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 2013

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 2013 together with the comparative figures for 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 March 2013

	Notes	**2013** ***HK$'000***	2012 HK$'000
Turnover	*2*	**515,408**	631,830
Cost of sales		**(465,183)**	(571,348)
Gross profit		**50,225**	60,482
Other income		**9,918**	18,342
Distribution costs		**(66,110)**	(139,213)
Administrative expenses		**(89,164)**	(105,058)
Other gains and losses	*3*	**(31,138)**	(62,919)
Increase in fair value of investment properties		**68,904**	54,346
Interest expenses		**(8,186)**	(7,369)
Share of losses of an associate		**(225)**	(1,696)
Loss before taxation	*4*	**(65,776)**	(183,085)
Tax credit (charge)	*5*	**7,389**	(10,434)
Loss for the year		**(58,387)**	(193,519)

	Note	2013 HK$'000	2012 HK$'000
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**75**	(495)
Revaluation of leasehold properties for own use upon transfer to investment properties		**–**	40,979
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		**75**	38,209
Total comprehensive expense for the year		**(58,312)**	(155,310)
Loss for the year			
Attributable to:			
Owners of the Company		**(69,829)**	(194,862)
Non-controlling interests		**11,442**	1,343
		(58,387)	(193,519)
Total comprehensive income (expense) for the year			
Attributable to:			
Owners of the Company		**(69,759)**	(156,621)
Non-controlling interests		**11,447**	1,311
		(58,312)	(155,310)
		HK cents	*HK cents*
Loss per share	7		
– Basic and diluted		**(4.51)**	(12.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties		**276,936**	229,008
Property, plant and equipment		**99,248**	143,998
Prepaid lease payments		**3,411**	3,532
Product development costs		**–**	–
Goodwill		**17,665**	17,665
Interest in an associate		**5,715**	6,150
Available-for-sale investments		**9,400**	9,400
Deferred tax assets		**12,589**	143
		424,964	409,896
Current assets			
Inventories		**185,529**	245,183
Debtors, deposits and prepayments	*8*	**38,240**	86,387
Prepaid lease payments		**121**	121
Investments held for trading		**1,043**	1,594
Financial assets designated at fair value through profit or loss		**25**	18
Bank balances and cash		**35,806**	90,989
		260,764	424,292
Current liabilities			
Creditors and accrued charges	*9*	**66,130**	108,179
Derivative financial instruments		**–**	17
Taxation payable		**2,043**	2,994
Borrowings		**91,135**	199,418
Convertible notes		**33,453**	–
		192,761	310,608
Net current assets		**68,003**	113,684
Total assets less current liabilities		**492,967**	523,580
Non-current liabilities			
Deferred tax liabilities		**8,243**	5,748
Net assets		**484,724**	517,832
Capital and reserves			
Share capital		**162,731**	149,571
Reserves		**310,162**	367,972
Equity attributable to owners of the Company		**472,893**	517,543
Non-controlling interests		**11,831**	289
Total equity		**484,724**	517,832

NOTES:

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Disclosures – Transfers of financial assets

The application of those amendments to 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 – Offsetting financial assets and financial liabilities
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
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
HKAS 19 (Revised 2011)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
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:

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

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

The directors anticipate that HKFRS 9 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 2013. 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 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 2013 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 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". 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 items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments 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 delivered by each operating division.

The Group was previously 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. During the current year, the Group's chief operating decision maker changed the structure of its internal organisation for resources allocation and performance assessment of the Group. Financial information provided to the chief operating decision maker for performance assessment is now anaylsed by design, manufacture and sale of electronic products, property investment and securities trading.

As the Group's operating segment information reported to the chief operating decision maker has been changed, the comparative information presented for the year ended 31 March 2012, which originally reported in two operating divisions, namely design, manufacture and sale of electronic products and securities trading, is re-presented to conform with current year's presentation.

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

	Design, manufacture and sale of electronic products	Property investment	Securities trading	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2012				
TURNOVER	631,830	–	–	631,830
SEGMENT RESULTS	(213,676)	60,928	(448)	(153,196)
Interest income				63
Unallocated income				3,157
Unallocated expenses				(24,044)
Share of losses of an associate				(1,696)
Interest expenses				(7,369)
Loss before taxation				(183,085)

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

Segment assets and liabilities

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

	Design, manufacture and sale of electronic products	**Property investment**	**Securities trading**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 31 March 2013				
ASSETS				
Segment assets	**344,214**	**276,936**	**1,068**	**622,218**
Unallocated corporate assets				**63,510**
Consolidated total assets				**685,728**
LIABILITIES				
Segment liabilities	**66,130**	**–**	**–**	**66,130**
Unallocated corporate liabilities				**134,874**
Consolidated total liabilities				**201,004**

	Design, manufacture and sale of electronic products *HK$'000*	Property investment *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
At 31 March 2012				
ASSETS				
Segment assets	496,886	229,008	1,612	727,506
Unallocated corporate assets				106,682
Consolidated total assets				834,188
LIABILITIES				
Segment liabilities	108,179	–	17	108,196
Unallocated corporate liabilities				208,160
Consolidated total liabilities				316,356

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

Unallocated corporate liabilities mainly represent borrowings, convertible notes, taxation payable and deferred tax liabilities.

