 per conversion share, a maximum number of approximately 349,038,461 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the convertible notes in full.

The principal amount of subscription of the convertible notes of HK\$36,300,000 will be satisfied by setting off against an amount of HK\$36,300,000 owed by the Company to the Noteholder. The Noteholder is a shareholder of the Company and a brother of Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony, Mr. Lau Sak Yuk, Andy and Ms. Lau Chu Lan, Carol, all being executive directors of the Company.

18. EVENTS AFTER THE REPORTING PERIOD

On 25 October 2012, the Company granted a total of 53,800,000 share options to directors, an advisor and employees of the Group at an exercise price of HK\$0.100 per share and vested immediately under the terms of the existing share option scheme.

GROUP RESULTS

For the six months ended 30 September 2012, the Group recorded a turnover of HK\$269 million, an decreased of 23% compared to the turnover of HK\$349 million for the corresponding period in 2011.

The gross profit margin in the six months ended 31 March 2012 was 13.4% compared to 15.2% in the comparable period last year.

The loss attributable to owners of the Company was HK\$36 million (2011: HK\$31 million).

REVIEW AND PROSPECTS

The decreased in sales was primarily due to the withdrawal of the digital imaging line from our sales categories in December 2011. This also accounted for the decrease in gross profit margin in the two periods as the digital imaging products had a higher profit margin than the core products.

Our distribution costs decreased in this period by HK\$28 million due to savings in license fees and warehouse expenses. Administrative expenses also decreased by HK\$12 million due to decrease in our payroll and payroll related expenses.

Net loss before taxation increased from HK\$29 million in 2011 to HK\$30 million in the current period. However, the 2011 period had two one time gains which helped to reduce the net loss. A gain in acquiring a receivable resulted in HK\$15 million booked in miscellaneous income and a revaluation of investment property with a gain of HK\$11 million. Net of the effects of these one time gains, the current period loss is actually an improvement from the same period last year.

We are exploring new products with wireless technology. We expect to launch these in 2013, the Group's turnover and operating performance will improve. We do not foresee a speedy economic recovery in our major markets. We will be monitoring the sell through of our products in these markets during the holiday season to formulate our production plans for 2013.

FINANCIAL POSITION

Liquidity and financial resources

The financial position of the Group remained stable. As at 30 September 2012, cash and deposits amounted to HK\$41 million, as compared to HK\$91 million as at 31 March 2012. Cash was primarily used on repaying short term bank loans, with an aim to release trade facilities to finance the increase in inventory leading up to the holiday selling season.

Gearing ratio calculated as total borrowings to shareholders' funds was 0.38 (31 March 2012: 0.39), and net borrowings to shareholders' funds was 0.29 for the period (31 March 2012: 0.21). Current ratio calculated as current assets to current liabilities was remained at 1.39 (31 March 2012: 1.37)

Financing and capital structure

The Group finances its operations from retained earnings, short term bank borrowings and convertible note. As at 30 September 2012, the Group's total borrowings was HK\$185 million (31 March 2012: HK\$199 million), of which the bank borrowings amounted to HK\$152 million are repayable within one year. All borrowings were denominated in Hong Kong dollars or US dollars at prevailing market rate.

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

STAFF

As at 30 September 2012, the Group had a total staff of 733 of which 697 were employed in the PRC for the Group's manufacturing business.

The Group provides employee benefits such as health 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 Corporate Governance Code ("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 2012 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. Lau Sak Hong, Philip 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. Lau Sak Hong, Philip, 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.

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 2012.

AUDIT COMMITTEE

The Company has established an audit committee comprising Messrs. Hon Sheung Tin Peter, Ho Hau Chong Norman 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 internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2012.

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

During the six months ended 30 September 2012, there was no purchase, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

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, Ms. Lau Chu Lan, Carol 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. Chuck Winston Calptor.

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

Hong Kong, 29th day of November, 2012

* *For identification purpose only*