

REPORT ON REVIEW OF UNAUDITED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF STARLIGHT INTERNATIONAL HOLDINGS LIMITED

Introduction

We have reviewed the unaudited financial information of SIH Limited and its subsidiaries (hereinafter collectively referred to as the “SIH Group”) set out on pages IIIB-3 to IIIB-4 which comprises the unaudited consolidated statement of financial position as of 30 November 2013 and the related unaudited consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the eight months ended 30 November 2013 and explanatory notes (the “Unaudited Financial Information”). The Unaudited Financial Information has been prepared solely for the purpose of inclusion in the circular to be issued by Starlight International Holdings Limited (the “Company”) in connection with the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success Holdings Limited under a creditors’ scheme, proposed distribution in specie of SIH Limited’s shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company are responsible for the preparation and presentation of the Unaudited Financial Information of the SIH Group in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information and Rule 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The directors of the Company are also responsible for such internal control as management determines is necessary to enable the preparation of unaudited financial information that is free from material misstatement, whether due to fraud or error. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” or an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibility is to express a conclusion on this Unaudited Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the HKICPA. A review of the unaudited financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Financial Information of the SIH Group for the eight months ended 30 November 2013 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2014

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	For the eight months ended	
	30 November	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	317,990	477,070
Cost of sales	<u>(356,324)</u>	<u>(428,007)</u>
Gross (loss) profit	(38,334)	49,063
Other income	8,712	7,202
Distribution costs	(47,301)	(53,870)
Administrative expenses	(51,873)	(53,687)
Other gains and losses	(16,947)	(28,572)
(Decrease) increase in fair value of investment properties	(17,411)	37,184
Gain on disposal of a subsidiary	440	-
Interest expenses	(3,347)	(3,742)
Share of profit an associate	<u>357</u>	<u>67</u>
Loss before taxation	(165,704)	(46,355)
Taxation	<u>1,253</u>	<u>(1,761)</u>
Loss for the period	(164,451)	(48,116)
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	<u>1,413</u>	<u>(66)</u>
Total comprehensive expense for the period	<u>(163,038)</u>	<u>(48,182)</u>
Loss for the period attributable to:		
Owners of SIH	(169,804)	(58,676)
Non-controlling interests	<u>5,353</u>	<u>10,560</u>
	<u>(164,451)</u>	<u>(48,116)</u>
Total comprehensive expense for the period attributable to:		
Owners of SIH	(168,637)	(58,739)
Non-controlling interests	<u>5,599</u>	<u>10,557</u>
	<u>(163,038)</u>	<u>(48,182)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2013

	As at 30 November 2013 HK\$'000	As at 31 March 2013 HK\$'000
Non-current assets		
Investment properties	259,525	276,936
Property, plant and equipment	79,258	99,248
Prepaid lease payments	3,331	3,411
Goodwill	17,665	17,665
Interest in an associate	6,072	5,715
Available-for-sale investments	9,400	9,400
Deferred tax assets	14,036	12,589
	<u>389,287</u>	<u>424,964</u>
Current assets		
Inventories	94,471	185,529
Debtors, deposits and prepayments	145,569	38,172
Prepaid lease payments	121	121
Investments held for trading	1,082	1,043
Financial assets designated at fair value through profit or loss	35	25
Amount due from ultimate holding company	22,696	185,139
Bank balances and cash	44,402	35,607
	<u>308,376</u>	<u>445,636</u>
Current liabilities		
Creditors and accrued charges	150,004	65,170
Amount due to ultimate holding company	605,004	766,853
Taxation payable	1,046	2,043
Borrowings	158,592	91,135
Bank overdraft	780	-
	<u>915,426</u>	<u>925,201</u>
Net current liabilities	<u>(607,050)</u>	<u>(479,565)</u>
Total assets less current liabilities	(217,763)	(54,601)
Non-current liabilities		
Deferred tax liabilities	7,946	8,243
	<u>(225,709)</u>	<u>(62,844)</u>
Capital and reserves		
Share capital	10	10
Reserves	(243,302)	(74,685)
Equity attributable to owners of SIH	(243,292)	(74,675)
Non-controlling interests	17,583	11,831
	<u>(225,709)</u>	<u>(62,844)</u>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013**

