STARLIGHT INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 485

FINANCIAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2006

FINANCIAL RESULTS

The Board of Directors of Starlight International Holdings Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 March 2006 together with the comparative figures for 2005 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	**2006**	2005
		HK$'000	*HK$'000*
			(Restated)
Turnover	*3*	**1,820,300**	1,647,423
Cost of sales		**(1,550,672)**	(1,460,028)
Gross profit		**269,628**	187,395
Other income		**26,330**	32,524
Distribution costs		**(97,757)**	(59,614)
Administrative expenses		**(100,494)**	(95,898)
Increase in fair value of investment properties		**2,691**	7,290
Realised gain on derivative financial instruments		**1,411**	983
Decrease in fair value of derivative financial instruments		**(16)**	–
Increase in fair value of investments held for trading		**952**	–
Impairment loss recognised in respect of investment securities		**–**	(1,047)
Unrealised holding loss on other investments		**–**	(5,073)
Amortisation of goodwill arising on acquisition of subsidiaries		**–**	(2,688)
Finance costs		**(11,975)**	(6,726)
Share of losses of associates		**(79)**	(378)
Profit before taxation		**90,691**	56,768
Taxation	*4*	**(11,452)**	(5,694)
Profit for the year		**79,239**	51,074
Attributable to:			
Shareholders of the Company		**79,141**	50,526
Minority interests		**98**	548
		79,239	51,074
Dividends paid	*5*	**37,970**	42,033
		HK cents	*HK cents*
			(Restated)
Earnings per share			
– Basic	*6*	**10.4**	6.6
– Diluted	*6*	**10.3**	6.6

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2006

	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets		
Investment properties	**76,500**	61,100
Property, plant and equipment	**294,734**	292,658
Prepaid lease payments	**4,257**	4,378
Product development costs	**1,300**	1,646
Goodwill	**9,149**	9,149
Interest in associates	**1,701**	1,780
Available-for-sale investments	**24,099**	–
Investments in securities	**–**	24,134
Deferred tax assets	**1,929**	42
Deposit for acquisition of subsidiaries	**15,537**	–
	429,206	394,887
Current assets		
Inventories	**376,034**	303,770
Properties for sale	**1,453**	1,453
Debtors, deposits and prepayments	**293,323**	178,738
Prepaid lease payments	**121**	121
Amounts due from associates	**2,940**	2,919
Taxation recoverable	**2,089**	2,665
Available-for-sale investment	**150**	–
Investments held for trading	**27,767**	–
Investments in securities	**–**	33,737
Derivative financial instruments	**4,659**	–
Bank balances and cash	**81,745**	57,551
	790,281	580,954
Current liabilities		
Creditors and accrued charges	**252,391**	176,290
Amount due to an associate	**2,809**	2,809
Derivative financial instruments	**454**	–
Taxation payable	**4,478**	546
Borrowings – amount due within one year	**220,792**	108,602
Bank overdrafts	**2,311**	1,551
	483,235	289,798
Net current assets	**307,046**	291,156
Total assets less current liabilities	**736,252**	686,043
Non-current liabilities		
Deferred tax liabilities	**7,558**	2,676
Net assets	**728,694**	683,367
Capital and reserves		
Share capital	**304,352**	305,043
Reserves	**422,825**	376,771
Equity attributable to shareholders of the Company	**727,177**	681,814
Minority interests	**1,517**	1,553
Total equity	**728,694**	683,367

NOTES:

1. APPLICATION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared on historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values. The consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with accounting principles generally accepted in Hong Kong.

In the current year, the Group has applied, for the first time, a number of new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed as required by HKAS 1 "Presentation of financial statements". The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/ or prior accounting years are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations" ("HKFRS 3") which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisition prior to 1 April 2001 was held in reserves, and goodwill arising on acquisition after 1 April 2001 was capitalised and amortised over its estimated useful life.

From 1 April 2005 onwards, goodwill previously recognised in reserves continues to be held in reserves and will be transferred to accumulated profits of the Group at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 April 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisition after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. With respect to goodwill previously capitalised on the balance sheet, the Group eliminated the carrying amount of the related accumulated amortisation of HK$7,426,000 with a corresponding decrease in the cost of goodwill on 1 April 2005. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for the year ended 31 March 2005 have not been restated (see note 2 for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1 April 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 April 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. The Group has applied the relevant transitional provisions in HKFRS 3. Negative goodwill previously recognised in reserves of HK$11,571,000 has been transferred to the Group's accumulated profits on 1 April 2005 (see note 2 for the financial impact).

