

INTERIM REPORT 2011/2012



***STARLITE***

升岡國際有限公司

Starlight International Holdings Ltd

(Incorporated in Bermuda with limited liability)

Stock Code: 485



## OUR MISSION

In striving to become a world leader in the consumer electronics arena, we pledge to serve customers with innovation and quality services, operate an efficient organization to create value for all stakeholders and honour our responsibilities as a good global corporate citizen.

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors:**

Lau Sak Hong, Philip  
Lau Sak Kai, Anthony  
Lau Sak Yuk, Andy  
Lau Chu Lan, Carol

#### **Non-executive Director:**

Hon Sheung Tin, Peter

#### **Independent Non-executive Directors:**

Ho Hau Chong, Norman  
Chan Chak Chung  
Chuck Winston Calptor

### **AUDIT COMMITTEE**

Ho Hau Chong, Norman  
Hon Sheung Tin, Peter  
Chan Chak Chung

### **REMUNERATION COMMITTEE**

Hon Sheung Tin, Peter  
Chan Chak Chung  
Chuck Winston Calptor

### **SECRETARY**

Lo Tai On

### **AUDITOR**

Deloitte Touche Tohmatsu

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai  
Banking Corporation  
Standard Chartered Bank (Hong Kong)  
Limited  
Hang Seng Bank Limited

### **SOLICITORS**

Hon & Company

### **SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

Tricor Secretaries Limited

### **REGISTERED OFFICE**

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

### **PRINCIPAL OFFICE**

5th Floor  
Shing Dao Industrial Building  
232 Aberdeen Main Road  
Hong Kong  
Tel: (852) 2554 6303  
Fax: (852) 2873 0230  
email: [starlite@starlight.com.hk](mailto:starlite@starlight.com.hk)  
website: [www.starlight.com.hk](http://www.starlight.com.hk)

## 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 2011 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Notes	Six months ended 30 September 2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Turnover	3	348,660	271,888
Cost of sales		(295,505)	(237,626)
Gross profit		53,155	34,262
Other income	4	19,216	5,253
Distribution costs		(54,636)	(34,942)
Administrative expenses		(53,471)	(54,447)
Increase in fair value of an investment property		11,000	-
Net decrease in fair value of financial instruments	5	(767)	(591)
Loss on deemed partial disposal of a subsidiary		-	(101)
Finance costs		(3,228)	(2,442)
Share of profits of associates		40	110
Loss before taxation		(28,691)	(52,898)
Taxation	7	720	(52)
Net loss for the period		(27,971)	(52,950)
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		(285)	(477)
Revaluation of leasehold properties for own use upon transfer to investment properties		9,376	-
		9,091	(477)
Total comprehensive expense for the period		(18,880)	(53,427)
Loss for the period attributable to:			
Owners of the Company		(31,096)	(51,957)
Non-controlling interests		3,125	(993)
		(27,971)	(52,950)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(21,987)	(52,385)
Non-controlling interests		3,107	(1,042)
		(18,880)	(53,427)
Loss per share			
- Basic and diluted	8	(2.07) cents	(5.03) cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2011

		At 30 September 2011 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
	Notes		
<b>Non-current assets</b>			
Investment properties		146,362	208,442
Property, plant and equipment	10	182,186	203,965
Prepaid lease payments		3,593	3,653
Goodwill		26,484	26,484
Interest in associates		8,216	8,176
Available-for-sale investments		24,040	24,040
Deferred tax assets		5,136	3,943
		<u>396,017</u>	<u>478,703</u>
<b>Current assets</b>			
Inventories		367,966	345,183
Investment property held for sale	11	90,000	-
Debtors, deposits and prepayments	12	300,688	184,138
Prepaid lease payments		121	121
Amounts due from associates		3,031	3,030
Taxation recoverable		37	37
Investments held for trading		1,658	2,252
Financial assets designated at fair value through profit or loss		10	20
Bank balances and cash		26,171	69,168
		<u>789,682</u>	<u>603,949</u>
<b>Current liabilities</b>			
Creditors and accrued charges	13	202,256	151,767
Amount due to an associate		2,809	2,809
Taxation payable		1,188	1,046
Borrowings		322,219	253,332
Bank overdrafts		2,298	-
		<u>530,770</u>	<u>408,954</u>