	Attributable to owners of SIH					Attributable to non-controlling interests						
	Share capital HK\$'000	Contributed surplus HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Other property revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses 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 2013	10	61,410	37,138	106	52,578	9,290	(235,207)	(74,675)	11,067	764	11,831	(62,844)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	1,167	-	1,167	246	-	246	1,413
Loss for the period	-	-	-	-	-	-	(169,804)	(169,804)	5,353	-	5,353	(164,451)
Total comprehensive income (expense) for the period	-	-	-	-	-	1,167	(169,804)	(168,637)	5,599	-	5,599	(163,038)
Capital contribution from non-controlling shareholders of a subsidiary	10	61,410	37,138	106	52,578	10,457	(405,011)	(243,312)	16,666	764	17,430	58
Deemed partial disposal of a subsidiary	-	-	-	-	-	-	-	-	58	-	58	-
Recognition of equity-settled share-based payments	-	-	-	20	-	-	-	20	(20)	-	(20)	-
	-	-	-	-	-	-	-	-	-	115	115	115
At 30 November 2013	10	61,410	37,138	126	52,578	10,457	(405,011)	(243,292)	16,704	879	17,583	(225,709)
At 1 April 2012	10	61,410	37,138	85	52,578	9,220	(174,285)	(13,844)	(418)	707	289	(13,555)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(63)	-	(63)	(3)	-	(3)	(66)
Loss for the period	-	-	-	-	-	-	(58,676)	(58,676)	10,560	-	10,560	(48,116)
Total comprehensive (expense) income for the period	-	-	-	-	-	(63)	(58,676)	(58,739)	10,557	-	10,557	(48,182)
At 30 November 2012	10	61,410	37,138	85	52,578	9,157	(232,961)	(72,583)	10,139	707	10,846	(61,737)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

	For the eight months ended	
	30 November	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Loss before taxation	(165,704)	(46,355)
Adjustments for:		
Share of profit of an associate	(357)	(67)
Release of prepaid lease payments	80	80
Depreciation of property, plant and equipment	4,608	13,007
Impairment loss recognised in respect of property, plant and equipment	16,009	25,634
Decrease (increase) in fair value of investment properties	17,411	(37,184)
Increase in fair value of investments held for trading	(346)	(45)
Increase in fair value of derivative financial instruments	-	(44)
Increase in fair value of financial assets designated at fair value through profit or loss	(3)	(5)
Dividend income from investments held for trading	(10)	(11)
Dividend income from available-for-sale investments	-	(142)
Share-based payments	115	-
Interest expenses	3,347	3,742
Interest income	(15)	(5)
Gain on disposal of property, plant and equipment	(1,053)	(40)
Gain on disposal of a subsidiary	(440)	-
Allowance for obsolete and slow-moving inventories	60,740	33,379
Allowance for doubtful debts	2,340	3,072
Effect of foreign exchange rate change on inter-company balances	246	(3)
Operating cash flows before movements in working capital	(63,032)	(4,987)
Decrease in inventories	30,318	20,676
Increase in debtors, deposits and prepayments	(109,737)	(78,234)
Decrease in investments held for trading	307	611
(Increase) decrease in derivative financial instruments	(7)	27
Increase in creditors and accrued charges	84,834	47,717
Cash used in operations	(57,317)	(14,190)
Dividend received from investments held for trading	10	11
Hong Kong Profits Tax paid	(191)	(1,776)
Taxation in other jurisdictions paid	(1,297)	(1,734)
Net cash used in operating activities	(58,795)	(17,689)

	For the eight months ended	
	30 November	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,491	112
Disposal of a subsidiary	440	–
Repayment from ultimate holding company	193	32,958
Interest received	15	5
Purchase of property, plant and equipment	(1,065)	(1,378)
Dividend received from an associate	–	210
Dividend received from available-for-sale investments	–	142
	<u>1,074</u>	<u>32,049</u>
Net cash from investing activities		
Cash flows from financing activities		
Net proceeds from (repayment of) trust receipts and import loans and loans related to bills discounted with recourse	67,457	(12,821)
Advance from (repayment to) ultimate holding company	401	(34,809)
Capital contribution from non-controlling shareholders of a subsidiary	58	–
Interest on bank and other borrowings paid	(3,347)	(3,742)
	<u>64,569</u>	<u>(51,372)</u>
Net cash from (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	6,848	(37,012)
Cash and cash equivalents at beginning of the period	35,607	90,728
Effect of exchange difference	1,167	(63)
	<u>43,622</u>	<u>53,653</u>
Cash and cash equivalents at end of the period		
Cash and cash equivalents at the end of the period, representing:		
bank balances and cash	44,402	53,653
bank overdraft	(780)	–
	<u>43,622</u>	<u>53,653</u>

NOTES TO THE UNAUDITED FINANCIAL INFORMATION
FOR THE EIGHT MONTHS ENDED 30 NOVEMBER 2013

1. GENERAL

SIH Limited (“SIH”) is an exempted company incorporated in the British Virgin Islands with limited liability. SIH is engaged in investment holding. Its principal subsidiaries are engaged in the design, manufacture and sales of a wide range of electronic products, property investment and securities trading.

