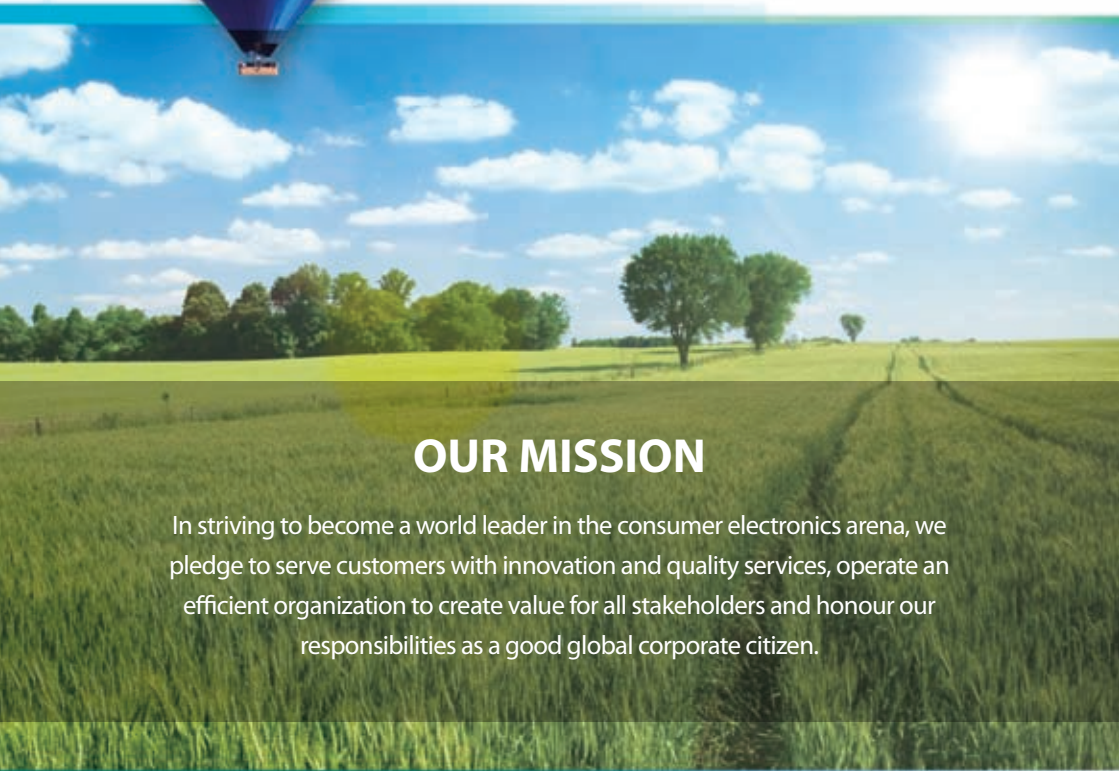




STARLITE

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.

STARLITE



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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

NOMINATION COMMITTEE

Chan Chak Chung
Hon Sheung Tin, Peter
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
Chong Hing 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
website: 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 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

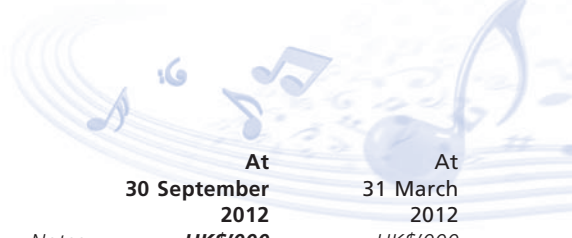
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