		At 30 September 2011 <i>HK\$'000</i> (Unaudited)	At 31 March 2011 <i>HK\$'000</i> (Audited)
<b>Net current assets</b>		<u>258,912</u>	<u>194,995</u>
<b>Total assets less current liabilities</b>		<u>654,929</u>	<u>673,698</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>205</u>	<u>205</u>
<b>Net assets</b>		<u>654,724</u>	<u>673,493</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		150,524	150,524
Reserves	14	<u>502,172</u>	<u>524,159</u>
<b>Equity attributable to owners of the Company</b>		<u>652,696</u>	<u>674,683</u>
<b>Non-controlling interests</b>		<u>2,028</u>	<u>(1,190)</u>
<b>Total equity</b>		<u>654,724</u>	<u>673,493</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Warrant reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Sub-total HK\$'000	Share of net assets of subsidiaries HK\$'000	Share option reserve of a listed subsidiary HK\$'000	Sub-total HK\$'000	Total HK\$'000
At 1 April 2010	314,035	109,628	37,138	(3,688)	-	(82)	12,045	9,413	3,556	-	55,968	74,721	612,734	918	465	1,383	614,117
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(428)	-	-	-	-	(428)	(49)	-	(49)	(477)
Loss for the period	-	-	-	-	-	-	-	-	-	-	-	(51,957)	(51,957)	(993)	-	(993)	(52,950)
Total comprehensive expense for the period	-	-	-	-	-	-	(428)	-	-	-	-	(51,957)	(52,385)	(1,042)	-	(1,042)	(53,427)
Capital contribution from minority shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	59	-	59	59
Deemed partial disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(19)	-	(19)	(19)
Recognition of equity settled share based payments	-	-	-	-	-	-	-	-	1,040	-	-	-	1,040	-	6	6	1,046
Issue of shares upon exercise of share options	2,100	2,484	-	-	-	-	-	-	(588)	-	-	-	3,996	-	-	-	3,996
Capital Reorganisation	(235,527)	-	-	-	-	-	-	-	-	-	235,527	-	-	-	-	-	-
Issue of shares upon Open Offer	62,807	9,787	-	-	-	-	-	-	-	-	-	-	72,594	-	-	-	72,594
At 30 September 2010	143,415	121,899	37,138	(3,688)	-	(82)	12,045	9,985	4,008	-	291,465	22,764	637,979	(84)	471	387	638,366
At 1 April 2011	150,524	132,582	37,138	(3,688)	50	(82)	13,956	9,683	4,596	1,250	291,465	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)
Recognition of equity settled share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	111	111	111
Cancellation of warrants upon expired	-	-	-	-	-	-	-	-	-	(1,250)	-	1,250	-	-	-	-	-
At 30 September 2011	150,524	132,582	37,138	(3,688)	50	(82)	23,332	9,416	4,596	-	291,465	7,333	652,696	1,354	674	2,028	654,724

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash used in operating activities	(113,934)	(150,075)
Net cash used in investing activities	(248)	(3,307)
Net cash inflow from financing activities	68,887	174,951
Net (decrease) increase in cash and cash equivalents	(45,295)	21,569
Cash and cash equivalents at beginning of period	69,168	80,222
Cash and cash equivalents at end of period	23,873	101,791
Analysis of balances of cash and cash equivalents		
Bank balances and cash	26,171	102,762
Bank overdrafts	(2,298)	(971)
	23,873	101,791

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

### 1. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the six months ended 30 September 2011 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 the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are or have become effective.

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

The adoption of the new and revised HKFRSs has had no material effect on the Group's condensed consolidation financial statements for the current or prior accounting periods.