Pursuant to the group restructuring proposed by Starlight International Holdings Limited (the “Company”), the ultimate holding company of SIH, subsidiaries of SIH which are engaged in manufacture and sale of electronic products such as television sets, audio products and components (the “Scheme Entities”) will be transferred to Rich Giant Holdings Limited (“Rich Giant”), a wholly-owned subsidiary of Dual Success Holdings Limited (“Dual Success”) which is not part of SIH and its subsidiaries (the “SIH Group”) (Dual Success, Rich Giant and the Scheme Entities together referred to as the “Scheme Subsidiaries”), and subsidiaries of SIH which are engaged in sale of electronic products such as karaoke, audio, video, musical instrument and clocks will be transferred to the Company (these subsidiaries together referred to as the “Remaining Subsidiaries”), SIH will then only retain its investments in subsidiaries which are engaged in property investment and sale of certain models of electronic products (the “Distributed Subsidiaries”) (SIH and the Distributed Subsidiaries together referred to as the “Privateco Group”). The shares of SIH will then be distributed in specie to the shareholders of the Company.

The unaudited financial information is presented in Hong Kong dollars, which is the functional currency of SIH.

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The unaudited financial information of the SIH Group for the eight months ended 30 November 2013 (the “Unaudited Financial Information”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the proposed deemed very substantial disposal relating to transfer of the entire equity interest in the share capital of Dual Success under a creditors’ scheme, proposed distribution in specie of SIH’s shares after completion of the group restructuring, proposed subscription of convertible bonds and proposed share premium reduction.

The amounts included in the Unaudited Financial Information of the SIH Group have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for the relevant period, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” nor an interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA.

As set out in note 1, SIH will transfer the Scheme Entities to Rich Giant, transfer the Remaining Subsidiaries to the Company and retain its interest in Distributed Subsidiaries. The shares of SIH will then be distributed in specie to the shareholders of the Company. Upon completion of the distribution in specie, a company wholly owned by Mr. Lau Sak Hong will make an unconditional voluntary cash offer to the then shareholders of SIH to acquire all the shares of SIH after share subdivision. The distribution in specie is subject to the approval of the Company’s shareholders in the special general meeting.

In preparing the Unaudited Consolidated Financial Information, the directors of SIH have given careful consideration to the future liquidity of the SIH Group in light of the fact that its current liabilities exceeded its current assets by approximately HK\$607,050,000 as at 30 November 2013, and its total liabilities exceeded its total assets by approximately HK\$225,709,000 as at 30 November 2013 and the SIH Group incurred losses of approximately HK\$164,451,000 for the eight months ended 30 November 2013. Taking into account that the Company has agreed to provide financial support to the SIH Group prior to the distribution in specie and Mr. Lau Sak Hong has agreed to provide financial support to the SIH Group upon completion of the distribution in specie, accordingly, the Unaudited Financial Information has been prepared on a going concern basis.

3. FINANCIAL INFORMATION OF THE REMAINING SUBSIDIARIES

The financial information relevant to the Remaining Subsidiaries for the eight months ended 30 November 2013 is disclosed as follows:

Assets and liabilities

	<i>HK\$'000</i>
Non-current assets	
Property, plant and equipment	4,733
Goodwill	17,665
Interest in an associate	6,072
Deferred tax assets	<u>14,036</u>
	<u>42,506</u>
Current assets	
Inventories	66,611
Debtors, deposits and prepayments	137,620
Investments held for trading	1,082
Financial assets designated at fair value through profit or loss	35
Amounts due from fellow subsidiaries	3,659
Bank balances and cash	<u>24,219</u>
	<u>233,226</u>
Current liabilities	
Creditors and accrued charges	74,821
Amount due to ultimate holding company	120,476
Amounts due to fellow subsidiaries	109,558
Borrowings	<u>21,247</u>
	<u>326,102</u>
Net current liabilities	<u>(92,876)</u>
	<u>(50,370)</u>

Profit or loss and other comprehensive income

	<i>HK\$ '000</i>
Turnover	293,016
Cost of sales	<u>(225,532)</u>
Gross profit	67,484
Other income	157
Distribution costs	(23,687)
Administrative expenses	(31,106)
Other gains and losses	(1,276)
Interest expenses	(589)
Share of profit of an associate	<u>357</u>
Profit before taxation	11,340
Taxation	<u>1,191</u>
Profit for the period	12,531
Other comprehensive income	
Items that may be subsequently reclassified to profit or loss:	
Exchange difference arising on translation of foreign operations	<u>1,413</u>
Total comprehensive income for the period	<u><u>13,944</u></u>

