
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in the Company, you should at once hand the Prospectus Documents to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

A copy of each of the Prospectus Documents has been registered with the Registrar of the Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of the Prospectus has been or will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda in accordance with the requirements of the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of these documents.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange and the HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.



STARLITE
HOLDINGS LIMITED

星光集團有限公司*

A Member of the StarLite Group

(Incorporated in Bermuda with limited liability)

(Stock Code: 403)

OPEN OFFER OF NEW SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY FIVE EXISTING SHARES

Financial Adviser

VEDA | CAPITAL
智略資本

Underwriter

Best Grade Advisory Limited

The latest time for acceptance and payment for the Offer Shares is 4:00 p.m. on Tuesday, 10 June 2008. The procedures for application are set out on pages 18 to 20 of this Prospectus.

The existing Shares have been dealt in on an ex-entitlement basis since Monday, 19 May 2008. Such dealing in Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. A person dealing in Shares on an ex-entitlement basis will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Shareholders contemplating any dealing in the Shares are recommended to consult their own professional adviser if they are in any doubt.

The Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Thursday, 12 June 2008 or such other time or date as the Company and the Underwriter may agree in writing to terminate the Underwriting Agreement on the occurrence of certain events including *force majeure* as set out in the section headed "Termination of the Underwriting Agreement" on page 7 of this Prospectus.

If the Underwriter terminate the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Open Offer will not proceed. Shareholders should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional adviser.

* *for identification purpose only*

27 May 2008

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DEFINITIONS

In this Prospectus, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Announcement”	the announcement dated 2 May 2008 issued by the Company in relation to the Open Offer
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“associates”	has the meaning ascribed to it in the Listing Rules
“Back Stop Date”	20 June 2008
“Best Grade”	Best Grade Advisory Limited, being the controlling Shareholder and the beneficial owner of approximately 52.11% of the issued share capital of the Company
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and Sunday or a day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks in Hong Kong are open for business
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Starlite Holdings Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the main board of the Stock Exchange
“Dayspring”	Dayspring Enterprises Limited, the entire issued share capital of which is beneficially owned and controlled by Mr. Lam and Ms. Yeung
“Directors”	the directors of the Company
“Excess Application Form(s)”	the form(s) of application for Excess Offer Shares to be issued to Qualifying Shareholders in connection with the Open Offer
“Excess Offer Shares”	the entitlements to Offer Shares that would otherwise have been offered to the Non-Qualifying Shareholders and any Offer Shares offered to, but not accepted by, Qualifying Shareholders
“Group”	the Company, its subsidiaries and jointly controlled entities

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Last Trading Day”	30 April 2008, being the last trading day of the Shares prior to the publication of the Announcement
“Latest Acceptance Time”	4:00 p.m. on Tuesday, 10 June 2008, or such other date as the Company and the Underwriter may agree in writing, being the latest time for acceptance of the Offer Shares as described in the Prospectus
“Latest Practicable Date”	23 May 2008, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information referred in this Prospectus
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lam”	Mr. Lam Kwong Yu, Chairman of the Company, an executive Director and spouse of Ms. Yeung
“Ms. Yeung”	Ms. Yeung Chui, Vice Chairman of the Company, an executive Director and spouse of Mr. Lam
“Non-Qualifying Shareholder(s)”	Shareholders whose names appear on the principal register of members of the Company in Bermuda or the branch register of members of the Company in Hong Kong as at the close of business on the Record Date and whose addresses as shown on such principal or branch registers of members of the Company are in places outside Hong Kong where, in the opinion of the board of directors of the Company (having obtained relevant and necessary legal opinions), it would or might be unlawful or impracticable to offer Offer Shares in such places on account of any legal or regulatory restrictions or special formalities in such places
“Offer Shares”	not less than 86,059,197 and not more than 87,412,197 new Shares to be issued pursuant to the Open Offer
“Open Offer”	the offer of the Offer Shares on the basis of one Offer Share for every five existing Shares held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price pursuant to the Open Offer Documents

DEFINITIONS

“Open Offer Documents” or “Prospectus Documents”	the Prospectus, the Application Form(s) and the Excess Application Form(s)
“Overseas Shareholders”	with respect to any specified date, the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on such date
“Posting Date”	Tuesday, 27 May 2008, or such other date as the Company and the Underwriter may agree in writing, being the date of despatch of the Open Offer Documents
“Prospectus”	a document relating to the Open Offer prepared in accordance with the Listing Rules to be despatched to the Qualifying Shareholders and, for information only, to the Non-Qualifying Shareholders in such usual form as may be agreed between the Company and the Underwriter
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Monday, 26 May 2008, or such other date as the Company and the Underwriter may agree in writing, being the record date to determine entitlements to the Open Offer
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Share Option(s)”	options granted by the Company under the share option scheme adopted by the Company on 6 September 2002, entitling the holders of such options to subscribe for Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.35 per Offer Share
“Trading Day”	a day on which the Stock Exchange is open for trading
“Underwriter”	Best Grade, being the underwriter of the Open Offer, whose ordinary business does not include underwriting

DEFINITIONS

“Underwriting Agreement”	the agreement dated 30 April 2008 between the Company and the Underwriter in relation to the underwriting and other arrangements in respect of the Open Offer
“Underwritten Shares”	not less than 40,395,963 and not more than 41,208,963 Offer Shares (<i>see Note (1)</i>) that the Underwriter have effectively agreed to subscribe for, which are not subscribed by the Qualifying Shareholders (other than Best Grade, Dayspring, Mr. Lam and Ms. Yeung) pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

Note (1): The Underwriter has agreed to underwrite all of the Offer Shares in accordance with the terms of the Underwriting Agreement. However, as a result of the undertaking of Best Grade, Dayspring, Mr. Lam and Ms. Yeung to take up their pro rata entitlement under the Open Offer, the underwriting obligations under the Underwriting Agreement should effectively limited to the number of Underwritten Shares.

EXPECTED TIMETABLE

The expected timetable for the proposed Open Offer is set out below:

2008

Last day of dealings in existing Shares on a cum-entitlement basis	Friday, 16 May
Commencement date of dealings in existing Shares on an ex-entitlement basis	Monday, 19 May
Latest time for lodging transfers of Shares in order to qualify for the Open Offer	4:00 p.m. on Tuesday, 20 May
Register of members of the Company to be closed	Wednesday, 21 May to Monday, 26 May
Record Date	Monday, 26 May
Register of members of the Company to be re-opened	Tuesday, 27 May
Open Offer Documents despatched on	Tuesday, 27 May
Latest time for acceptance of, and payment for Offer Shares and application for Excess Offer Shares	4:00 p.m. on Tuesday, 10 June
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Thursday, 12 June
Announcement of results of Open Offer on or before	Monday, 16 June
Refund cheques in respect of wholly or partially unsuccessful applications for Excess Offer Shares to be despatched on or before	Wednesday, 18 June
Certificates for Offer Shares expected to be despatched on or before	Wednesday, 18 June
Dealings in Offer Shares on the Stock Exchange to commence on	Friday, 20 June

All times and dates in this Prospectus refer to Hong Kong times and dates. Dates or deadlines specified above are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable above will be published or notified to the Shareholders appropriately.

EXPECTED TIMETABLE

Effect of bad weather on the latest time for acceptance of and payment for Offer Shares

The latest time for acceptance of and payment for Offer Shares will not take place on the Latest Acceptance Time if there is:

- a tropical cyclone warning signal number 8 or above, or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 10 June 2008. Instead the Latest Acceptance Time will be extended to 5:00 p.m. on the same Business Day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 10 June 2008. Instead the Latest Acceptance Time will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Acceptance Time does not take place on Tuesday, 10 June 2008, the dates mentioned in the section headed “Expected Timetable” in this Prospectus may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If at any time on or before 4:00 p.m. on the second Business Day after the Latest Acceptance Time (i.e. Thursday, 12 June 2008 pursuant to the expected timetable), one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, exist, or come into effect:

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially adversely affect the business or the financial or trading position of the Group as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which materially adversely affects the business or the financial or trading position of the Group as a whole or materially adversely prejudices the success of the Open Offer or the taking up of the Offer Shares by the members of the Company; or
- (c) any material change in market conditions or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction or trading in securities) occurs which may adversely and materially affect the success of the Open Offer or the taking up of the Offer Shares by members of the Company.