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

HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first time adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets
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 1 (Revised)	Presentation of financial statements
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures

### 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 2011

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	348,660	–	348,660
SEGMENT RESULTS	(35,347)	(429)	(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			(3,228)
Loss before taxation			(28,691)
Taxation			720
Loss for the period			(27,971)

SIX MONTHS ENDED 30 SEPTEMBER 2010

	Design, manufacture and sale of electronic products <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	271,888	–	271,888
SEGMENT RESULTS	(42,881)	(400)	(43,281)
Interest income			75
Unallocated income			2,428
Unallocated expense			(9,788)
Share of profits of associates			110
Finance costs			(2,442)
Loss before taxation			(52,898)
Taxation			(52)
Loss for the period			(52,950)

4. OTHER INCOME

	Six months ended 30 September	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Other income includes:		
Commission	67	205
Exchange gain, net	39	400
Gain on disposal of property, plant and equipment	1,013	–
Income from investments	339	109
Interest income	47	75
Rental income	2,520	2,428
Miscellaneous income	15,191	2,036
	<u>19,216</u>	<u>5,253</u>

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

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Increase in fair value of derivative financial instruments	–	183
Decrease in fair value of financial assets designated at fair value through profit or loss	(9)	–
Decrease in fair value of investments held for trading	(758)	(774)
	<u>(767)</u>	<u>(591)</u>

6. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortisation of approximately HK\$15,603,000 (HK\$20,821,000 for the six months ended 30 September 2010) was charged to the consolidated financial results in respect of the Group's property, plant and equipment, and prepaid lease payments.

7. TAXATION

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	–	–
Taxation in other jurisdictions	473	52
	<u>(1,193)</u>	<u>–</u>
Deferred taxation	(720)	52
	<u>(720)</u>	<u>52</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% (2010: 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	
	2011	2010
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>HK\$(31,096,000)</u>	<u>HK\$(51,957,000)</u>
Weighted average number of shares for the purpose of basic loss earnings per share	<u>1,505,246,290</u>	<u>1,033,204,462</u>

The calculation of diluted loss per share for both periods does not assume the exercise of the outstanding share options and warrants 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 2012 (Year ended 31 March 2011: nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Net book value at beginning of period	203,965	237,652
Currency realignment	–	1
Additions	3,314	3,595
Disposal	(2,007)	–
Transfer to investment properties (Note)	(7,543)	–
Depreciation	<u>(15,543)</u>	<u>(20,761)</u>
	<u>182,186</u>	<u>220,487</u>

*Note:* During the six months period ended 30 September 2011, the management resolved to rent out certain of its leasehold properties to outsiders for rental income and ended the owner occupation. These properties should be accounted for as investment properties. Upon the transfer from property, plant and equipment to investment properties, these properties were revalued with the increase in fair value of HK\$9,376,000 created to the other property valuation reserve.

## 11. INVESTMENT PROPERTY HELD FOR SALE

On 26 September 2011, a subsidiary of the Company entered into a provisional sales and purchase agreement for the disposal of a investment property at consideration of HK\$90,000,000. The completion shall take place on or before 30 March 2012.

Investment property held for sale is stated at fair value which has been arrived at on the basis of valuation carried out on that date by RHL Appraisal Limited, which is independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties.

## 12. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2011, debtors, deposits and prepayments includes trade debtors of HK\$227,331,000 (31 March 2011: HK\$111,780,000). 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 2011 (Unaudited) <i>HK\$'000</i>	31 March 2011 (Audited) <i>HK\$'000</i>
0 – 30 days	184,228	75,387
31 – 60 days	14,883	9,132
61 – 90 days	4,049	2,707
Over 90 days	24,171	24,554
	<u>227,331</u>	<u>111,780</u>

## 13. CREDITORS AND ACCRUED CHARGES

At 30 September 2011, creditors and accrued charges includes trade creditors of HK\$154,647,000 (31 March 2011: HK\$96,140,000). The aged analysis of trade creditors at the balance sheet date is as follows:

	30 September 2011 (Unaudited) <i>HK\$'000</i>	31 March 2011 (Audited) <i>HK\$'000</i>
0 – 30 days	114,585	34,823
31 – 60 days	16,183	14,723
61 – 90 days	7,014	2,912
Over 90 days	16,865	43,682
	<u>154,647</u>	<u>96,140</u>