Cash flows

	<i>HK\$'000</i>
Cash flows from operating activities	
Profit before taxation	11,340
Adjustments for:	
Share of profit of an associate	(357)
Depreciation of property, plant and equipment	131
Increase in fair value of investments held for trading	(346)
Increase in fair value of financial assets designated at fair value through profit or loss	(3)
Dividend income from investments held for trading	(10)
Share-based payments	116
Interest expenses	589
Allowance for doubtful debts	1,625
Effect of foreign exchange rate change on inter-company balances	246
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Operating cash flows before movements in working capital	13,331
Decrease in inventories	37,863
Increase in debtors, deposits and prepayments	(110,093)
Decrease in investments held for trading	307
Increase in financial assets designated at fair value through profit or loss	(7)
Increase in creditors and accrued charges	53,440
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Cash used in operations	(5,159)
Dividend received from investments held for trading	10
Taxation in other jurisdictions paid	(554)
	<hr/>
Net cash used in operating activities	(5,703)
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Cash flows from investing activities	
Repayment from fellow subsidiaries	7,804
Repayment from ultimate holding company	255
Purchase of property, plant and equipment	(1,066)
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Net cash from investing activities	6,993
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Cash flows from financing activities	
Net proceeds from trust receipts and import loans and loans related to bills discounted with recourse	21,247
Advance from ultimate holding company	258
Capital contribution from non-controlling shareholders of a subsidiary	59
Repayment to fellow subsidiaries	(15,993)
Interest on bank and other borrowings paid	(589)
	<hr/>
Net cash from financing activities	4,982
	<hr/>
Net increase in cash and cash equivalents	6,272
Cash and cash equivalents at beginning of the period	16,779
Effect of exchange difference	1,168
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Cash and cash equivalents at end of the period, representing bank balances and cash	<u>24,219</u>

4. FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The financial information relevant to the Privateco Group for the eight months ended 30 November 2013 is disclosed as follows:

Assets and liabilities

	<i>HK\$'000</i>
Non-current assets	
Investment properties	232,700
Property, plant and equipment	14,408
Investments in subsidiaries	<u>109</u>
	<u>247,217</u>
Current assets	
Inventories	3,263
Debtors, deposits and prepayments	5,190
Amount due from ultimate holding company	7,754
Amounts due from fellow subsidiaries	33,094
Bank balances and cash	<u>12,871</u>
	<u>62,172</u>
Current liabilities	
Creditors and accrued charges	35,725
Amount due to ultimate holding company	64,319
Amounts due to fellow subsidiaries	3,681
Borrowings	<u>63,462</u>
	<u>167,187</u>
Net current liabilities	<u>(105,015)</u>
Total assets less current liabilities	142,202
Non-current liabilities	
Deferred tax liabilities	<u>484</u>
	<u>141,718</u>

Profit or loss and other comprehensive income

	<i>HK\$'000</i>
Turnover	85,327
Cost of sales	<u>(91,600)</u>
Gross loss	(6,273)
Other income	4,768
Distribution costs	(17,850)
Administrative expenses	(14,263)
Other gains and losses	329,317
Increase in fair value of investment properties	800
Interest expenses	<u>(1,253)</u>
Profit before taxation	295,246
Taxation	<u>(195)</u>
Profit and total comprehensive income for the period	<u><u>295,051</u></u>

Cash flows

	<i>HK\$ '000</i>
Cash flows from operating activities	
Profit before taxation	295,246
Adjustments for:	
Depreciation of property, plant and equipment	823
Impairment loss recognised in respect of property, plant and equipment	362
Increase in fair value of investment properties	(800)
Interest expenses	1,253
Gain on disposal of a subsidiary	(440)
Allowance for amounts due from fellow subsidiaries	102,533
Allowance for obsolete and slow-moving inventories	4,931
Reversal of provision for amounts due from fellow subsidiaries	<u>(431,772)</u>
Operating cash flows before movements in working capital	(27,864)
Decrease in inventories	1,294
Decrease in debtors, deposits and prepayments	20,382
Increase in creditors and accrued charges	<u>23,145</u>
Cash generated from operations	16,957
Taxation in other jurisdictions paid	<u>(191)</u>
Net cash from operating activities	<u>16,766</u>
Cash flows from investing activities	
Repayment from fellow subsidiaries	3,020
Disposal of a subsidiary	440
Repayment from ultimate holding company	238
Proceeds from disposal of property, plant and equipment	<u>(204)</u>
Net cash from investing activities	<u>3,494</u>
Cash flows from financing activities	
Net proceeds from trust receipts and import loans and loans related to bills discounted with recourse	18,367
Repayment to fellow subsidiaries	(34,053)
Interest on bank and other borrowings paid	(1,253)
Advance from ultimate holding company	<u>143</u>
Net cash used in financing activities	<u>(16,796)</u>
Net increase in cash and cash equivalents	3,464
Cash and cash equivalents at beginning of the year	<u>9,407</u>
Cash and cash equivalents at end of the year, representing bank balances and cash	<u><u>12,871</u></u>