Upon the giving of termination notice by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches thereof).

LETTER FROM THE BOARD



S T A R L I T E

HOLDINGS LIMITED

星光集團有限公司*

A Member of the Starlite Group

(Incorporated in Bermuda with limited liability)

(Stock Code: 403)

Executive Directors:

Mr. Lam Kwong Yu (*Chairman*)
Ms. Yeung Chui (*Vice Chairman*)
Mr. Tai Tzu Shi, Angus (*Senior Vice President*)
Mr. Cheung Chi Shing, Charles
(*Senior Vice President*)
Mr. Lim Pheck Wan, Richard
(*Senior Vice President*)

Independent Non-Executive Directors:

Mr. Chan Yue Kwong, Michael
Mr. Kwok Lam-Kwong, Larry, *JP*
Mr. Tam King Ching, Kenny

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head Office and Principal Place of
Business in Hong Kong:*

3/F., Perfect Industrial Building
31 Tai Yau Street
Sanpokong
Kowloon, Hong Kong

27 May 2008

To the Qualifying Shareholders,

Dear Sir or Madam,

OPEN OFFER OF NEW SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY FIVE EXISTING SHARES

INTRODUCTION

As stated in the Announcement, the Company and the Underwriter entered into the Underwriting Agreement on 30 April 2008 with a view of implementing the Open Offer. The Board proposes to raise not less than approximately HK\$30.12 million and not more than approximately HK\$30.59 million, before expenses, by issuing not less than 86,059,197 Offer Shares and not more than 87,412,197 Offer Shares at the Subscription Price of HK\$0.35 per Offer Share by way of the Open Offer on the basis of one Offer Share for every five existing Shares held by the Qualifying Shareholders on the Record Date and payable in full upon acceptance.

* *for identification purpose only*

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with further information regarding the Open Offer, including information on procedures for application and payment and certain financial information and other information in respect of the Group.

OPEN OFFER

Issue statistics

Basis of the Open Offer	: One Offer Share for every five existing Shares held by Qualifying Shareholders on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date	: 430,295,989 Shares
Number of authorised Shares as at the Latest Practicable Date	: 1,000,000,000 Shares
Number of Offer Shares	: not less than 86,059,197 Offer Shares and not more than 87,412,197 Offer Shares
Underwriter	: Best Grade
Subscription Price for Offer Shares	: HK\$0.35 per Offer Share

Under the Open Offer, on the assumption that no outstanding Share Option is exercised before the Record Date, 86,059,197 Offer Shares would be allotted, representing approximately 20% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of 86,059,197 Offer Shares. There are 6,765,000 Share Options outstanding and exercisable as at the Latest Practicable Date. On the assumption that the 6,765,000 Share Options will all be exercised before the Record Date and qualified for the Open Offer, not more than 87,412,197 Offer Shares would be allotted under the Open Offer, representing approximately 20.31% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as enlarged by the 6,765,000 Shares issued upon the exercise of the 6,765,000 Share Options and the issue of 87,412,197 Offer Shares. Save as disclosed, apart from the 6,765,000 Share Options, there are no other outstanding warrants, convertible notes or other rights to subscribe for Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

Qualifying Shareholders and Non-Qualifying Shareholders

The Company will send the Open Offer Documents to Qualifying Shareholders only. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must not be a Non-Qualifying Shareholder. In order to be registered as a member at the close of business on the Record Date, all transfer of Shares (with the relevant share certificates) must be lodged for registration with the branch share registrar of the Company in Hong Kong, by 4:00 p.m. (Hong Kong time) on Tuesday, 20 May 2008 according to the expected timetable.

The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The Open Offer Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. The Company will send the Prospectus, but not the Application Forms and Excess Application Forms, to the Non-Qualifying Shareholders for their information only. The entitlements of the Non-Qualifying Shareholders under the Open Offer may be taken up by the Qualifying Shareholders who have applied for the Offer Shares through excess application.

Rights of the overseas or Non-Qualifying Shareholders

Based on the register of members of the Company as at the Latest Practicable Date, there were three Overseas Shareholders, and their addresses as shown in the register of members of the Company were in the United States, Australia and Singapore. The Company has complied with all necessary requirements specified in Rule 13.36(2) of the Listing Rules and has made enquiry with its legal advisers regarding the feasibility of extending the Open Offer to the Overseas Shareholders under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges.

The Company has obtained advice from its legal adviser in Singapore confirming that no local legal or regulatory compliance is required to be made in this jurisdiction in connection with the Open Offer. Accordingly, the Open Offer will be extended to the Overseas Shareholder in Singapore.

The Company has also obtained advices from its legal advisers in Australia and the United States confirming that local legal and regulatory requirements may have to be complied with if the Open Offer is to be extended to the Overseas Shareholders in these jurisdictions. In this connection, the Company considers that it would be necessary or expedient to exclude the Overseas Shareholders in these jurisdictions from the Open Offer, taking into consideration the said legal advice and due to impracticality and/or the time and costs involved in complying with the relevant local legal or regulatory requirements. The Company has therefore arranged for this Prospectus, and not the Application Forms and Excess Application Forms, to be sent to the Non-Qualifying Shareholders for their information only.

LETTER FROM THE BOARD

Closure of Register of Members

The register of members of the Company was closed from Wednesday, 21 May 2008 to Monday, 26 May 2008 (both dates inclusive) to determine entitlement of Qualifying Shareholders as at the Record Date. No transfer of Shares can be registered during this period.

Subscription Price for the Offer Shares

The Subscription Price of HK\$0.35 per Offer Share will be payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 32.69% to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.70% to the average closing price of HK\$0.536 per Share as quoted on the Stock Exchange for the five consecutive Trading Days up to and including the Last Trading Day;
- (iii) a discount of approximately 31.97% to the average closing price of HK\$0.5145 per Share as quoted on the Stock Exchange for the ten consecutive Trading Days up to and including the Last Trading Day;
- (iv) a discount of approximately 28.86% to the theoretical ex-right price of approximately HK\$0.492 based on the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 62.81% over the unaudited consolidated net assets value per Share of approximately HK\$0.941 as at 30 September 2007 (based on the unaudited consolidated net assets value of the Group over the number of issued Shares as at 30 September 2007); and
- (vi) a discount of approximately 23.91% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at with reference to the market price of the Shares under the prevailing market conditions and the relatively low liquidity of the Shares and was agreed on an arm's length basis between the Company and the Underwriter. The Directors consider the Subscription Price and the rate of discount to the closing price on the Last Trading Day to be fair and reasonable and in the interests of the Company and the Shareholders as a whole on the basis that the Qualifying Shareholders are offered a chance to elect to subscribe for the Offer Shares at a relatively low price and to maintain their respective pro rata shareholdings in the Company. The Directors also consider that the discount will encourage the Qualifying Shareholders to take up their entitlements, so as to participate in and share the potential growth of the Group. The shareholding interest of Qualifying Shareholders who elect not to take up their entitlements may be diluted by a maximum of approximately 16.67%.

LETTER FROM THE BOARD

Basis of allotment of Offer Shares

One Offer Share for every five existing Shares held by a Qualifying Shareholder as at the close of business on the Record Date.

Status of the Offer Shares

When allotted, issued and fully paid, the Offer Shares will rank pari passu in all respects with the then existing Shares in issue and holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made and paid after the date of issue of the Offer Shares.

Fractions of Offer Shares

Fractional entitlements to the Offer Shares will not be issued but will be aggregated and made available for excess application. The Company will not allot any fractions of Offer Shares.

Applications for Excess Offer Shares

Qualifying Shareholders shall be entitled to apply for any entitlements of the Non-Qualifying Shareholders, any Offer Shares not taken up by Qualifying Shareholders and the abovementioned aggregated fractional entitlements. An application may be made by completing the Excess Application Form for Excess Offer Shares and lodging the same with a separate remittance for the Excess Offer Shares being applied for before the Latest Acceptance Time.