## 14. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares		
Authorised:		
At 1 April 2010 of HK\$0.40 each	1,250,000,000	500,000
Capital Reorganisation-subdivision of share (note a)	<u>3,750,000,000</u>	<u>—</u>
At 30 September 2010, 31 March 2011 and 30 September 2011 of HK\$0.10 each	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Balance at 1 April 2010	785,088,828	314,035
Issue of shares upon exercise of share options	21,000,000	2,100
Issue of shares upon Open Offer (note b)	628,071,062	62,807
Capital Reorganisation (note a)	<u>—</u>	<u>(235,527)</u>
Balance at 30 September 2010	1,434,159,890	143,415
Issue of shares upon share options	41,086,400	4,190
Issue of shares upon exercise of warrants	<u>30,000,000</u>	<u>3,000</u>
Balance at 31 March 2011 and 30 September 2011	<u>1,505,246,290</u>	<u>150,524</u>

### Notes:

- (a) Pursuant to a special resolution passed at the special general meeting of the Company held on 23 June 2010, the par value of each of the existing shares in issue was reduced from HK\$0.40 to HK\$0.10 by the cancellation of HK\$0.30 of the paid up capital on each issued share and each unissued share of HK\$0.40 each is subdivided into 4 subdivided shares of HK\$0.10 each (the "Capital Reorganisation"). Upon completion of the Capital Reorganisation at 5:00 p.m. on 23 June 2010, the authorised share capital of the Company becomes HK\$500,000,000 divided into 5,000,000,000 subdivided shares of HK\$0.10 each, of which 785,088,828 subdivided shares of HK\$0.10 were in issue.
- (b) Pursuant to an ordinary resolution passed at the same special general meeting of the Company referred to in (a) above, the proposed issue of offer shares at a price of HK\$0.12 per offer share on the basis of 4 offer shares for every 5 subdivided shares (the "Open Offer") was approved. The Open Offer was completed on 21 July 2010 and 628,071,062 offer shares were issued.

**15. CAPITAL COMMITMENTS**

	<b>30 September 2011 HK\$'000</b>	<b>31 March 2011 HK\$'000</b>
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>287</u>

**16. CONTINGENT LIABILITIES**

There are no significant contingent liabilities as of 30 September 2011 and 31 March 2011.

**17. RELATED PARTY TRANSACTIONS**

There were no significant related party transactions undertaken by the Group at any time during the six months period.

## GROUP RESULTS

For the six months ended 30 September 2011, the Group recorded a turnover of HK\$349 million, an increase of 12.6% compared to the turnover of HK\$272 million for the corresponding period in 2010.

The gross profit margin in the six months ended 31 March 2011 was 15.2% compared to 12.6% in the comparable period last year.

The loss attributable to owners of the Company was HK\$31 million (2010: HK\$52 million), an improvement of HK\$21 million over the prior period.

## REVIEW AND PROSPECTS

The increase in sales was primarily due to sales of digital imaging products which also accounted for the improvement in our gross profit margin. We had expected a greater contribution of revenue from the digital imaging line but the prolonged uncertain economic conditions in North America had hampered our sales expectation.

Our distribution costs increased during the period due to increased royalty expense on the digital imaging products. Our other operational costs were comparable in the period as compared to the same one last year.

Due to the weakened consumer spending in North America, management is in the process of re-negotiating the royalty commitments with Polaroid.

Management is expecting a flat holiday season in North America and has taken steps to monitor inventory level in warehouse to avoid build up of stock. We expect inventory level will be substantially reduced by the end of the current fiscal year. We will continue to take measures to achieve a turnaround in profitability.

## FINANCIAL POSITION

### Liquidity and financial resources

The financial position of the Group remained stable. As at 30 September 2011, cash and deposits amounted to HK\$26 million, as compared to HK\$69 million as at 31 March 2011. Cash was used to primarily finance the increase in inventory and accounting receivable leading up to the holiday selling season.