| | | Six months ended 30 September | |
|--|-------|----------------------------------|---------------------------------|
| | Notes | 2012 HK\$'000 (Unaudited) | 2011 HK\$'000 (Unaudited) |
| Turnover | 3 | 269,156 | 348,660 |
| Cost of sales | | <u>(233,100)</u> | <u>(295,505)</u> |
| Gross profit | | 36,056 | 53,155 |
| Other income | 4 | 4,902 | 19,216 |
| Distribution costs | | (26,692) | (54,636) |
| Administrative expenses | | (41,468) | (53,471) |
| Increase in fair value of an investment property | | - | 11,000 |
| Net decrease in fair value of financial instruments | 5 | (63) | (767) |
| Finance costs | | (3,417) | (3,228) |
| Share of results of associates | | (149) | 40 |
| Loss before taxation | 6 | <u>(30,831)</u> | <u>(28,691)</u> |
| Taxation | 7 | <u>(1,264)</u> | <u>720</u> |
| Net loss for the period | | <u>(32,095)</u> | <u>(27,971)</u> |
| Other comprehensive income (expense) | | | |
| Exchange difference arising on translation of foreign operations | | (125) | (285) |
| Revaluation of leasehold properties for own use upon transfer to investment properties | | - | 9,376 |
| | | <u>(125)</u> | <u>9,091</u> |
| Total comprehensive expense for the period | | <u>(32,220)</u> | <u>(18,880)</u> |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (35,542) | (31,096) |
| Non-controlling interests | | 3,447 | 3,125 |
| | | <u>(32,095)</u> | <u>(27,971)</u> |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | (35,659) | (21,987) |
| Non-controlling interests | | 3,439 | 3,107 |
| | | <u>(32,220)</u> | <u>(18,880)</u> |
| Loss per share | | | |
| - Basic and diluted | 8 | <u>(2.38) cents</u> | <u>(2.07) cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012

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



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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012 (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 | Convertible note reserve HK\$'000 | Capital redemption reserve HK\$'000 | Accumulated profits/(loss) 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 2011 | 150,524 | 132,582 | 37,138 | (3,688) | 50 | (82) | 13,956 | 9,683 | 4,596 | 1,250 | - | 291,495 | 37,179 | 674,683 | (1,753) | 563 | (1,190) | 673,493 |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | - | - | (267) | - | - | - | - | - | (267) | (18) | - | (18) | (265) |
| Revaluation of leasehold properties for own use upon transfer to investment properties | - | - | - | - | - | - | 9,376 | - | - | - | - | - | - | 9,376 | - | - | - | 9,376 |
| Loss for the period | - | - | - | - | - | - | - | - | - | - | - | - | (31,096) | (31,096) | 3,125 | - | 3,125 | (27,971) |
| Total comprehensive income (expense) for the period | - | - | - | - | - | - | 9,376 | (267) | - | - | - | - | (31,096) | (21,987) | 3,107 | - | 3,107 | (18,880) |
| | 150,524 | 132,582 | 37,138 | (3,688) | 50 | (82) | 23,332 | 9,416 | 4,596 | 1,250 | - | 291,495 | 6,083 | 652,696 | 1,354 | 563 | 1,917 | 654,613 |
| Recognition of equity settled share based payments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 111 | 111 | 111 |
| Cancellation of warrants upon expired | - | - | - | - | - | - | - | - | - | (1,250) | - | - | 1,250 | - | - | - | - | - |
| At 30 September 2011 | 150,524 | 132,582 | 37,138 | (3,688) | 50 | (82) | 23,332 | 9,146 | 4,596 | - | - | 291,495 | 7,333 | 652,696 | 1,354 | 674 | 2,028 | 654,724 |
| At 1 April 2012 | 148,571 | 132,582 | 37,138 | - | 85 | - | 52,578 | 9,220 | 3,936 | - | - | 292,448 | (160,915) | 517,543 | (418) | 707 | 289 | 517,832 |
| Exchange difference arising on translation of foreign operations and expense recognised directly in equity | - | - | - | - | - | - | - | (117) | - | - | - | - | - | (117) | (8) | - | (8) | (125) |
| Loss for the period | - | - | - | - | - | - | - | - | - | - | - | - | (35,542) | (35,542) | 3,447 | - | 3,447 | (32,095) |
| Total recognised income and expense for the period | - | - | - | - | - | - | - | (117) | - | - | - | - | (35,542) | (35,659) | 3,439 | - | 3,439 | (32,220) |
| | 148,571 | 132,582 | 37,138 | - | 85 | - | 52,578 | 9,103 | 3,936 | - | - | 292,448 | (195,557) | 481,884 | 3,021 | 707 | 3,728 | 485,612 |
| Recognition of equity settled share-based payments | - | - | - | - | - | - | - | - | 1,564 | - | - | - | - | 1,564 | - | - | - | 1,564 |
| Issue of convertible notes | - | - | - | - | - | - | - | - | - | 3,687 | - | - | - | 3,687 | - | - | - | 3,687 |
| At 30 September 2012 | 148,571 | 132,582 | 37,138 | - | 85 | - | 52,578 | 9,103 | 5,500 | - | 3,687 | 292,448 | (195,557) | 487,135 | 3,021 | 707 | 3,728 | 490,863 |



