

**STARLIGHT INTERNATIONAL HOLDINGS LTD:  
WILL THE COMPANY HAVE TO PAY THE PIPER,  
WITHOUT CALLING THE TUNE ?**

Unless senior management of [Starlight International Holdings Ltd \(\)](#) (Code: 485, Main Board, The Stock Exchange of Hongkong Ltd) is very fleet of foot, the chances appear to be extremely high that its US subsidiary, The Singing Machine Company Incorporated, could cost it dearly.

This is **TARGET**'s opinion on scanning the Second Quarterly Report of The Singing Machine Company Incorporated for the 3-month period, ended September 30, 2008.

The Singing Machine Company Incorporated is a company that develops and sells what it terms as being '*consumer-oriented karaoke machines and music*'.

These machines are sold in North America, Europe and Australia.

In the Second Quarter, sales of this company's products were off by \$US3,491,517, compared with the like period in 2007 – \$US16,107,967 versus \$US12,616,396.

The Gross Profit for the 3 months, ended September 30, 2008, was \$US2,020,951 (2007: \$US3,192,830).

The Net Income, the Second Quarterly Report states, came in at \$US102,670 (2007: \$US1,054,123).

For the first half of the Current Financial Year, The Singing Machine Company Incorporated suffered a Loss Attributable to Shareholders of about \$US946,891 on a Turnover of \$US14,386,742.

That result compared rather poorly with the like 6 months of 2007 when, on Turnover of \$US18,554,067, the company booked a Net Profit Attributable to Shareholders of \$US201,807.

Suffering losses is one thing, but, perhaps, much more worrying is when one takes a closer look at the Consolidated Balance Sheets of The Singing Machine Company Incorporated for the first half of this Financial Year.

**TARGET** (), over the years, has seen numerous balance sheets of publicly listed companies that have a number of worrying things in common, the combination of which may, in the passage of time, become very telling.

The things that they all have in common include:

- (a) A material build-up of inventories
- (b) A build-up of accounts receivable
- (c) A build-up of accounts payable
- (d) A build-up of monies, owed to third parties

In the case of The Singing Machine Company Incorporated, the following is noted:

Item	As At September 30, 2008	As At March 31, 2008	Percentage Increase
Inventories, Net	\$US9,901,213	\$US3,514,984	181.69
Accounts Receivable	\$US7,951,755	\$US1,961,721	305.35
Accounts Payable	\$US9,090,702	\$US1,145,150	693.84
Due To Related Parties, Net	\$US6,345,516	\$US616,732	928.89

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