The Directors will allocate the Excess Offer Shares at their discretion on a fair and equitable basis based on the following principles:

- (1) preference will be given to applications for less than a board lot of Offer Shares where they appear to the Directors that such applications are made to round up odd-lot to whole board lot and that such applications are not made with intention to abuse this mechanism; and
- (2) subject to availability of excess Offer Shares after allocation under principle (1) above, the excess Offer Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the Excess Offer Shares applied by each Qualifying Shareholder (i.e. Qualifying Shareholders applying for smaller number of Offer Shares are allocated with a higher percentage of successful application but will receive less number of Offer Shares; whereas Qualifying Shareholders applying for larger number of Offer Shares are allocated with smaller percentage of successful application but will receive higher number of Offer Shares) and with board lot allocations to be made on best effort basis.

Shareholders with their Shares held by a nominee (or CCASS) should note that the Board will regard the nominee (including CCASS) as a single Shareholder according to the register of members of the Company.

LETTER FROM THE BOARD

Arrangement for odd lot matching services

In order to facilitate the trading of odd lots of Offer Shares as a result of the Open Offer, the Company has appointed Pacific Foundation Securities Limited to provide matching service to the Shareholders who wish to either to dispose of or top-up their odd lots of Shares from Wednesday, 18 June 2008 up to and including Friday, 18 July 2008. Shareholders who wish to take advantage of this facility should contact Mr. Sam Ng of Pacific Foundation Securities Limited at 11/F, New World Tower II, 16–18 Queen’s Road Central, Hong Kong (telephone number: 2530 3338) during the aforesaid period. Shareholders should note that the matching of the sale and purchase of odd lots of Shares is not guaranteed.

Shareholders are recommended to consult their professional advisers if they are in any doubt about the matching facility described above.

Certificates and refund cheques for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, as set out in the paragraph headed “Conditions of the Open Offer” below, certificates for all fully-paid Offer Shares are expected to be posted by Wednesday, 18 June 2008 by ordinary post to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares, at their own risk. Refund cheques in respect of the wholly or partially unsuccessful applications for Excess Offer Shares (if any) are expected to be posted by Wednesday, 18 June 2008 by ordinary post to the applicants at their own risk.

Application for Listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duties and relevant trading fees and Securities and Futures Commission transaction levy in Hong Kong.

CONDITIONS OF THE OPEN OFFER

Completion of the Open Offer is conditional upon, among others, fulfillment of each of the following conditions:

- (1) all necessary approvals, permits, waivers, consents and all the authorisations, if required, having been obtained for the Open Offer and the issue of the Offer Shares;
- (2) the delivery to the Stock Exchange and filing and registration of all documents relating to the Open Offer required by the applicable laws and the Listing Rules to be filed and/or registered with the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda on or before the Posting Date;
- (3) the posting of the Open Offer Documents to the Qualifying Shareholders on or before the Posting Date;

LETTER FROM THE BOARD

- (4) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Offer Shares either unconditionally or subject to such conditions as the Company may accept;
- (5) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;
- (6) compliance with and performance of all the undertakings and obligations of the Underwriter under the Underwriting Agreement; and
- (7) the Underwriting Agreement becoming unconditional and not being terminated by the Underwriter in accordance with the terms thereof.

If any of the conditions of the Open Offer is not fulfilled by or at the time and/or date specified therefor (or if no time or date is specified, 19 June 2008, or such other time as may be agreed between the Underwriter and the Company), or shall become incapable of being fulfilled on or before such time, or the Underwriting Agreement is terminated by the Underwriter by written notice to the Company pursuant to the terms of the Underwriting Agreement, in which cases the Open Offer will not proceed.

UNDERWRITING ARRANGEMENT

Any Offer Share not taken up by the Qualifying Shareholders, other than Best Grade, will be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

Date	:	30 April 2008
Issuer	:	the Company
Underwriter	:	Best Grade
Number of Underwritten Shares	:	all of the Offer Shares, but effectively not less than 40,395,963 and not more than 41,208,963 Offer Shares (<i>see Note (1)</i>)
Commission	:	Nil

Note (1): The Underwriter has agreed to underwrite all of the Offer Shares in accordance with the terms of the Underwriting Agreement. However, as a result of the undertaking of Best Grade, Dayspring, Mr. Lam and Ms. Yeung to take up their pro rata entitlement under the Open Offer, the underwriting obligations under the Underwriting Agreement is effectively limited to the number of Underwritten Shares.

Pursuant to the Underwriting Agreement, Best Grade, being the Underwriter, has agreed to subscribe or procure the subscription for all of the Offer Shares but has effectively agreed to subscribe or procure the subscription for all of the Underwritten Shares only for

LETTER FROM THE BOARD

reasons set out in Note (1) above. The aggregate value of such Underwritten Shares amounts to not more than approximately HK\$14.42 million and not less than approximately HK\$14.14 million at the Subscription Price.

The entire issued share capital of Best Grade is held by Masterline Industrial Limited as trustee of The New Super Star Unit Trust. All except one unit in The New Super Star Unit Trust are beneficially owned by two discretionary trusts, the discretionary beneficiaries of which include Mr. Lam, Chairman of the Company and an executive Director, Ms. Yeung, Vice Chairman of the Company and an executive Director and Mr. Lam Chuen Yik, Kenneth. HSBC International Trustee Limited acted as trustee of the two discretionary trusts.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfillment or waiver of the following conditions precedent on or before the Back Stop Date:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having revoked, the listing of, and permission to deal in, the Offer Shares;
- (ii) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong not later than the Posting Date of one copy of each of the Open Offer Documents each duly certified by two of the Directors (or by their duly authorised agents in writing) and the Secretary of the Company as having been approved by resolution by the Board (and all documents required to be attached thereto, if any) in compliance with the Listing Rules and the Companies Ordinance;
- (iii) the filing of one duly certified (by or on behalf of each Director) copy of the Open Offer Documents with the Registrar of Companies in Bermuda;
- (iv) the posting of the Open Offer Documents to Qualifying Shareholders;
- (v) the delivery to the Underwriter of those documents listed in the schedule of the Underwriting Agreement, when specified therein; and
- (vi) the obtaining of the permission of the Bermuda Monetary Authority, if required, for the issue of the Offer Shares.

In the event of the above conditions not being fulfilled or waived on or before the Back Stop Date (or such later date or dates as may be agreed between the Company and the Underwriter) or if the Underwriting Agreement shall be rescinded, all obligations and liabilities of the parties thereunder will forthwith cease and determine and neither party will have any claim against the other (save in respect of any antecedent breaches thereof).

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN SHARES

Shares have been dealt with on an ex-entitlement basis since Monday, 19 May 2008.

Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the fulfillment of all the conditions set out under the paragraph headed “Conditions of the Open Offer” and the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out under the section headed “Termination of the Underwriting Agreement” in this Prospectus). Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If in any doubt, investors should consider obtaining professional advice on this.

IRREVOCABLE UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, (i) Best Grade is the beneficial owner of 224,222,174 Shares, representing approximately 52.11%; (ii) Dayspring is the beneficial owner of 844,000 Shares, representing approximately 0.20%; (iii) Mr. Lam is the beneficial owner of 2,150,000 Shares, representing approximately 0.50%; and (iv) Ms. Yeung is the beneficial owner of 1,100,000 Shares, representing approximately 0.26% respectively of the issued share capital of the Company.

Best Grade, Dayspring, Mr. Lam and Ms. Yeung have irrevocably respectively to subscribe for their pro rata entitlement under the Open Offer, being an aggregate of not less than 45,663,234 Offer Shares and not more than 46,203,234 Offer Shares.