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based payment" ("HKFRS 2") has which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 April 2005. In relation to share options granted before 1 April 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 April 2005. Comparative figures have not been restated. The financial impact of HKFRS 2 on current year results is disclosed in note 2.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" ("HKAS 32") and HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). HKAS 32 requires retrospective application. The application of HKAS 32 has had no material impact on how the financial instruments of the Group are presented for current and prior accounting years. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities
The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of the Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" ("SSAP 24"), under SSAP 24, investments in debt or equity securities are classified as "investment securities" or "other investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1 April 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" are measured at amortised cost using the effective interest method after initial recognition.

On 1 April 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result of the adoption of HKAS 39, the Group has redesignated "investments in securities" recorded in the consolidated balance sheet at 1 April 2005 amounting to HK$24,134,000 as "available-for-sale investments" and HK$33,737,000 as investments held for trading. During the year ended 31 March 2006, the decrease in fair value of available-for-sale investments of HK$35,000 is charged to investment revaluation reserve.

Financial assets and financial liabilities other than debt and equity securities
From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets" or "loans and receivables". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. These requirements of HKAS 39 did not have any financial impact to the Group.

Derivatives and hedging
From 1 April 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. The derivatives of the Group are deemed as held-for-trading financial assets or financial liabilities. In prior years, the derivatives were recorded in creditors and accrued charges. On 1 April 2005, the derivative financial instruments were reclassified from creditors and accrued charges accordingly (see note 2).

Derecognition
HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively to transfers of financial assets from 1 April 2005 onwards. As a result, the Group's bill receivables discounted with full recourse which were derecognised prior to 1 April 2005 have not been restated. As at 31 March 2006, the Group's bills receivables discounted with full recourse have not been derecognised. Instead, the related borrowings of HK$66,065,000 have been recognised on the balance sheet date. The relevant finance costs incurred in order to obtain such borrowings are included in the carrying amount of the borrowings on initial recognition and amortised over the terms of the borrowings using the effective interest method. Previously, the difference between the carrying amount of the bill receivables and proceeds received was expensed immediately when incurred. This change in accounting policy has had no material effect on results for the current year.

Owner-occupied leasehold interest in land
In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases" ("HKAS 17"). Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see not 2 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Investment properties
In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property" ("HKAS 40"). The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. In previous years, investment properties under the predecessor SSAP were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 retrospectively. Comparative figures for 2005 have not been restated since the gain on change in fair value has been credited to the income statement already.

Deferred taxes related to investment properties
In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied Hong Kong Standing Interpretations Committee Interpretation 21 "Income Taxes – recovery of revalued non-depreciable assets" ("HK(SIC) INT 21") which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) INT 21, this change in accounting policy has been applied retrospectively. Comparative figures for 2005 have been restated (see not 2 for the financial impact).

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC)-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[4]
HK(IFRIC)-INT 8	Scope of HKFRS 2[5]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives[6]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.

2. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2006	2005
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**2,688**	–
Decrease (increase) in deferred taxation	**1,258**	(22)
Increase in share-based payments	**(3,392)**	–
Decrease in fair value of derivative financial instruments	**(16)**	–
Decrease in fair value of available-for-sale investments charged to equity	**35**	–
Increase (decrease) in profit for the year	**573**	(22)

An analysis of the increase (decrease) in profit for the year by line items presented according to their function is as follows:

	2006	2005
	HK$'000	*HK$'000*
Decrease in amoritsation of goodwill	**2,688**	–
Decrease (increase) in taxation	**1,258**	(22)
Increase in administrative expenses	**(3,392)**	–
Decrease in fair value of derivative financial instruments	**(16)**	–
Decrease in fair value of available-for-sale investments charged to equity	**35**	–
	573	(22)

The cumulative effects of the application of the new HKFRSs as at 31 March 2005 and 1 April 2005 are summarised below:

	At 31 March 2005	**Effect of HKAS 1**	**Effect of HKAS 17**	**Effect of HK(SIC) INT – 21**	**At 31 March 2005**	**Effect of HKAS 39**	**Effect of HKFRS 3**	**At 1 April 2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Originally stated)				(Restated)			(Restated)
Balance sheet items affected:								
Property, plant and equipment	297,157	–	(4,499)	–	292,658	–	–	292,658
Prepaid lease payments	–	–	4,499	–	4,499	–	–	4,499
Deferred tax assets	–	–	–	42	42	–	–	42
Investments in securities	57,871	–	–	–	57,871	(57,871)	–	–
Available-for-sale investments	–	–	–	–	–	24,134	–	24,134
Investments held for trading	–	–	–	–	–	33,737	–	33,737
Creditors and accrued charges	(176,290)	–	–	–	(176,290)	518	–	(175,772)
Derivative financial instruments	–	–	–	–	–	(518)	–	(518)
Deferred tax liabilities	(1,324)	–	–	(1,352)	(2,676)	–	–	(2,676)
Other assets and liabilities	507,263	–	–	–	507,263	–	–	507,263
Total effects on assets and liabilities	684,677	–	–	(1,310)	683,367	–	–	683,367
Share capital and other reserves	481,895	–	–	–	481,895	–	–	481,895
Negative goodwill	11,571	–	–	–	11,571	–	(11,571)	–
Accumulated profits	189,658	–	–	(1,310)	188,348	–	11,571	199,919
Minority interests	–	1,553	–	–	1,553	–	–	1,553
Total effects on equity	683,124	1,553	–	(1,310)	683,367	–	–	683,367
Minority interests	1,553	(1,553)	–	–	–	–	–	–
	684,677	–	–	(1,310)	683,367	–	–	683,367

The financial effects of the application of the new HKFRSs to the Group's equity at 1 April 2004 are summarised below:

	As originally stated	**Effect of HKAS 1**	**Effect of HK(SIC) INT – 21**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share capital and other reserves	486,176	–	–	486,176
Accumulated profits	182,792	–	(1,288)	181,504
Minority interests	–	1,365	–	1,365
Total effects on equity	668,968	1,365	(1,288)	669,045
Minority interests	1,365	(1,365)	–	–
	670,333	–	(1,288)	669,045

3. SEGMENT INFORMATION

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

(i) An analysis of the Group's turnover and results by business segments is as follows:

Year ended 31 March 2006

	Design, manufacture and sale of electronic products *HK$'000*	**Securities trading** *HK$'000*	**Property development** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER	1,782,771	37,529	–	1,820,300
SEGMENT RESULTS	99,016	2,820	(2,316)	99,520
Interest income				534
Increase in fair value of investment properties				2,691
Finance costs				(11,975)
Share of losses of associates				(79)
Profit before taxation				90,691
Taxation				(11,452)
Profit for the year				79,239

Year ended 31 March 2005:

	Design manufacture and sale of electronic products *HK$'000*	Securities trading *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
TURNOVER	1,625,496	16,682	5,245	1,647,423
SEGMENT RESULTS	55,688	1,054	(452)	56,290
Interest income				292
Increase in fair value of investment properties				7,290
Finance costs				(6,726)
Share of losses of associates				(378)
Profit before taxation				56,768
Taxation				(5,694)
Profit for the year				51,074

Geographical segments

An analysis of the Group's turnover in respect of design, manufacture and sale of electronic products by geographical market for each of the two years ended 31 March 2006 is as follows:

	2006 *HK$'000*	2005 *HK$'000*
North and South America	**1,007,355**	750,175
Europe	**358,905**	380,063
Hong Kong	**221,078**	368,735
Mainland China	**57,404**	70,519
Japan and Korea	**12,306**	34,580
Other countries	**125,723**	21,424
	1,782,771	1,625,496

The Group's turnover in respect of the securities trading segment is principally related to transactions carried out in Hong Kong.

The Group's turnover for property development is principally related to transactions carried out in Mainland China.

4. TAXATION

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	**2,115**	1,093
Underprovision in prior years	**674**	353
	2,789	1,446
Taxation in other jurisdictions		
Current year	**5,630**	2,902
Underprovision in prior years	**38**	–
	5,668	2,902
Deferred taxation	**2,995**	1,346
Taxation	**11,452**	5,694

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

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

5. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim dividend paid of HK 3 cents per share (2005: HK 2 cents)	**22,826**	15,269
Final dividend period for 2005 of HK2 cents (2005: final dividend period for 2004 of HK 3.5 cents)	**15,144**	26,764
	37,970	42,033

The directors have declared a final dividend of HK3 cents per share for the year ended 31 March 2006 (2005: HK2 cents) to those shareholders whose names appear on the register of members of the Company on 18 September 2006.

