

STARLITE

STARLIGHT INTERNATIONAL HOLDINGS LIMITED

升岡國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

UPDATE ON THE MAJOR TRANSACTION ACQUISITION OF INTEREST IN SHARES IN THE SINGING MACHINE COMPANY, INC.

Background

Reference is made to the Announcement of the Company dated 1 March 2006 in respect of the acquisition of the Sale Shares and the Warrants.

The Board announced in the Announcement that the Company, has through Purchaser, a wholly-owned subsidiary of the Company entered into the Securities Purchase Agreement with SMC to acquire and subscribe together the Sale Shares and the Warrants on 21 February 2006.

Following issuance of the Announcement, SMC, the Debentures Holders and Ever Solid commenced negotiation for entering into agreements to restructure of the Debentures. As a result of the negotiation, SMC and Ever Solid entered into a Bridge Loan Agreement. Pursuant to the Bridge Loan Agreement, Ever Solid agreed to lend and SMC agreed to borrow an aggregate amount of US\$2,000,000 (equivalent to HK\$15,600,000) for redemption of the existing outstanding Debentures held by the Debentures Holders (exclude the warrants held by the Debentures Holders). In return, the Debentures Holders agreed to settle by physically delivery to SMC the Debentures upon receiving the payment of US\$2,000,000 (equivalent to HK\$15,600,000) in full. As a result, the Debentures will be canceled automatically and completely.

Reference is made to the Announcement of the Company dated 1 March 2006 in respect of the acquisition of the Sale Shares and the Warrants.

The Board announced in the Announcement that the Company, has through Purchaser, a wholly-owned subsidiary of the Company entered into the Securities Purchase Agreement with SMC to acquire and subscribe together the Sale Shares and the Warrants on 21 February 2006.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SMC and their respective ultimate beneficial owners are Independent Third Parties.

Pursuant to the Securities Purchase Agreement, as of the Closing Date and as a condition to the Closing, SMC shall enter into legal binding agreements with the Debentures Holders to restructure the Debentures such that SMC shall use up to US\$2,000,000 (equivalent to HK\$15,600,000) of the proceeds to be received from the Purchaser at Closing to retire the Debentures in full. Whereupon the Debentures Holders will accept such US\$2,000,000 (equivalent to HK\$15,600,000) in full and final settlement of the principal amount of the Debentures and the interest accrued thereon which remain outstanding as at the Closing Date.

* *for identification purpose only*

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THE BRIDGE LOAN AGREEMENT

Date: 8 March 2006

Parties: (1) SMC
(2) Ever Solid

On 8 March 2006, Ever Solid, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Company entered into the Bridge Loan Agreement with SMC.

Pursuant to the Bridge Loan Agreement, Ever Solid agreed to lend and SMC agreed to borrow an aggregate amount of US\$2,000,000 (equivalent to HK\$15,600,000) for redemption of the existing outstanding Debentures held by the Debentures Holders (exclude the warrants held by the Debentures Holders). In return, the Debentures Holders agreed to settle the entire outstanding Debentures by physically delivery to SMC the Debentures upon receiving the payment of US\$2,000,000 (equivalent to HK\$15,600,000) in full and reduce the exercise price to US\$0.85 per share for the warrants held by the Debentures Holders. As a result, the Debentures will be canceled automatically and completely.

Terms of repayment

If the Company obtains approval from its Shareholders in the SGM to be held pursuant to the Securities Purchase Agreement, SMC shall repay to Ever Solid an amount equivalent to the Loan within forty-eight (48) hours of the time after obtaining the approval from the Company's Shareholders without penalty. Unless and until Ever Solid receives repayment from SMC, SMC will still owe Ever Solid all amounts of accrued but unpaid interest and other fees, if any, and will concurrently pay such accrued but unpaid interests and fees, if any, to Ever Solid in cash.

If the Company does not obtain approval from its Shareholders in the SGM to be held pursuant to the Securities Purchase Agreement, SMC shall repay the principal of US\$2,000,000 and the accrued interest on or before 8 September 2006 (six (6) months anniversary of the Bridge Loan Agreement) in one installment with an interest rate of eight percent (8%) per annum. The Loan must be repaid in full in one lump sum on or before 8 September 2006 but not in part. The calculation of the interest shall commence as of the date which Ever Solid advances funds to SMC. In addition, to the payment of interest, the Loan is also secured by a consensual and perfected security interest in, and lien on, all the SMC's assets both foreign and domestic of whatever form or character to secure the payment of the Loan.

The Loan was paid by Ever Solid to SMC on 10 March 2006 via wire transfer to the escrow agent, i.e. the Company's lawyer in United States and subsequently to the accounts designated by the Debentures Holders.

The Directors consider that the terms and conditions of the Bridge Loan Agreement are fair and reasonable and in the interests of the Company and SMC as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 1 March 2006 in respect of the acquisition of the Sale Shares and the Warrants
“Board”	the board of Directors
“Bridge Loan Agreement”	the bridge loan agreement dated 8 March 2006 entered into between SMC and Ever Solid

“Closing”	the closing of the transactions contemplated under the Securities Purchase Agreement
“Closing Date”	such a day that all the conditions of the Securities Purchase Agreement have been satisfied
“Company”	Starlight International Holdings Limited, a company incorporated in the Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Debentures”	outstanding debentures owed by SMC to the Debentures Holders in the principal amount of US\$4,000,000 (equivalent to HK\$31,200,000)
“Debentures Holders”	the holders of the Debentures
“Directors”	directors (including the independent non-executive directors) of the Company
“Ever Solid”	Ever Solid Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party (Parties)”	(an) independent third party(ies) not being connected person (as defined in the Listing Rules) of the Company and not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	an aggregate amount of US\$2,000,000 (equivalent to HK\$15,600,000) loan grant by Ever Solid to SMC pursuant to the Bridge Loan Agreement
“Purchaser”	koncepts International Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company, a party to the Securities Purchase Agreement
“Sale Shares”	the 12,875,536 new shares of SMC at the price of US\$0.233 per share to be issued to the Purchaser upon Closing
“Securities Purchase Agreement”	the Securities Purchase Agreement dated 21 February 2006 and entered into between SMC and the Purchaser, a wholly-owned subsidiary of the Company
“Shareholder(s)”	shareholder(s) of the Company
“SGM”	the special general meeting of the Company to be convened and held to approve the Acquisition and the transactions contemplated thereby

“SMC”	The Singing Machine Company, Inc., a Delaware corporation, a company listed in the American Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrants”	warrants to be issued to the Purchaser containing rights to purchase up to 5,000,000 additional shares of SMC common stock at prices of US\$0.233 per share (the initial price paid on a per share basis), US\$0.28 per share (equals to 120% of the initial price) and US\$0.35 per share (equals to 150% of the initial price) on the second, third and fourth anniversary of the Closing Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Translations of US\$ into HK\$ are for illustration purpose only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate or at any other rate or at all.

By order of the Board
Lau Sak Hong, Philip
Director

Hong Kong, 15 March 2006

As at the date of this announcement, Mr. Lau Sak Hong, Philip, Mr. Lau Sak Kai, Anthony and Mr. Lau Sak Yuk, Andy are executive Directors. Mr. Hon Sheung Tin, Peter is the non-executive Director and Mr. Ho Hau Chong, Norman, Mr. Chan Chak Chung and Mr. Chuck Winston Calptor are independent non-executive Directors.

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