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

1. BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

The Group is organised into two operating divisions, namely design, manufacture and sale of electronic products (representing consumer electronic audio and video equipment, imaging products, musical instruments and accessories) and securities trading. These divisions are the basis on which the Group reports its segment information.

Segment revenue and results

An analysis of the Group's revenue, which represents sales of goods, and results by reportable segments is as follows:

SIX MONTHS ENDED 30 SEPTEMBER 2012

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

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) |

4. OTHER INCOME

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

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

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

6. LOSS BEFORE TAXATION

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

7. TAXATION

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

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

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

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

8. LOSS PER SHARE

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

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

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

9. INTERIM DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

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

11. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 September 2012, debtors, deposits and prepayments includes trade debtors of HK\$114,928,000 (31 March 2012: HK\$68,877). The Group provides credit periods of up to 90 days, depending on the products sold, to its trade customers. The following is an aged analysis of accounts receivable at the reporting date:

| | 30 September 2012 (Unaudited) HK\$'000 | 31 March 2012 (Audited) HK\$'000 |
|--------------|---|---|
| 0 – 30 days | 91,716 | 36,802 |
| 31 – 60 days | 699 | 4,033 |
| 61 – 90 days | 84 | 5,934 |
| Over 90 days | <u>22,429</u> | <u>22,108</u> |
| | <u>114,928</u> | <u>68,877</u> |

12. CREDITORS AND ACCRUED CHARGES

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

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

13. CONVERTIBLE NOTES

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

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

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

14. SHARE CAPITAL

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

15. CAPITAL COMMITMENTS

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

16. CONTINGENT LIABILITIES

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

17. RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions:

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

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



18. EVENTS AFTER THE REPORTING PERIOD

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

GROUP RESULTS

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

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

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

REVIEW AND PROSPECTS

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

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

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

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

FINANCIAL POSITION

Liquidity and financial resources

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

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

Financing and capital structure

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

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

STAFF

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

The Group provides employee benefits such as health insurance, retirement scheme, discretionary bonus and share option scheme and also provides in-house training programmes and external training sponsorship.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2012, 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:

(i) Long position in the Shares

| Name of directors | Long position/ short position | Capacity | Number of shares held | Approximate percentage of shareholding as at 30.9.2012 |
|--|----------------------------------|---|--------------------------|--|
| <i>Executive directors:</i> | | | | |
| Lau Sak Hong, Philip | Long position | Beneficial owner | 184,681,452 | 12.35% |
| | | Interest of controlled corporation (note a) | 5,697,497 | 0.38% |
| | | Interest of controlled corporation (note b) | 18,180,747 | 1.22% |
| | | Held by trust (note c) | 304,324,576 | 20.34% |
| | | | <u>512,884,272</u> | <u>34.29%</u> |
| Lau Sak Kai, Anthony | Long position | Beneficial owner | 69,648,904 | 4.65% |
| | | Interest of controlled corporation (note a) | 5,697,497 | 0.38% |
| | | Interest of controlled corporation (note b) | 18,180,747 | 1.22% |
| | | | <u>93,527,148</u> | <u>6.25%</u> |
| Lau Sak Yuk, Andy | Long position | Beneficial owner | 67,513,401 | 4.51% |
| | | Interest of controlled corporation (note a) | 5,697,497 | 0.38% |
| | | Interest of controlled corporation (note b) | 18,180,747 | 1.22% |
| | | | <u>91,391,645</u> | <u>6.11%</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 | 770,000 | 0.05% |
| | | Interest of controlled corporation (note d) | 616,000 | 0.04% |
| | | | <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.
- (d) These 616,000 shares are held by Gather Profit Corporate Services Limited which is a company incorporated in the British Virgin Islands and is wholly beneficially owned by Ms. Kung King Man, Inna, being the wife of Mr. Chuck Winston Calptor. Mr. Chuck Winston Calptor therefore is deemed to be interested in these 616,000 Shares.