Gearing ratio calculated as total borrowings to shareholders' funds was 0.49 (31 March 2011: 0.38), and net borrowings to shareholders' funds was 0.45 for the period (31 March 2011: 0.27). Current ratio calculated as current assets to current liabilities was remained at 1.48 (31 March 2011: 1.48)

## **Financing and capital structure**

The Group finances its operations from retained earnings and short term bank borrowings. As at 30 September 2011, the Group's total borrowings was HK\$322 million (31 March 2011: HK\$253 million), of which the whole amount is repayable within one year. All bank 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 2011, the Group had a total staff of 1,300 of which 1,200 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.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 30 September 2011, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Name of directors	Long position/ short position	Capacity	Number of shares held	Approximate percentage of shareholding as at 30.9.2011
<i>Executive directors:</i>				
Lau Sak Hong, Philip	Long position	Beneficial owner	184,681,452	12.27%
		Interest of controlled corporation (note a)	5,697,497	0.38%
		Interest of controlled corporation (note b)	18,180,747	1.21%
		Held by trust (note c)	304,324,576	20.22%
			<u>512,884,272</u>	<u>34.08%</u>
Lau Sak Kai, Anthony	Long position	Beneficial owner	69,648,904	4.63%
		Interest of controlled corporation (note a)	5,697,497	0.38%
		Interest of controlled corporation (note b)	18,180,747	1.21%
			<u>93,527,148</u>	<u>6.22%</u>
Lau Sak Yuk, Andy	Long position	Beneficial owner	67,513,401	4.49%
		Interest of controlled corporation (note a)	5,697,497	0.38%
		Interest of controlled corporation (note b)	18,180,747	1.21%
			<u>91,391,645</u>	<u>6.08%</u>
Lau Chu Lan, Carol	Long Position	Beneficial owner	<u>384,483</u>	<u>0.03%</u>
<i>Non-executive director:</i>				
Hon Sheung Tin, Peter	Long position	Beneficial owner	<u>372,181</u>	<u>0.02%</u>
<i>Independent non-executive director:</i>				
Chuck Winston Calptor	Long position	Beneficial owner	<u>1,386,000</u>	<u>0.09%</u>

**Notes:**

- (a) These shares are held by K.K. Nominees Limited, a company which is wholly and beneficially owned by Lau Sak Hong, Philip, Lau Sak Kai, Anthony and Lau Sak Yuk, Andy (hereinafter collectively with other family members referred to as the "Lau's family").
- (b) These shares are held by Wincard Management Services Limited, a company which is wholly and beneficially owned by the Lau's family.
- (c) These shares are wholly and beneficially owned directly or indirectly by Philip Lau Holding Corporation, a company beneficially owned by a discretionary trust, the discretionary objects of which include Lau Sak Hong, Philip and his associates.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, as at 30 September 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

### Share options of the Company

The Company has a share option scheme which was approved and adopted at the special general meeting of the Company held on 12 September 2002 (the "Old Scheme") for a period of 5 years. The primary purpose is to provide incentives or rewards to participants for their contribution to the Group. Eligible participants of the Old Scheme included any employees, non-executive directors, suppliers of goods or services, customers, advisors or consultants and shareholders of any member of the Group.

The Old Scheme expired on 11 September 2007 and thereafter, no more option could be granted pursuant to the Old Scheme. In respect of the options already granted under the Old Scheme, the provisions shall remain in force. The movements of the share options granted to certain employees of the Group pursuant to the Old Scheme were as follows:

Date of grant	Exercise price HK\$	Number of share options		
		Outstanding as at 1.4.2011	Cancelled during the period	Outstanding as at 30.9.2011
13.11.2006	0.3100	6,354,400	–	6,354,400
4.1.2007	0.3549	1,028,984	(280,632)	748,352
1.2.2007	0.3677	187,088	(93,544)	93,544
7.3.2007	0.4126	14,031,600	–	14,031,600
		<u>21,602,072</u>	<u>(374,176)</u>	<u>21,227,896</u>

#### Notes:

- The above share options were granted for an exercise period of five years from the date of grant of the options.
- No share options were granted to the directors of the Company pursuant to the Old Scheme.

A new share option scheme (the "New Scheme") was approved and adopted at the special general meeting of the Company held on 15 January 2008 for a period of 10 years. The primary purpose is to recognise the contribution of participants and to recruit and retain high calibre employees and attract human resources that are valuable to the Group. Eligible participants of the New Scheme included any full time employees (including directors, whether executive or non-executive and whether independent or not), suppliers, consultants, agents and advisors of the Group.