6. EARNINGS PER SHARE

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

	2006	2005
	HK$	*HK$*
Profit:		
Earnings attributable to shareholders of the Company for the purpose of basic and diluted earnings per share	**79,141**	50,526
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	**759,842,128**	761,251,154
Effect of dilutive potential ordinary shares relating to Share options	**6,992,031**	8,466,365
Weighted average number of shares for the purpose of diluted earnings per share	**766,834,159**	769,717,519

7. **DEBTORS, DEPOSITS AND PREPAYMENTS**

At 31 March 2006, debtors, deposits and prepayments included trade debtors of HK$252,264,000 (2005: HK$148,270,000). The aged analysis of trade debtors at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 - 30 days	**194,355**	78,296
31 - 60 days	**21,267**	11,015
61 - 90 days	**10,560**	23,688
Over 90 days	**26,082**	35,271
	252,264	148,270

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

The fair value of debtors, deposits and prepayments as at 31 March 2006 approximates the corresponding carrying amount.

8. **CREDITORS AND ACCRUED CHARGES**

At 31 March 2006, creditors and accrued charges included trade creditors of HK$211,357,000 (2005: HK$141,037,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 - 30 days	**94,875**	48,124
31 - 60 days	**44,773**	21,475
61 - 90 days	**23,796**	17,184
Over 90 days	**47,913**	54,254
	211,357	141,037

The fair value of creditors and accrued charges as at 31 March 2006 approximates the corresponding carrying amount.

FINAL DIVIDEND

The Directors have declared a final dividend of HK3 cents per share for the year ended 31 March 2006 (2005: HK 2 cents) to those shareholders whose names appear on the register of members on 18 September 2006. Subject to the approval of the final dividend at the forthcoming annual general meeting, dividend will be paid to the shareholders on or about 25 September 2006.

CLOSING OF REGISTER OF MEMBERS

The registers of members and of the Company will be closed from Wednesday, 13 September 2006 to Monday, 18 September 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement of the final dividend, all outstanding transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 12 September 2006.

BUSINESS REVIEW AND PROSPECT

RESULTS

During the year ended 31 March 2006, the Group recorded a turnover of HK$1,820 million (2005: HK$1,647 million), representing an increase of 10.5%. Profit attributable to shareholders of the Company significantly increased by 56.6% to HK$79 million. The profit was after deduction of non-recurrent expenses which include employer share option expenses of HK$3.4 million, written off of pre-operation expenses for Hyundai Division of HK$4.2 million, and under accrued construction cost for Panyu property development of HK$2.3 million, and the loss on the closure of the plastic factory in Nantou of HK$2.5 million. The management anticipated that the total non-recurrent expenses of HK$12.4 million would not occur subsequently.

BUSINESS REVIEW

Electronics Division

Despite the drop in turnover resulting from the downsizing of low-margin audio and OEM products during the first quarter, the Group's turnover has recorded satisfactory growth since the second quarter of the financial year. There is an increasing market demand for video products such as portable TFT DVD, DVD and DVD television combos, which generate reasonable profit margins than audio products. Though the prices of certain components like plastic resin and metal remained high during the year, the price fluctuation was minimal. Together with the stable prices of electronic components, the products sold during the year have achieved better profit margins.

Securities Trading
During the year, the transactions of the division were not active, only recoded a turnover of about HK$37.5 million.

Property Development
The transactions during the year were not active and only recorded an under-provided construction cost of about HK$2,316,000.

PROSPECTS

The Group will continue to implement its existing successful strategy by focusing on high-technology products with better profit margin while downsizing low-margin audio and OEM products. With its emphasis on video products, the Group plans to launch the LCDTV series by the end of the year. Due to the soaring market demand for video products, the Group's orders on hand have increased significantly compared to last year.

In addition to traditional video products, the Group is also developing the "Youth electronics" series which brought in considerable orders. The series is launched under the brands of well-known cartoon characters, such as "TEENAGE MUTANT NINJA TURTLES", "DORA THE EXPLORER", "SPONGE BOB SQUAREPANTS", "HELLO KITTY", "BRATZ" and "STRAWBERRY SHORTCAKES", to capture the youth market. The Group also plans to expand this line of business. With the additional 130,000 square feet in the factories located in Panyu and Nantou, Shenzhen, the Group's production capacity is expected to increase by approximately 50% this year. In order to meet the requirement of its production scale for the coming year, the Group plans to build a new facility with a site area of approximately 300,000 square feet on a piece of land with 40 acres adjacent to its existing Panyu factory by the end of this year.