As at the Latest Practicable Date, other than the abovementioned undertaking, the Company has not received any undertaking provided by any other Shareholders to subscribe for his/her/its entitlement under the Open Offer.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the changes in the shareholding structure of the Company arising from the Open Offer:

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Open Offer assuming all Shareholders take up their respective allotment of the Offer Shares in full and no Share Option is exercised before the Record Date				Immediately after completion of the Open Offer assuming no Shareholder takes up any of the Underwritten Shares, all Underwritten Shares are taken up by the Underwriter and no Share Option is exercised before the Record Date			Immediately after completion of the Open Offer assuming no Shareholder takes up any of the Underwritten Shares, all Underwritten Shares are taken up by the Underwriter and 6,765,000 Share Options (Note) are exercised before the Record Date		
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Lam	2,150,000	0.50	2,580,000	0.50	4,380,000	0.84	2,580,000	0.50	4,380,000	0.84		
Ms. Yeung	1,100,000	0.26	1,320,000	0.26	2,760,000	0.53	1,320,000	0.26	2,760,000	0.53		
Dayspring	844,000	0.20	1,012,800	0.20	1,012,800	0.19	1,012,800	0.20	1,012,800	0.19		
Best Grade	224,222,174	52.11	269,066,608	52.11	269,066,608	51.30	309,462,571	59.93	310,275,571	59.16		
Other Directors and connected persons	12,325,819	2.86	14,790,982	2.86	16,590,982	3.16	12,325,819	2.38	13,825,819	2.63		
Public												
— holders of Share Options other than Directors	0	0.00	0	0.00	3,078,000	0.59	0	0.00	2,565,000	0.49		
— existing public Shareholders	189,653,996	44.07	227,584,796	44.07	227,584,796	43.39	189,653,996	36.73	189,653,996	36.16		
Total	430,295,989	100.00%	516,355,186	100.00%	524,473,186	100.00%	516,355,186	100.00%	524,473,186	100.00%		

Note: These 6,765,000 Share Options are held as to 1,500,000 Share Options by Mr. Lam, 1,200,000 Share Options by Ms. Yeung, 1,500,000 Share Option by other Directors and 2,565,000 Share Options by other employees of the Group.

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in printing and manufacturing of packaging materials, children's pictures and novelty books, paper products and labels, environmentally friendly products, and the provision of design, photographic and colour separation services.

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK\$1,128 million. Profit for the year attributable to equity holders of the Company was approximately HK\$33 million. The Group's basic earnings per share was HK7.58 cents.

For the six months ended 30 September 2007, turnover of the Group amounted to approximately HK\$626 million, a decrease of 1% compared with the same period last year. Net profit increased by 5% to approximately HK\$30 million.

In the near future, the Group is striving to capture the business opportunities brought by the modest expansion of the economy in the People's Republic of China while preparing for unexpected downturns. In view of the global phenomena of growing competition and

LETTER FROM THE BOARD

shrinking profit margin, the Group is exploring new measures to add value to its operations and to build up new edges to differentiate itself from its competitors. The management will prudently explore these initiatives in the best interests of the Shareholders.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of expenses) are expected to amount to approximately HK\$28.8 million (assuming no exercise of the Share Options on or before the Record Date) or approximately HK\$29.3 million (assuming the Share Options are being exercised on or before the Record Date), and will be used for general working capital of the Group.

The estimated expense in relation to the Open Offer, including financial, legal and other professional advisory fees, printing and translation expenses, of approximately HK\$1.3 million, will be borne by the Company. The Group intends to strengthen its financial position by the Open Offer, which will enable the Company to expand its capital base. The Directors also consider that it is in the interests of the Company and its Shareholders to raise capital to meet the Group's funding requirements by way of the Open Offer, which will allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company.

The Group did not carry out any capital raising activities within the last 12 months prior to the Latest Practicable Date.

ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEME

As at the Latest Practicable Date, there are 6,765,000 Share Options outstanding and exercisable. Pursuant to the terms of the Share Option Scheme, the exercise prices and the number of Shares to be issued under the Share Options will be adjusted in accordance with the Share Option Scheme upon the Open Offer becoming unconditional. The Company appointed Hercules Capital Limited to review and confirm the basis of such adjustments (if any) to the Share Options comply with Chapter 17 of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and comply with such other requirements as prescribed in accordance with the rules of the Share Option Scheme. The Company will inform the holders of the Share Options of the adjustments (if any) as a result of the Open Offer.

PROCEDURE FOR APPLICATION

Application for Offer Shares

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to apply for the number of Offer Shares as shown therein subject to payment in full by the Latest Acceptance Time. Qualifying Shareholders should note that they may apply for any number of Offer Shares only up to the number set out in the Application Form.

LETTER FROM THE BOARD

If Qualifying Shareholders wish to apply for all the Offer Shares offered to them as specified in the Application Form or wish to apply for any number less than their entitlements under the Open Offer, they must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer Shares they have applied for with, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Tuesday, 10 June 2008. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or bankers' cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Starlite Holdings Limited — Open Offer Account" and crossed "Account Payee Only".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with, Tricor Secretaries Limited by not later than 4:00 p.m. on Tuesday, 10 June 2008, the entitlements of the respective Qualifying Shareholders under the Open Offer and all rights in relation thereto shall be deemed to have been declined and will be cancelled.

Application for Excess Offer Shares

Qualifying Shareholders may apply, by way of excess application, for any Offer Shares entitled by the Qualifying Shareholders but not validly applied for by them, any Offer Shares arising from the aggregation of fractional entitlements and any Offer Shares not offered to the Non-Qualifying Shareholders.

Application for Excess Offer Shares should be made by completing the Excess Application Form enclosed with this Prospectus for Excess Offer Shares and lodging the same with a separate remittance for the full amount payable in respect of the Excess Offer Shares being applied for in accordance with the instructions printed thereon, with Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Tuesday, 10 June 2008. All remittances must be made in Hong Kong dollars and cheques must be drawn on an account with, or bankers' cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Starlite Holdings Limited — Excess Application Account" and crossed "Account Payee Only". The share registrar of the Company and transfer office will notify the Qualifying Shareholders of any allotment of the Excess Offer Shares made to them.

It should be noted that unless the duly completed and signed Excess Application Form, together with the appropriate remittance, have been lodged with the registrar by not later than 4:00 p.m. on Tuesday, 10 June 2008, the Excess Application Form is liable to be rejected.

All cheques or bankers' cashier's orders will be presented for payment immediately following receipt and all interest earned on such application monies will be retained for the benefit of the Company. Any Application Form or Excess Application Form in respect of which the cheque or bankers' cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlements of the Qualifying Shareholders under the Open Offer will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

In the event that applications are received for the Offer Shares in excess of provisional entitlements, the Directors will allocate the Offer Shares in excess of provisional entitlements at their discretion, but on a fair and reasonable basis based on the principles as stated under the section headed “Application for Excess Offer Shares” above.

Both Application Form and Excess Application Form are for the use by the person(s) named therein only and are not transferable.

No receipt will be issued in respect of any application monies received.

Any Offer Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter.

The Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single Shareholder according to the register of members of the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the Appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board
Starlite Holdings Limited
Lam Kwong Yu
Chairman

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the consolidated results of the Group for the three years ended 31 March 2005, 2006 and 2007, and the consolidated balance sheets as at 31 March 2005, 2006 and 2007 as extracted from the published annual reports of the Company for the two years ended 31 March 2006 and 2007.

