

STARLITE

升岡國際有限公司
Starlight International Holdings Ltd.
(Incorporated in Bermuda with Limited Liability)

香港香港仔大道 232 號城都工業大廈五樓
5/F., Shing Dao Industrial Building
232 Aberdeen Main Road, Hong Kong

Tel: (852) 2554 6303

Fax: (852) 2873 0230

E-mail: starlite@starlight.com.hk

Website: www.starlight.com.hk

STARLITE

STARLIGHT INTERNATIONAL HOLDINGS LIMITED

升岡國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 485)

Executive Directors:

Lau Sak Hong, Philip (*Chairman*)
Lau Sak Kai, Anthony
Lau Sak Yuk, Andy
Lau Chu Lan, Carol

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Non-Executive Director:

Hon Sheung Tin, Peter

Head Office and Principal

place of business in Hong Kong
5th Floor
Shing Dao Industrial Building
232 Aberdeen Main Road
Hong Kong

Independent Non-Executive Directors:

Chan Chak Chung
Chuck Winston Calptor
Tang Yee Man

30 June 2014

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
UNCONDITIONAL MANDATORY CASH OFFERS BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF ACHIEVE PROSPER CAPITAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY ACHIEVE PROSPER CAPITAL LIMITED AND PARTIES ACTING IN
CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING SHARE
OPTIONS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED**

** for identification purpose only*



INTRODUCTION

Reference is made to the Joint Announcement and the Circular.

On 19 June 2014, the resolutions in respect of, among other things, the Share Premium Reduction, the Distribution In Specie, the CB Subscription Agreement, the Framework Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares, by the Independent Shareholders and the Disposal by the Shareholders were approved at the SGM.

Upon the Sale and Purchase Completion on 26 June 2014 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it became interested in 1,076,758,361 Shares, representing approximately 52.94% of the entire issued share capital of the Company. Accordingly, the Offeror is required to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in accordance with Rule 26.1 of the Takeovers Code.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Listco Offers as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and Optionholders in respect of the terms of the Listco Offers and as to acceptance and the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders and the Optionholders in respect of the terms of the Listco Offers and as to acceptance.

THE LISTCO OFFERS

Upon the Sale and Purchase Completion, the Offeror and parties acting in concert with it are interested in a total of 1,076,758,361 Shares, representing approximately 52.94% of the issued share capital of the Company. Save for the aforesaid, together with the Conversion Shares to be allotted and issued pursuant to the exercise of the conversion rights attached to the Convertible Bonds, the Offeror and parties acting in concert with it do not have any other interests in any securities of the Company. Pursuant to Rule 26.1 and Rule 13.5 of the Takeovers Code, the Offeror is required to make the unconditional mandatory cash general offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all outstanding Share Options. The terms of the Listco Offers are set out in the "Letter from Kingston Securities" as well as in Appendix I to this Composite Document.

The following information about the Listco Offers is extracted from the "Letter from Kingston Securities" contained in this Composite Document.

Kingston Securities, on behalf of the Offeror and in compliance with the Takeovers Code, is making the Listco Offers to (i) acquire all the Offer Shares; and (ii) cancel all the outstanding Share Options, on the following basis:

The Share Offer

For every Offer Share held..... HK\$0.1720 in cash

The Share Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Offeror and the Vendors. As stated in the "Letter from Kingston Securities", as the Offeror and parties acting in concert with it owned 1,076,758,361 Shares as at the Latest Practicable Date, 957,050,124 Shares are subject to the Share Offer and the total consideration of the Share Offer would be approximately HK\$164.6 million based on the Share Offer Price.

The Offer Shares to be acquired under the Share Offer shall be fully paid, free from all encumbrances and together with all rights attaching to them including the right to all dividends and distributions (but excluding the Distribution In Specie) which may be declared, paid or made at any time on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

As at the Latest Practicable Date, the Company has 2,033,808,485 Shares in issue.

The Option Offer

**For cancellation of each Share Option with exercise prices
of HK\$0.2053 and HK\$0.2228 per Share HK\$0.01 in cash**

As at the Latest Practicable Date, the Company has outstanding Share Options conferring rights on the Optionholders to subscribe for up to an aggregate of 1,256,157 Shares, of which:

- (i) 701,580 Share Options are vested and exercisable at HK\$0.2228 per Share during an exercise period from 23 January 2008 to 20 January 2018; and
- (ii) 554,577 Share Options are vested and exercisable at HK\$0.2053 per Share during an exercise period from 28 January 2008 to 25 January 2018.

Save for the outstanding Share Options as mentioned above, the Company had no other outstanding warrants, derivatives or convertibles in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

As stated in the "Letter from Kingston Securities", based on the Option Offer Prices for the cancellation of each outstanding Share Options, the total consideration of the Option Offer would be HK\$12,561.57.

Further details of the Listco Offers

Further details of the Listco Offers, including, among other things, its extension to the Overseas Shareholders and the Overseas Optionholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period are set out in the "Letter from Kingston Securities" in, and Appendix I to, this Composite Document and the Forms of Acceptance.