Other segment information

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

	Design, manufacture and sale of electronic products *HK$'000*	Property investment *HK$'000*	Securities trading *HK$'000*	Consolidated *HK$'000*
Amounts included in the measurement of segment results or segment assets:				
Year ended 31 March 2012				
Additions of property, plant and equipment	4,467	–	–	4,467
Increase in fair value of investment properties	–	54,346	–	54,346
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
Impairment loss recognised in respect of property, plant and equipment	14,126	–	–	14,126
Write-off of other receivables	17,450	–	–	17,450

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

	2013 ***HK$'000***	2012 *HK$'000*
Interest in an associate	**5,715**	6,150
Share of losses of an associate	**225**	1,696
Interest expenses	**8,186**	7,369

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)*	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**358,749**	448,177	**3,798**	2,987
Canada	**112,019**	116,044	**–**	–
Europe	**15,431**	36,585	**–**	–
The PRC	**–**	82	**93,696**	137,544
Hong Kong	**26,676**	10,445	**305,481**	259,822
Other countries	**2,533**	20,497	**–**	–
	515,408	631,830	**402,975**	400,353

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:

	2013	2012
	HK$'000	*HK$'000*
Customer A[1]	**206,974**	236,667
Customer B[1]	**87,430**	109,379

[1] Revenue from sales of electronic products.

3. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
Other gains (losses) comprise:		
Allowance for doubtful debts	**(3,072)**	(7,221)
Increase (decrease) in fair value of derivative financial instruments	**44**	(9)
Increase (decrease) in fair value of financial assets designated at fair value through profit or loss	**7**	(2)
Increase (decrease) in fair value of investments held for trading	**160**	(467)
Exchange loss, net	**(4,205)**	(4,661)
Gain on deregistration of an associate	**–**	270
Gain on disposal of property, plant and equipment	**1,562**	1,479
Impairment loss recognised in respect of available-for-sale investments	**–**	(14,722)
Impairment loss recognised in respect of goodwill	**–**	(8,819)
Impairment loss recognised in respect of property, plant and equipment	**(25,634)**	(14,126)
Write-back of amount due to an associate	**–**	2,809
Write-off of other receivables	**–**	(17,450)
	(31,138)	(62,919)

4. LOSS BEFORE TAXATION

	2013	2012
	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)	**33,379**	18,000
Auditors' remuneration	**3,603**	3,395
Depreciation of property, plant and equipment	**19,075**	30,417
Interest expenses on:		
– borrowings wholly repayable within five years	**5,271**	7,369
– convertible notes	**2,915**	–
Minimum lease payments under operating leases in respect of rented premises	**8,765**	9,635
Release of prepaid lease payments	**121**	121
Research and development costs *(note (a))*	**13,172**	22,899
Staff costs including directors' remuneration *(note (b))*	**61,743**	76,698

Notes:

(a) The research and development costs included staff costs of HK$2,935,000 (2012: HK$4,290,000).

(b) The staff costs included retirement benefits scheme contributions of HK$3,460,000 (2012: HK$4,529,000) and share-based payments of HK$4,664,000 (2012: HK$513,000).

5. TAX (CREDIT) CHARGE

	2013	2012
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax		
Underprovision in prior years	**–**	1,773
Taxation in other jurisdictions		
Current year	**2,250**	1,660
Underprovision in prior years	**312**	15
	2,562	1,675
Deferred taxation	**(9,951)**	6,986
	(7,389)	10,434

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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 2013 (2012: nil).