Consolidated income statements

For the year ended 31 March

	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	850,787	907,054	1,128,021
Cost of sales	<u>(629,584)</u>	<u>(700,549)</u>	<u>(881,378)</u>
Gross profit	221,203	206,505	246,643
Other gains — net	1,045	1,609	393
Selling and distribution costs	(47,058)	(50,367)	(62,913)
General and administrative expenses	<u>(88,256)</u>	<u>(90,746)</u>	<u>(125,194)</u>
Operating profit	86,934	67,001	58,929
Finance costs — net	<u>(6,224)</u>	<u>(13,389)</u>	<u>(17,304)</u>
Profit before income tax	80,710	53,612	41,625
Income tax expense	<u>(17,906)</u>	<u>(22,484)</u>	<u>(9,084)</u>
Profit for the year, attributable to equity holders of the Company	<u><u>62,804</u></u>	<u><u>31,128</u></u>	<u><u>32,541</u></u>
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
— Basic	<u><u>14.77</u></u>	<u><u>7.27</u></u>	<u><u>7.58</u></u>
— Diluted	<u><u>14.73</u></u>	<u><u>7.26</u></u>	<u><u>7.58</u></u>
Dividends	<u><u>17,079</u></u>	<u><u>12,884</u></u>	<u><u>12,884</u></u>

Consolidated balance sheets*As at 31 March*

	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Leasehold land and land use rights	28,623	26,413	26,825
Property, plant and equipment	333,729	418,904	448,017
Other non-current assets	<u>968</u>	<u>1,180</u>	<u>1,543</u>
	----- 363,320	----- 446,497	----- 476,385
Current assets			
Inventories	72,697	85,136	105,274
Trade and bills receivable	141,664	176,753	195,017
Prepayments and deposits	27,214	25,064	15,094
Pledged bank deposits	12,306	—	—
Cash and cash equivalents	<u>79,926</u>	<u>89,812</u>	<u>107,043</u>
	----- 333,807	----- 376,765	----- 422,428
LIABILITIES			
Current liabilities			
Borrowings	91,887	119,663	172,529
Finance lease obligations, current portion	9,455	7,655	2,565
Trade and bills payable	122,140	134,494	154,211
Accruals and other payables	47,695	41,993	49,260
Current income tax liabilities	<u>14,928</u>	<u>18,015</u>	<u>22,035</u>
	----- 286,105	----- 321,820	----- 400,600
Net current assets	----- 47,702	----- 54,945	----- 21,828
Total assets less current liabilities	----- 411,022	----- 501,442	----- 498,213

	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current liabilities			
Borrowings	60,510	135,135	106,974
Finance lease obligations, non-current portion	6,380	5,092	2,858
Deferred income tax liabilities	<u>17,301</u>	<u>15,794</u>	<u>13,303</u>
	<u>84,191</u>	<u>156,021</u>	<u>123,135</u>
Net assets	<u>326,831</u>	<u>345,421</u>	<u>375,078</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	42,517	42,947	42,947
Reserves	<u>284,314</u>	<u>302,474</u>	<u>332,131</u>
Shareholders' equity	<u>326,831</u>	<u>345,421</u>	<u>375,078</u>

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Set out below are the audited consolidated financial statements of the Group for the year ended 31 March 2007 together with the relevant notes thereto as extracted from the Company's published annual report for the year ended 31 March 2007.

Consolidated income statement

For the year ended 31st March, 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	5	1,128,021	907,054
Cost of sales	7	<u>(881,378)</u>	<u>(700,549)</u>
Gross profit		246,643	206,505
Other gains — net	6	393	1,609
Selling and distribution costs	7	(62,913)	(50,367)
General and administrative expenses	7	<u>(125,194)</u>	<u>(90,746)</u>
Operating profit		58,929	67,001
Finance costs — net	8	<u>(17,304)</u>	<u>(13,389)</u>
Profit before income tax		41,625	53,612
Income tax expense	11	<u>(9,084)</u>	<u>(22,484)</u>
Profit for the year, attributable to equity holders of the Company	12	<u><u>32,541</u></u>	<u><u>31,128</u></u>
Earnings per share for profit attributable to equity holders of the Company during the year <i>(expressed in HK cents per share)</i>	13		
— Basic		<u><u>7.58</u></u>	<u><u>7.27</u></u>
— Diluted		<u><u>7.58</u></u>	<u><u>7.26</u></u>
Dividends	14	<u><u>12,884</u></u>	<u><u>12,884</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Balance sheets*As at 31st March, 2007*

	Note	Consolidated		Company	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
ASSETS					
Non-current assets					
Leasehold land and land use rights	15	26,825	26,413	—	—
Property, plant and equipment	16	448,017	418,904	—	—
Investments in and amounts due from subsidiaries	17	—	—	244,523	244,934
Other non-current assets		<u>1,543</u>	<u>1,180</u>	<u>—</u>	<u>—</u>
		<u>476,385</u>	<u>446,497</u>	<u>244,523</u>	<u>244,934</u>
Current assets					
Inventories	18	105,274	85,136	—	—
Trade and bills receivable	19	195,017	176,753	—	—
Prepayments and deposits		15,094	25,064	702	739
Cash and cash equivalents	20	<u>107,043</u>	<u>89,812</u>	<u>280</u>	<u>71</u>
		<u>422,428</u>	<u>376,765</u>	<u>982</u>	<u>810</u>
LIABILITIES					
Current liabilities					
Borrowings	21	172,529	119,663	—	—
Finance lease obligations, current portion	22	2,565	7,655	—	—
Trade and bills payable	23	154,211	134,494	—	—
Accruals and other payables		49,260	41,993	1,040	1,095
Current income tax liabilities		<u>22,035</u>	<u>18,015</u>	<u>14</u>	<u>—</u>
		<u>400,600</u>	<u>321,820</u>	<u>1,054</u>	<u>1,095</u>
Net current assets/(liabilities)		<u>21,828</u>	<u>54,945</u>	<u>(72)</u>	<u>(285)</u>
Total assets less current liabilities		<u>498,213</u>	<u>501,442</u>	<u>244,451</u>	<u>244,649</u>

	<i>Note</i>	Consolidated		Company	
		2007	2006	2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Borrowings	21	106,974	135,135	—	—
Finance lease obligations, non-current portion	22	2,858	5,092	—	—
Deferred income tax liabilities	24	13,303	15,794	—	—
Amounts due to subsidiaries	17	—	—	85,703	73,178
		<u>123,135</u>	<u>156,021</u>	<u>85,703</u>	<u>73,178</u>
Net assets		<u>375,078</u>	<u>345,421</u>	<u>158,748</u>	<u>171,471</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	42,947	42,947	42,947	42,947
Reserves	27	<u>332,131</u>	<u>302,474</u>	<u>115,801</u>	<u>128,524</u>
Shareholders' equity		<u>375,078</u>	<u>345,421</u>	<u>158,748</u>	<u>171,471</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity*For the year ended 31st March, 2007*

	Attributable to equity holders of the Company		
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 31st March, 2006	42,947	302,474	345,421
Fair value gains	—	363	363
Currency translation differences	—	9,476	9,476
Net income recognised directly in equity	—	9,839	9,839
Profit for the year	—	32,541	32,541
Total recognised income for the year	—	42,380	42,380
	42,947	344,854	387,801
Employee share options scheme			
— Value of employee services	—	161	161
Dividends paid	—	(12,884)	(12,884)
Balance at 31st March, 2007	42,947	332,131	375,078
Balance at 1st April, 2005	42,517	283,130	325,647
Fair value gains	—	127	127
Currency translation differences	—	1,697	1,697
Net income recognised directly in equity	—	1,824	1,824
Profit for the year	—	31,128	31,128
Total recognised income for the year	—	32,952	32,952
	42,517	316,082	358,599
Employee share options scheme			
— Value of employee services	—	693	693
— Issue of shares upon exercise of employee share options	25 430	2,840	3,270
Dividends paid	—	(17,141)	(17,141)
Balance at 31st March, 2006	42,947	302,474	345,421

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated cash flow statement*For the year ended 31st March, 2007*

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cash flows from operating activities			
Cash inflow generated from operations	28(a)	118,220	80,931
Interest paid		(18,451)	(14,024)
Hong Kong profits tax paid		(10,427)	(12,706)
Overseas income tax paid		(7,949)	(4,646)
Hong Kong income tax refunded		6,943	—
Overseas income tax refunded		<u>1,268</u>	<u>969</u>
Net cash generated from operating activities		<u>89,604</u>	<u>50,524</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(73,989)	(128,301)
Proceeds from disposal of property, plant and equipment	28(b)	150	315
Decrease in pledged bank deposits		—	12,511
Interest received		1,147	635
Translation adjustments		<u>(4,180)</u>	<u>(3,780)</u>
Net cash used in investing activities		<u>(76,872)</u>	<u>(118,620)</u>
Cash flows from financing activities			
Proceeds from exercise of employee share options		—	3,270
New long-term bank loans		29,155	142,000
Repayment of long-term bank loans		(62,139)	(47,210)
New short-term bank loans		342,450	333,737
Repayment of short-term bank loans		(286,434)	(325,955)
Repayment of capital element of finance lease obligations		(7,717)	(10,509)
Dividends paid		(12,884)	(17,141)
Translation adjustments		<u>2,319</u>	<u>1,233</u>
Net cash provided by financing activities		<u>4,750</u>	<u>79,425</u>
Net increase in cash and cash equivalents		17,482	11,329
Cash and cash equivalents, beginning of year		89,307	78,184
Effect of foreign exchange rate changes		<u>—</u>	<u>(206)</u>
Cash and cash equivalents, end of year	20	<u><u>106,789</u></u>	<u><u>89,307</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements**1. GENERAL INFORMATION**

Starlite Holdings Limited (the “Company”) is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products.