The movements of the share options granted to certain employees of the Group pursuant to the New Scheme were as follows:

Date of grant	Exercise price <i>HK\$</i>	Number of share options		
		Outstanding as at 1.4.2011	Cancelled during the period	Outstanding as at 30.9.2011
23.1.2008	0.2280	701,580	–	701,580
28.1.2008	0.2053	858,311	–	858,311
15.10.2008	0.0855	2,338,600	(2,338,600)	–
12.8.2010	0.1880	300,000	–	300,000
31.8.2010	0.1880	12,000,000	–	12,000,000
		<u>16,198,491</u>	<u>(2,338,600)</u>	<u>13,859,891</u>

No share options were granted to the directors of the Company pursuant to the New Scheme during the period.

Notes:

- (a) The above options were granted for an exercise period of ten years from the respective date of grant of the options.
- (b) No share options were granted, exercised or lapsed during the period.

**Share options of The Singing Machine Company, Inc. ("SMC"), a 52.4% owned subsidiary of the Company**

The movements of the share options granted to certain employees of the Group pursuant to the SMC Scheme were as follows:

Date of grant	Exercise price US\$	Number of share options				Outstanding as at 30.9.2011
		Outstanding as at 1.4.2011	Granted during the period	Exercised during the period	Forfeited during the period	
31 December 2002	9.00	4,000	-	-	-	4,000
19 December 2003	1.97	4,880	-	-	-	4,880
6 February 2004	1.54	6,500	-	-	-	6,500
26 February 2004	1.36	20,000	-	-	-	20,000
29 March 2004	1.20	20,000	-	-	-	20,000
29 November 2004	0.75	40,000	-	-	-	40,000
1 December 2004	0.77	20,000	-	-	-	20,000
9 May 2005	0.60	34,000	-	-	-	34,000
31 March 2006	0.32	60,000	-	-	-	60,000
10 April 2006	0.33	42,000	-	-	-	42,000
31 March 2007	0.93	60,000	-	-	-	60,000
31 March 2008	0.45	120,000	-	-	-	120,000
31 March 2009	0.11	120,000	-	-	-	120,000
31 March 2010	0.03	60,000	-	-	-	60,000
29 October 2010	0.06	520,000	-	-	-	520,000
31 March 2011	0.04	60,000	-	-	-	60,000
		<u>1,191,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,191,380</u>

**ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

Other than the share options as disclosed above, at no time during the six months ended 30 September 2011 was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, the following persons, other than the interest disclosed above in respect of the directors, had interest in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under Section 336 of Part XV of the SFO:

Name	Capacity	Number of ordinary shares in which interested	% of total issued shares as at 30 September 2011
Lee Yu Chiang (note)	Beneficial owner	42,140,878	2.80

Save as mentioned above and in the section headed "Directors' Interests in Securities", as at 30 September 2011, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in shares of the Company.

*Note:* These interests were disclosed by Lee Yu Chiang since 29 September 2003 and had been adjusted as a result of the consolidation of shares in 2003. The percentage interest of Lee Yu Chiang in the Company has been reduced due to subsequent allotment of new shares of the Company.

## CORPORATE GOVERNANCE

The Company has met the code provisions of the Code on Corporate Governance Practices ("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 2011 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 2011.

## **CHANGES OF DIRECTOR'S INFORMATION UNDER RULES 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company since the date of the 2011 Annual Report is as follows:

Mr. Ho Hau Chong, Norman, the independent non-executive director of the Company, resigned from 12 May 2011 as independent non-executive director of CITIC Pacific Limited, a company listed on the Stock Exchange. Save as disclosed above, the Company is not aware of other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **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 2011.

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

During the six months ended 30 September 2011, the Company repurchased its shares on the Stock Exchange as follows:

Month	Number of Shares	Price per share		Aggregate Consideration HK\$
		Lowest HK\$	Highest HK\$	
September 2011	3,410,000	0.096	0.117	352,950

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 debited to share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Other than the details disclosed above, 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 report, 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, 25 November 2011