7. LOSS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(69,829)**	(194,862)

	Number of Shares	
	2013	2012
Weighted average number of shares for the purpose of basic and diluted loss per share	**1,516,278,208**	1,501,255,115

The calculation of diluted loss per share does not assume the exercise of the outstanding share options and conversion of the Company's outstanding convertible notes as it would result in a decrease in the loss per share for both years and the exercise prices of those 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:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**16,308**	36,802
31 – 60 days	**1,262**	4,033
61 – 90 days	**1,565**	5,934
Over 90 days	**6,702**	22,108
	25,837	68,877

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:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**10,134**	27,165
31 – 60 days	**2,978**	7,240
61 – 90 days	**707**	6,214
Over 90 days	**14,962**	18,472
	28,781	59,091

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

CHAIRMAN'S STATEMENT

Business review

Results

Our sales turnover decreased by 18% to $515 million but our net loss improved to $58 million from a net loss of $194 million in fiscal 2012.

Electronics Division

The decrease in sales was due to the total withdrawal of the digital imaging line and a decline in the TV/DVD sales. The LCD TV market in North America remained highly competitive. Demand was not strong and selling prices were depressed due to price cutting competition.

Sales of karaoke products increased by 16% as we opened two major new accounts in the US. We have also developed a direct shipment fulfillment program for major retailers in the US. The increase in karaoke sales is encouraging and we will continue to add new features to our existing line as well as adding new technology to maintain the growth pattern.

Gross profit margin of 9.7% was similar to last fiscal year of 9.6%. Price cutting in the TV/DVD line continued to depress the gross profit margin. Our manufactured products also have a high component of fixed overhead cost due to under utilization of our manufacture capacity.

Selling and distribution expenses decreased by $73 million or 53% compared with last fiscal year. Included in last fiscal year was a one-off settlement with Polaroid to terminate the digital imaging license which accounted for most of the decrease in the current fiscal year. The other decreases include a reduction in sales commission due to decrease in sales and change in customer service agents in the US.

Administrative expenses decreased by $16 million or 15% compared with last fiscal year due mainly to our continued effort to cut our payroll expenses.

Finance costs were similar to last fiscal year.

The Group reported a net loss of HK$58 million in this fiscal year compared with a net loss of $194 million in last fiscal year. The improvement was due to expense cutting in selling and general administrative expenses; and a smaller impairment write off of assets which include accounts receivable, plant and machinery in the current fiscal year.

Securities Trading

The Group recorded a segment profit of HK$224,000 for the year.

Properties Investment

The Group reported a segment profit of HK$78 million for the year.

Prospect

The Group will launch a new technology and concept home karaoke entertainment product in the second half of fiscal 2014. So far we have favorable response from retailers and received sales orders from one major electronic retailer in the US. We will market this product on the internet and plan to develop distribution in US, Canada and Europe in the near future.

Our business re-engineering consultancy is progressing. The review will address the challenges of rising manufacturing costs; deteriorated selling prices and under utilization of manufacture capacity. Management expects improved performance of the Group will result from this review.

Financial Position

Liquidity and Financial Resources

The financial position of the Group remained stable. As at 31 March 2013, cash and bank deposits amounted to HK$36 million, as compared to HK$91 million last year.

Gearing ratio calculated as total borrowings, which excludes convertible notes, to shareholders' funds was 0.19 (2012: 0.39), and net borrowings, calculated as total borrowings less bank balances and cash, to shareholders' funds was 0.12 (2012: 0.21). Current ratio calculated as current assets to current liabilities changed to 1.35 from 1.37 last year.

Financing and Capital Structure

The Group finances its operations by combination of equity and borrowings. As at 31 March 2013, the Group's total borrowings is about HK$91 million (2012: HK$199 million), of which the whole amount is repayable within one year. Net borrowings is HK$55 million (2012: HK$108 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 2013, the Group pledged certain assets with carrying value of HK$239 million (2012: HK$191 million) to secure general credit facilities and margin accounts with securities brokers.

Contingent Liabilities

As at 31 March 2013, the Group had no contingent liabilities.

Staff

As at 31 March 2013, the Group had a total staff of 390 of which 350 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 Board has updated its corporate governance principles and practices by adopting the revised code provisions contained in the Corporate Governance Code ("the Code") in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Listing Rules with effect from 1 April 2012. It also approved the revised terms of reference of the audit committee and remuneration committee and the establishment of a nomination committee with effect from the said date.

During the year ended 31 March 2013, the Company has complied with the Code except the following:

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

2. The Company was incorporated in Bermuda and enacted by private act, the Starlight International Holdings Limited Company Act, 1989 of Bermuda (the "1989 Act"). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the bye-laws of

the Company ("the Bye-laws"). As the Company is bound by the provisions of the 1989 Act, the Bye-laws cannot be amended to fully reflect the requirements of the code provision A.4.2 which stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To enhance good corporate governance practices, Mr. Philip Lau Sak Hong, the chairman and managing director of the Company 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 2013.

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 2013.

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 2013

* *For identification purpose only*