The Company was incorporated in Bermuda on 3rd November, 1992, as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda. The Company’s shares have been listed on The Stock Exchange of Hong Kong Limited since 1993.

The Company’s Directors regard Best Grade Advisory Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

These consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated.

These consolidated financial statements were approved for issue by the Company’s Board of Directors on 9th July, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements comprise the consolidated and the Company balance sheets at 31st March, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the consolidated financial statements, are disclosed in Note 4. These estimates and judgement affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management’s best knowledge of events and actions, actual results ultimately may differ from those estimates.

(a) *Amendments to and interpretations of published standards effective in 2006 and relevant to the Group's operations*

The following amendments and interpretations are mandatory for accounting periods beginning on or after 1st January, 2006 and are relevant to the Group's operations:

- Amendment to HKAS 39 and HKFRS 4, Amendment "Financial Guarantee Contracts". This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on the Group's financial statements.
- HK(IFRIC)-Int 4 "Determining Whether an Arrangement Contains a Lease". It requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (i) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (ii) the arrangement conveys a right to use the asset. The adoption of this interpretation does not have a significant impact on the Group's financial statements.
- HKAS 21 Amendment "Net Investment in a Foreign Operation". This amendment permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation, and therefore any relating exchange difference to be treated as equity in the consolidated financial statements. Previously such loans had to be denominated in the functional currency of one of the parties to the transactions. The adoption of this amendment does not have a significant impact on the Group's financial statements.

(b) *New standards and interpretations to existing standards that are not effective and have not been early adopted by the Group*

The following are the new standards and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after 1st May, 2006 or later periods that the Group has not early adopted:

- HKFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1st January, 2007), HKAS 1 "Amendments to capital disclosures" (effective for annual periods beginning on or after 1st January, 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Group has assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will adopt HKFRS 7 and the amendment to HKAS 1 for annual periods beginning 1st April, 2007.
- HKFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1st January, 2009). HKFRS 8 supersedes HKAS 14, "Segment Reporting", which requires segments to be reported based on the Group's internal reporting pattern as they represent components of the Group regularly reviewed by management. Management considers the adoption of HKFRS 8 will have no significant impact on the segment disclosures of the Group. The Group will apply HKFRS 8 from 1st April, 2009.
- HK(IFRIC)-Int 8 "Scope of HKFRS 2" (effective for annual periods beginning on or after 1st May, 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less

than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1st April, 2007, but it is not expected to have any significant impact on the Group's financial statements.

- HK(IFRIC)-Int 9 “Reassessment of Embedded Derivatives” (effective for annual periods beginning on or after 1st June, 2006). Management believes that this interpretation should not have significant impact on the Group's accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with HK(IFRIC)-Int 9. The Group will apply HK(IFRIC)-Int 9 from 1st April, 2007.
- HK(IFRIC)-Int 10 “Interim Financial Reporting and Impairment” (effective for annual periods beginning on or after 1st November, 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st April, 2007, but it is not expected to have any significant impact on the Group's financial statements.
- HK(IFRIC)-Int 11 “HKFRS 2 — Group and Treasury Share Transfer” (effective for annual periods beginning on or after 1st April, 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply HK(IFRIC)-Int 11 from 1st April, 2007 but it is not expected to have any significant impact on the Group's financial statements.

(c) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretation to an existing standard has been published that is mandatory for accounting periods beginning on or after 1st January, 2008 and is not relevant for the Group's operations:

- HK(IFRIC)-Int 12 “Service Concession Arrangement”. This interpretation sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group.

(d) Standards, amendments and interpretations effective for accounting periods beginning on 1st April, 2006 but not relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January, 2006 but are not relevant to the Group's operations:

- HKAS 19 Amendment “Employee Benefits”
- HKAS 39 Amendment “Cash Flow Hedge Accounting of Forecast Intragroup Transactions”
- HKFRS 1 Amendment “First-time adoption of Hong Kong Financial Reporting Standards”
- HK(IFRIC)-Int 5 “Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”

- HK(IFRIC)-Int 6 — “Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment”
- HK(IFRIC)-Int 7 “Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economics”

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less accumulated impairment losses, if any. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities or operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

2.6 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

— Buildings	25 to 50 years
— Plant and machinery	5 to 10 years
— Furniture and equipment	5 to 10 years
— Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress comprises buildings on which construction work has not been completed and plant and machinery on which installation work has not been completed. It is carried at cost which includes construction and installation expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses. No depreciation is provided for construction in progress until it is completed and available for use.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: derivative financial instruments at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Derivative financial instruments

The Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement within "other gains/losses" in the income statement.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months in which case they are classified as non-current assets.

Loan and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement within general and administrative expenses. When a receivable is uncollectible, it is written off against the allowance for receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

2.11 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of the leave.

(ii) Retirement benefits

Group companies participate in various defined contribution retirement benefit schemes. A defined contribution plan is a retirement benefit scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution for post-retirement benefits beyond these fixed contributions.

The schemes are generally funded through payments to insurance companies or trustee-administered funds. The Group pays contributions on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date,

the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, installation or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.20 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.21 Contingent assets and contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.22 Financial guarantees

A financial guarantee (a type of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instruments. The Group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each balance sheet date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

2.23 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risk.

Management regularly monitors the financial risks of the Group and uses derivative financial instruments to hedge certain foreign exchange risk exposures. Because of the simplicity of the financial structure and the current operations of the Group, no other hedging activities are undertaken except for some forward contracts to partially hedge the Group's foreign exchange risk.

(a) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from the exposure of various currencies against Hong Kong Dollar, including the Chinese Renminbi, United States Dollar and Singapore Dollar. Such foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in operations in Mainland China and Singapore.

To manage foreign exchange risk arising from certain future commercial transactions and recognised liabilities, the Group uses forward contracts transacted with external financial institutions to partially hedge against such foreign exchange risk.

Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, deposits with banks and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. For sales transactions, risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Derivative counter parties and cash transactions are limited to high-credit-quality financial institutions.

The Group has no significant concentrations of credit risk.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's management aims to maintain flexibility in funding by keeping committed credit lines available.

(d) *Cash flow and fair value interest-rate risk*

Except for the bank deposits as at 31st March, 2007 of HK\$17,416,000 held at effective interest rates ranging from 1.95% to 3.63% per annum, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group has made use of the lower cost Hong Kong Dollar loan facilities to finance its Chinese Renminbi-denominated commitments in Mainland China.

3.2 Fair value estimation

The fair values of forward currency contracts are determined using quoted forward exchange rates at the balance sheet date.

The carrying values less impairment provisions of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

(b) Impairment of property, plant and equipment, leasehold land and land use rights

Property, plant and equipment, leasehold land and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount are determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses these estimates at each balance sheet date.

(d) Trade, bills and other receivables

The Group's management determines the provision for impairment of trade, bills and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made. Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(f) Employee benefits — share-based payments

The determination of the fair value of share options granted requires estimates in determining, among other things, the expected volatility of the share price, the expected dividend yield, the risk-free interest rate for the life of the option, and the number of options that are expected to become exercisable as stated in Note 26. Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting periods of the relevant share options.