(ii) Long position in the underlying Shares

| Name of Directors | Number of underlying Shares held (Note) | Position | Approximate percentage of issued share capital as at 30.9.2012 |
|----------------------|--|--------------------|--|
| Lau Sak Hong, Philip | 14,950,000 | Executive Director | 1.00% |
| Lau Sak Kai, Anthony | 2,000,000 | Executive Director | 0.13% |
| Lau Sak Yuk, Andy | 2,000,000 | Executive Director | 0.13% |
| Lau Chu Lan, Carol | 14,950,000 | Executive Director | 1.00% |

Note:

These represent the interest in share options granted to the Directors as beneficial owner under a share option scheme of the Company adopted on 15 January 2008.

(iii) Long position in the shares and underlying shares of The Singing Machine Company, Inc. ("SMC"), an associated corporation of the Company

| Name of directors | Number of shares | Number of underlying shares in respect of options | Position | Aggregate percentage of issued shares capital as at 30.09.2012 |
|-----------------------|------------------|---|--------------------|--|
| Lau Chu Lan, Carol | 68,857 | 40,000 | Executive Director | 0.29% |
| Hon Sheung Tin, Peter | 68,857 | 40,000 | Executive Director | 0.29% |

Note: These shares and options are held by the directors as beneficial owners.

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 2012, 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 existing share option scheme (the "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 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 directors, certain employees and an advisor of the Group pursuant to the Scheme were as follows:

| | Date of grant | Notes | Exercise price HK\$ | Number of share options | | |
|----------------------|---------------|-------|------------------------|-------------------------------|------------------------------|--------------------------------|
| | | | | Outstanding as at 1.4.2012 | Granted during the period | Outstanding as at 30.9.2012 |
| <i>Directors:</i> | | | | | | |
| Lau Sak Hong, Philip | 25.4.2012 | (a) | 0.1050 | – | 14,950,000 | 14,950,000 |
| Lau Sak Kai, Anthony | 25.4.2012 | (a) | 0.1050 | – | 2,000,000 | 2,000,000 |
| Lau Sak Yuk, Andy | 25.4.2012 | (a) | 0.1050 | – | 2,000,000 | 2,000,000 |
| Lau Chu Lan, Carol | 25.4.2012 | (a) | 0.1050 | – | 14,950,000 | 14,950,000 |
| | | | | – | 33,900,000 | 33,900,000 |
| <i>Employees:</i> | | | | | | |
| | 28.1.2008 | (b) | 0.2053 | 858,311 | – | 858,311 |
| | 31.8.2010 | (b) | 0.1880 | 12,000,000 | – | 12,000,000 |
| | 29.11.2011 | (b) | 0.1090 | 12,500,000 | – | 12,500,000 |
| | 25.4.2012 | (a) | 0.1050 | – | 14,950,000 | 14,950,000 |
| | | | | 25,538,311 | 14,950,000 | 40,488,311 |
| <i>An advisor:</i> | | | | | | |
| | 23.1.2008 | (b) | 0.2228 | 701,580 | – | 701,580 |
| | 12.8.2010 | (b) | 0.1880 | 300,000 | – | 300,000 |
| | 1.2.2012 | (a) | 0.1080 | 1,500,000 | – | 1,500,000 |
| | 25.4.2012 | (a) | 0.1050 | – | 500,000 | 500,000 |
| | | | | 2,501,580 | 500,000 | 3,001,580 |
| | | | | 27,859,891 | 49,350,000 | 77,209,891 |