INFORMATION OF THE GROUP

The Company is a company incorporated in Bermuda with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding and the principal activities of its subsidiaries are manufacture and sale of electronic products (representing karaoke sets, television sets, video products and audio products) as well as property investment. The Group's major market is North America while its manufacturing facilities are located in the PRC.

As disclosed in the Profit Warning Announcement and the announcement of the Company dated 23 May 2014 in relation to, among other things, the unaudited results for the eight months ended 30 November 2013, the Company recorded a significant increment in the Group's loss for the eight months ended 30 November 2013 as compared to that for the year ended 31 March 2013 due to the Group Restructuring. The increment was primarily attributable to the impairment of property, plant and equipment and allowances for inventories of the Scheme Subsidiaries in view of the contemplated Disposal.

Further financial information in relation to the Group is set out in Appendix IIA to this Composite Document. Please also refer to the Circular for further information in relation to the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Listco Offers (assuming the Offeror acquired all the Offer Shares, all the Share Options are cancelled and no conversion rights under the Convertible Bonds are exercised); (iii) immediately after conversion of the whole of the principal amount of the Convertible Bonds by the Offeror (assuming there is no Independent Shareholder accepting the Listco Offers or lapse of the Listco Offers); and (iv) immediately after conversion of the whole of the principal amount of the Convertible Bonds by the Offeror (assuming the Offeror acquired all the Offer Shares and all the Share Options are cancelled and the Company has restored the minimum public float as required under the Listing Rules):

	(i) As at the Latest Practicable Date		(ii) Upon completion of the Listco Offers (assuming the Offeror acquired all the Offer Shares, all the Share Options are cancelled and no conversion rights under the Convertible Bonds are exercised)		(iii) Upon conversion of the whole of the principal amount of the Convertible Bonds (assuming there is no Independent Shareholder accepting the Listco Offers or lapse of the Listco Offers) (note 2)		(iv) Upon conversion of the whole of the principal amount of the Convertible Bonds by the Offeror (assuming the Offeror acquired all the Offer Shares and all the Share Options are cancelled and the Company has restored the minimum public float as required under the Listing Rules)		
	Number of Shares held	Approximate % of Shares in issue	Number of Shares held	Approximate % of Shares in issue	Number of Shares held	Approximate % of Shares in issue	Number of Shares held	Approximate % of Shares in issue	
The Vendors (note 3)	2,888,039	0.14	2,888,039	0.14	2,888,039	0.12			
The Offeror and participating in concert with	1,076,758,361	52.94	2,030,920,446	99.86	1,512,804,872	61.25	1,852,391,247	75.00	
Public Shareholders									
– Other public Shareholders	954,162,085	46.92	–	(note 1)	954,162,085	38.63	614,575,710	24.88	
– The Vendors (note 4)							–	2,888,039	0.12
Total	2,033,808,485	100.00	2,033,808,485	100.00	2,469,854,996	100.00	2,469,854,996	100.00	

Note 1: In the event that the public float of the Company falls below 25% after completion of the Listco Offers, the new Directors who are nominated by the Offeror and to be appointed as Directors and the then directors of the Offeror and the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible.

Note 2: Pursuant to the terms of the Convertible Bonds, no exercise of conversion rights attaching to the Convertible Bonds is allowed if immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 8.08 of the Listing Rules.

Note 3: The Vendors have indicated that they will not accept the Listco Offers in respect of their remaining 2,888,039 Shares.

Note 4: Upon the Sale and Purchase Completion and their resignation as Directors, the Shares held by the Vendors will form part of the public float under the Listing Rules.

INTENTION OF THE OFFEROR ON THE GROUP

Your attention is drawn to the sections headed "Information on the Offeror" as set out on page 19 of this Composite Document and "Future Intention of the Offeror in relation to the Company" as set out on pages 19 to 23 of this Composite Document in the "Letter from Kingston Securities". The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Listco Offers.

In the event that after the completion of the Listco Offers, the public float of the Company falls below 25%, the new Directors who will be nominated by the Offeror to and be appointed as Directors and the then directors of the Offeror and the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Listco Offers to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Listco Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (consisting of the non-executive Director and the three independent non-executive Directors) has been established to advise and give its recommendation to the Independent Shareholders and the Optionholders in respect of the Listco Offers. Fulbright Capital, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, with the approval of the Independent Board Committee, has been appointed by the Company to advise the Independent Board Committee in respect of the Listco Offers.


RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee on pages 32 to 33 of this Composite Document, which sets out its advice and recommendations to the Independent Shareholders and the Optionholders in relation to the Listco Offers; and (ii) the letter from the Independent Financial Adviser on pages 34 to 60 of this Composite Document, which sets out its advice to the Independent Board Committee and the Independent Shareholders and the Optionholders in relation to the Listco Offers and the principal factors considered by it before arriving at its recommendations.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Forms of Acceptance in respect of the acceptance and settlement procedures of the Listco Offers. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

Yours faithfully,
By Order of the Board
Starlight International Holdings Limited



Lau Sak Hong, Philip
Chairman