5. SEGMENT INFORMATION**(a) Revenue is analysed as follows:**

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of packaging materials, labels, paper products and environmentally friendly products	1,116,374	902,688
Others	<u>11,647</u>	<u>4,366</u>
	<u>1,128,021</u>	<u>907,054</u>

(b) Primary reporting format — business segment

The Company is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products. No business segment information is provided as substantially all of the assets, sales and contribution to the Group's results are attributable to the printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products.

(c) Secondary reporting format — geographical segments

The Group primarily operates in Hong Kong, Mainland China and Singapore.

Analysis by geographical location is as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue¹		
— Hong Kong and Mainland China	488,078	388,015
— Singapore	140,103	125,985
— United States of America	339,482	293,932
— Others	<u>160,358</u>	<u>99,122</u>
	<u>1,128,021</u>	<u>907,054</u>

¹ Revenue by geographical location is determined by the destination of shipments/deliveries of merchandise.

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets		
Hong Kong and Mainland China	813,489	752,095
Singapore	<u>85,324</u>	<u>71,167</u>
	<u>898,813</u>	<u>823,262</u>

Total assets are allocated based on where the assets are located.

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure		
Hong Kong and Mainland China	72,303	128,253
Singapore	<u>1,686</u>	<u>48</u>
	<u>73,989</u>	<u>128,301</u>

Capital expenditure is allocated based on where the assets are located.

6. OTHER GAINS — NET

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net exchange gain	414	1,332
Net (loss)/gain on disposal of property, plant and equipment	<u>(21)</u>	<u>277</u>
	<u>393</u>	<u>1,609</u>

7. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution costs, and general and administrative expenses are analysed as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in inventories of finished goods and work in progress	1,357	(13,789)
Raw materials and consumables used	581,327	483,620
Sub-contracting charges	40,302	41,856
Repairs and maintenance	11,609	8,960
Freight and transportation	36,054	28,403
Employment costs (including directors' emoluments) (<i>Note 9</i>)	223,817	172,081
Operating lease rentals of premises charged by		
— third parties	12,255	11,432
— related parties (<i>Note 32</i>)	58	58
Provision for/(Reversal of) impairment of receivables	19,280	(6,295)
Write-down of inventories	2,344	1,000
Amortisation of leasehold land and land use rights	487	2,752
Depreciation of other property, plant and equipment		
— owned assets	54,880	43,894
— assets held under finance leases	2,580	4,044
Auditors' remuneration	1,674	1,499
Other expenses	81,461	62,147
	<u>1,069,485</u>	<u>841,662</u>

8. FINANCE COSTS — NET

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	17,917	13,230
Interest element of finance leases	534	794
Interest income from bank deposits	(1,147)	(635)
	<u>17,304</u>	<u>13,389</u>

9. EMPLOYMENT COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and allowances	196,571	148,782
Discretionary bonus	8,973	5,712
Pension costs — defined contribution plans (i)	10,570	9,020
Provision for long service payments	—	135
Share-based payments	161	693
Other welfare and benefits	7,542	7,739
	<u>223,817</u>	<u>172,081</u>

Note:

- (i) The Group has arranged for its Hong Kong employees to join the Hong Kong Mandatory Provident Fund Scheme (the “MPF Scheme”), which is a defined contribution scheme managed by independent trustees. Under the MPF scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees’ earnings as defined under the Hong Kong Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK\$1,000 and thereafter contributions are voluntary.

As stipulated by rules and regulations in Mainland China, group companies operating in Mainland China contribute to state-sponsored retirement plans for their employees. The employees contribute approximately 5% to 8% of their basic salaries, while the group companies contribute approximately 8% to 20% of the basic salaries of their employees and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

As stipulated by rules and regulations in Singapore, the group company operating in Singapore contributes to the Singapore Central Provident Fund, a statutory pension scheme. The group company and its employees contribute 20% and 13% of the basic salaries of the employees, respectively. The employer’s and employees’ contributions are subject to a cap of monthly earnings of SGD4,500 (equivalent to HK\$22,000).

10. DIRECTORS’ AND SENIOR EXECUTIVES’ EMOLUMENTS

(a) Directors’ emoluments

The remuneration of each director of the Company for the year ended 31st March, 2007 is set out below:

Name of Director	Fees HK\$’000	Salaries and allowances HK\$’000	Discretionary bonuses HK\$’000	Pension costs	Share-based payments HK\$’000	Total HK\$’000
				— defined contribution plans HK\$’000		
<i>Executive Directors</i>						
Mr. Lam Kwong Yu	138	2,940	70	66	32	3,246
Ms. Yeung Chui	88	2,924	62	51	25	3,150
Mr. Tai Tzu Shi, Angus	88	1,104	45	29	11	1,277
Mr. Cheung Chi Shing, Charles	88	1,398	59	37	11	1,593
<i>Non-Executive Director</i>						
Mr. Christopher James Williams	260	—	—	—	—	260
<i>Independent Non-Executive Directors</i>						
Mr. Chan Yue Kwong, Michael	260	—	—	—	—	260
Mr. Kwok Lam-Kwong, Larry, JP	150	—	—	—	—	150
Mr. Tam King Ching, Kenny	150	—	—	—	—	150
	<u>1,222</u>	<u>8,366</u>	<u>236</u>	<u>183</u>	<u>79</u>	<u>10,086</u>

The remuneration of each director of the Company for the year ended 31st March, 2006 is set out below:

Name of Director	Fees	Salaries and allowances	Discretionary bonuses	Pension costs — defined contribution plans	Share-based payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive Directors</i>						
Mr. Lam Kwong Yu	138	2,940	325	61	—	3,464
Ms. Yeung Chui	88	2,911	273	51	—	3,323
Mr. Tai Tzu Shi, Angus	88	1,056	209	28	143	1,524
Mr. Cheung Chi Shing, Charles	88	1,307	289	35	143	1,862
<i>Non-Executive Director</i>						
Mr. Christopher James Williams	260	—	—	—	—	260
<i>Independent Non-Executive Directors</i>						
Mr. Chan Yue Kwong, Michael	260	—	—	—	—	260
Mr. Kwok Lam-Kwong, Larry, JP	150	—	—	—	—	150
Mr. Tam King Ching, Kenny	150	—	—	—	—	150
	<u>1,222</u>	<u>8,214</u>	<u>1,096</u>	<u>175</u>	<u>286</u>	<u>10,993</u>

The share-based payments represent charges to the income statement of the fair value of the share options under the share option scheme measured at the respective grant dates, regardless of whether the share options are or will be exercised or not.

No director waived any emolument during the year ended 31st March, 2007 (2006: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include four (2006: four) directors whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining individual were as follows:

	2007 HK\$'000	2006 HK\$'000
Basic salaries and allowances	1,112	1,020
Discretionary bonuses	45	184
Share-based payment	<u>11</u>	<u>18</u>
	<u>1,168</u>	<u>1,222</u>

(c) During the year ended 31st March, 2007, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil).

11. INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Subsidiaries established and operated in Mainland China are subject to Mainland China Enterprise Income Tax at rates ranging from 15% to 33% for the year (2006: 15% to 33%). In accordance with the applicable law and regulations, the Group's subsidiaries established in Mainland China as wholly foreign owned enterprises or contractual joint ventures are entitled to full exemption from Enterprise Income Tax for the first two years and a 50% reduction in Enterprise Income Tax for the next three years, commencing from the first profitable year or 1st January, 2008, whichever is earlier, after offsetting unexpired tax losses carried forward from previous years.

The subsidiary established in Singapore is subject to Singapore Corporate Income Tax at a rate of 18% (2006: 20%).