Notes:

- (a) These options were granted for an exercise period of five years from the date of grant of the options.
- (b) These options were granted for an exercise period of ten years from the date of grant of the options.
- (c) No share options were exercised, lapsed or cancelled during the period.
- (d) The closing price of the securities immediately before the date on which the options granted on 25 April, 2012 was HK0.105.
- (e) The Company recognised share-based expenses at fair value of options granted of HK\$1,564,000 in the six months ended 30 September 2012. The total fair value of the options was calculated by using the Black-Scholes pricing model.



Share options of SMC, a 51.69% owned subsidiary of the Company

The movements of the share options granted to directors of the Company pursuant to the SMC Scheme were as follows:

| Name of directors | Date of grant | Exercise price <i>US\$</i> | Number of share options outstanding as at 1.4.2012 to 30.9.2012 |
|--------------------------|----------------------|--------------------------------------|--|
| Lau Chu Lan, Carol | 31 March 2008 | 0.45 | 20,000 |
| | 31 March 2009 | 0.11 | <u>20,000</u> |
| | | | <u>40,000</u> |
| Hon Sheung Tin, Peter | 31 March 2008 | 0.45 | 20,000 |
| | 31 March 2009 | 0.11 | <u>20,000</u> |
| | | | <u>40,000</u> |

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 30.9.2012 |
|------------------|------------------------|----------------------------------|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | | Outstanding as at 1.4.2012 | 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 |
| 31 March 2012 | 0.12 | 60,000 | - | - | - | 60,000 |
| | | 1,251,380 | - | - | - | 1,251,380 |


ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share options as disclosed above, at no time during the six months ended 30 September 2012 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 2012, 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 2012 |
|----------------------|------------------|---|--|
| 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 2012, 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 Corporate Governance Code (“the Code”) as set out in the Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 September 2012 except as below:

1. Pursuant to code provision A.2.1, the roles of chairman and chief executive officer of an issuer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Lau Sak Hong, Philip is currently the chairman and managing director of the Company. Having considered the current business operation and the size of the Group, the board of directors of the Company is of the view that Mr. Lau acting as both the chairman and managing director of the Company is acceptable and in the best interest of the Company. The Board will review this situation periodically.
2. The Company was incorporated in Bermuda and enacted by private act, the Starlight International Holdings Limited Company Act, 1989 of Bermuda (the “1989 Act”). Pursuant to section 3(e) of the 1989 Act, director holding office as executive chairman or managing director shall not be subject to retirement by rotation at each annual general meeting as provided in the bye-laws of the Company (“the Bye-laws”). As the Company is bound by the provisions of the 1989 Act, the Bye-laws cannot be amended to fully reflect the requirements of the code provision A.4.2 which stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To enhance good corporate governance practices, Mr. Lau Sak Hong, Philip, the chairman and managing director of the Company will voluntarily retire from his directorship at annual general meeting of the Company at least once every three years in order for the Company to comply with the Code, provided that, being eligible for re-election, he may offer himself for re-election at the annual general meeting.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules, as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of all directors, they all confirmed that they have complied with the Model Code throughout the six months period ended 30 September 2012.

AUDIT COMMITTEE

The Company has established an audit committee comprising Messrs. Hon Sheung Tin Peter, Ho Hau Chong Norman and Chan Chak Chung. Terms of reference of the audit committee have been updated in compliance with the Code. The audit committee together with the management of the Company has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the interim report for the six months ended 30 September 2012.

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

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

OTHER INFORMATION

Changes of director's information under rule 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 2012 Annual Report is as follows:

Mr. Chuck Winston Calptor, the independent non-executive director of the Company, was appointed with effect from 18 October 2012 as a non-executive director of Sunley Holdings Limited, a Company listed on the Stock Exchange of Hong Kong Limited.

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.

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, 29 November 2012