Following the acquisitions of equity interests in THE SINGING MACHINE COMPANY INC. and Interforce Limited, the Group's marketing capability is expected to be enhanced with the synergies created. Through the outlets of THE SINGING MACHINE COMPANY INC., the Group is able to market its products to second tier retailing chain stores in the United States. With its comprehensive logistics management, THE SINGING MACHINE COMPANY INC. also helps the Group to explore the retail market in the United States by selling directly in USA to leading local retailers. On the other hand, the research department of Interforce Limited also strengthened the product research and development capability of the Group. With the sales experience in the European markets of Interforce Limited, the Group may further strengthen its marketing ability in the region.

As for components, despite the sustained high prices of plastic materials and certain metal components, the prices of other components have already stabilized and settled on a downward trend. The Group has made hedging arrangement against certain plastic materials to maintain a stable profit margin. Besides, the market demand for electronic consumer products, in particular video products, has been growing. In view of the above, the Group is confident of achieving a strong turnover for the year ending 31 March 2007.

FINANCIAL POSITION

Liquidity and Financial Resources
The financial position of the Group remained strong. As at 31 March 2006 cash and deposits and marketable securities amounted to HK$114 million, as compared to HK$91 million last year.

Gearing ratio, calculated as total ratio borrowings to shareholders' fund was 0.3 (2005: 0.16), and net bank borrowings as a percentage to shareholders' fund was 0.19 for the year (2005: 0.08). Current ratio calculated as current assets to current liabilities decreased from 2.0 in prior year to 1.63 for this year.

Financing and Capital Structure
The Group finances its operations by a combination of retained earnings and bank borrowings. The Company issued new shares as a result of the exercise of certain share options of the Company and obtained a cash inflow of about HK$2.2 million.

As at 31 March 2006, the Group's total borrowings of about HK$221 million (2005: HK$109 million), all were repayable within one year.

The Group's transactions were mostly denominated in US dollars and Hong Kong dollars. The exposure to exchange risk was minimal.

It is estimated that the change of exchange rate of Renminbi has no significant impact to the Group for the time being.

Pledge of Assets
At 31 March 2006, the Group pledged certain assets with carrying value of HK$123,391,000 (2005: HK$64,565,000) to secure the general credit facilities granted to the Company and the margin accounts with brokers.

Contingent Liabilities
As at 31 March 2006, the Group had contingent liabilities for bills discounted with recourse of HK$Nil (2005: HK$1,350,000).

STAFF
As at 31 March 2006, the Group had a total staff of 6,662 of which 6,518 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 on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") as follows:

Month	Number of Shares of HK$0.40 each repurchased	Price per share Lowest	Price per share Highest	Aggregate Consideration
		HK$	*HK$*	*HK$'000*
April 2005	385,000	0.67	0.68	260
May 2005	417,500	0.68	0.69	284
June 2005	700,000	0.68	0.70	483
August 2005	1,082,500	0.58	0.58	628
September 2005	1,800,000	0.56	0.59	1,040
October 2005	1,642,500	0.56	0.59	944
November 2005	200,000	0.69	0.69	138
	6,227,500			3,777

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was 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.

CORPORATE GOVERNANCE
The Company are committed to maintaining a high standard of corporate governance. The Company firmly believe 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.

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied during the year ended 31 March 2006 with the Code except code provision C.2 on internal control (which will be implemented for accounting periods commencing on or after 1 January 2005) and 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 chief executive officer of the Group. 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 the Board and also as the chief executive officer of the Group is acceptable and in the best interest of the Group. The Board will review this situation periodically.

2. Pursuant to code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. At the annual general meeting of the Company held on 15 September 2005, in accordance with the then existing bye-laws of the Company, some of the directors are not subject to retirement by rotation at least once every three years. The Company at the said annual general meeting amended its bye-laws to provide that every director of the Company (including those appointed for a specific term) shall be subject to retirement at least once every three years. Accordingly, at annual general meeting of the Company in 2006, all directors will be subjected to retirement at least once every three years.

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 Company's 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 2006.

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 2006

BOARD OF DIRECTORS

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

By Order of the Board
Lau Sak Hong, Philip
Chairman

Hong Kong, 24 July 2006

"Please also refer to the published version of this announcement in The Standard."