The amount of taxation charged to the consolidated income statement represents:

	2007 HK\$'000	2006 HK\$'000
Current income tax expense		
— Hong Kong profits tax	5,724	17,573
— Mainland China Enterprise Income Tax	2,949	3,602
— Singapore Corporate Income Tax	<u>3,055</u>	<u>2,850</u>
	11,728	24,025
Deferred taxation (<i>Note 24</i>)	<u>(2,644)</u>	<u>(1,541)</u>
	<u>9,084</u>	<u>22,484</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

	2007 HK\$'000	2006 HK\$'000
Profit before income tax	<u>41,625</u>	<u>53,612</u>
Tax calculated at domestic tax rate applicable to profits in the respective countries/jurisdictions	6,693	8,917
Income not subject to tax	(152)	(630)
Expenses not deductible for tax	2,578	1,567
Deferred tax assets not recognised	675	2,455
Utilisation of previously unrecognised deferred tax assets	(710)	(988)
Additional provision in respect of prior years	<u>—</u>	<u>11,163</u>
Tax charge	<u>9,084</u>	<u>22,484</u>
Weighted average domestic applicable tax rates	<u>16.1%</u>	<u>16.6%</u>

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The consolidated profit attributable to equity holders includes a profit of HK\$Nil (2006: HK\$544,000) dealt with in the financial statements of the Company.

13. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>32,541</u>	<u>31,128</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>429,476</u>	<u>428,426</u>
Basic earnings per share (<i>HK cents</i>)	<u>7.58</u>	<u>7.27</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. Shares issuable under the employee share option scheme are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
Profit attributable to equity holders of the Company used to determine diluted earnings per share (<i>HK\$'000</i>)	<u>32,541</u>	<u>31,128</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	429,476	428,426
Adjustments for share options (<i>'000</i>)	<u>40</u>	<u>467</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>'000</i>)	<u>429,516</u>	<u>428,893</u>
Diluted earnings per share (<i>HK cents</i>)	<u>7.58</u>	<u>7.26</u>

14. DIVIDENDS

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividends — HK\$0.015 (2006: HK\$0.015) per share	6,442	6,442
Proposed final dividends — HK\$0.015 (2006: HK\$0.015) per share	<u>6,442</u>	<u>6,442</u>
	<u>12,884</u>	<u>12,884</u>

A final dividend is proposed in respect of the year ended 31st March, 2007 of HK1.5 cents per share, amounting to a total dividend of approximately HK\$6,442,000, to be approved by the Company's shareholders at the Company's upcoming Annual General Meeting. This proposed final dividend has not been reflected as a dividend payable in these consolidated financial statements as at 31st March, 2007, but has been reflected as an appropriation of distributable reserves during the year ended 31st March, 2007.

15. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong held on:		
Leases of between 10 to 50 years	3,370	3,458
In Mainland China held on:		
Land use rights of between 10 to 50 years	<u>23,455</u>	<u>22,955</u>
	<u>26,825</u>	<u>26,413</u>
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the year	26,413	28,623
Amortisation	(487)	(2,752)
Translation adjustments	<u>899</u>	<u>542</u>
End of the year	<u>26,825</u>	<u>26,413</u>

Amortisation expense recognised in the consolidated income statement is analysed as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales	88	88
General and administrative expenses	<u>399</u>	<u>2,664</u>
	<u>487</u>	<u>2,752</u>

At 31st March, 2007, leasehold land with a net book amount of approximately HK\$2,110,000 (2006: HK\$2,166,000) was mortgaged as collateral for the Group's banking facilities (Note 31).

16. PROPERTY, PLANT AND EQUIPMENT

	Consolidated					Total HK\$'000
	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	
At 1st April, 2005						
Cost	84,640	465,491	35,665	11,785	22,073	619,654
Accumulated depreciation	(12,676)	(237,992)	(27,037)	(8,220)	—	(285,925)
Net book amount	<u>71,964</u>	<u>227,499</u>	<u>8,628</u>	<u>3,565</u>	<u>22,073</u>	<u>333,729</u>
Year ended 31st March, 2006						
Opening net book amount	71,964	227,499	8,628	3,565	22,073	333,729
Additions	32,540	50,699	13,191	1,170	30,701	128,301
Depreciation	(3,237)	(39,023)	(4,444)	(1,234)	—	(47,938)
Disposals	—	(23)	(7)	(8)	—	(38)
Translation adjustments	981	2,721	144	30	974	4,850
Closing net book amount	<u>102,248</u>	<u>241,873</u>	<u>17,512</u>	<u>3,523</u>	<u>53,748</u>	<u>418,904</u>
At 31st March, 2006						
Cost	118,271	519,471	49,063	12,939	53,748	753,492
Accumulated depreciation	(16,023)	(277,598)	(31,551)	(9,416)	—	(334,588)
Net book amount	<u>102,248</u>	<u>241,873</u>	<u>17,512</u>	<u>3,523</u>	<u>53,748</u>	<u>418,904</u>
Year ended 31st March, 2007						
Opening net book amount	102,248	241,873	17,512	3,523	53,748	418,904
Additions	7,884	38,164	2,167	1,644	24,130	73,989
Depreciation	(4,051)	(46,856)	(5,138)	(1,415)	—	(57,460)
Disposals	—	(1)	(2)	(168)	—	(171)
Transfers	28,155	47,172	—	—	(75,327)	—
Translation adjustments	3,389	7,537	469	149	1,211	12,755
Closing net book amount	<u>137,625</u>	<u>287,889</u>	<u>15,008</u>	<u>3,733</u>	<u>3,762</u>	<u>448,017</u>
At 31st March, 2007						
Cost	158,030	617,206	52,024	14,115	3,762	845,137
Accumulated depreciation	(20,405)	(329,317)	(37,016)	(10,382)	—	(397,120)
Net book amount	<u>137,625</u>	<u>287,889</u>	<u>15,008</u>	<u>3,733</u>	<u>3,762</u>	<u>448,017</u>

(a) Depreciation expense recognised in the consolidated income statement is analysed as follows:

	2007 HK\$'000	2006 HK\$'000
Cost of sales	52,442	44,577
Selling and distribution costs	392	317
General and administrative expenses	<u>4,626</u>	<u>3,044</u>
	<u>57,460</u>	<u>47,938</u>

- (b) Construction in progress mainly represents factories and office buildings and plant and machinery under construction in Mainland China.
- (c) At 31st March, 2007, buildings with a net book value of approximately HK\$2,554,000 (2006: HK\$2,094,000) were mortgaged as collateral for the Group's banking facilities (Note 31).
- (d) Finance leases

Certain machineries above are held under finance leases. Details of these assets are:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost	26,119	39,496
Less: Accumulated depreciation	<u>(9,140)</u>	<u>(11,813)</u>
Net book value	<u>16,979</u>	<u>27,683</u>
Depreciation for the year	<u>2,580</u>	<u>4,044</u>

17. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES — COMPANY

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment in unlisted shares, at cost	91,449	91,449
Amounts due from subsidiaries	<u>165,696</u>	<u>166,107</u>
	257,145	257,556
Less: Accumulated impairment losses	<u>(12,622)</u>	<u>(12,622)</u>
	<u>244,523</u>	<u>244,934</u>

Amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investment in subsidiaries.

Particulars of the principal subsidiaries as at 31st March, 2007 were:

Name of company	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity interest held		Principal activities
			Directly	Indirectly	
Starlite International (Holdings) Ltd.	British Virgin Islands	US\$2	100%	—	Investment holding
Starlite Printers Holdings Cook Islands Limited	Cook Islands	US\$200	100%	—	Investment holding
Starlite Printers (Far East) Pte. Ltd.	Singapore	S\$8,759,396	100%	—	Printing of packaging materials and production of paper products
Everfar Holdings Limited	British Virgin Islands	US\$20,000	50%	50%	Investment holding
Starlite Visual Communication Limited	Hong Kong	HK\$2,000,000	—	100%	Production and distribution of licensed products
Star Union Limited	Hong Kong/ Mainland China	HK\$2	—	100%	Property holding
Starlite Consumer Products, Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Starlite Entertainment (Holdings) Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Starlite International Development Limited	British Virgin Islands/ Hong Kong	US\$1	—	100%	Procurement agency
Starlite International Marketing Services Limited	British Virgin Islands/ Hong Kong	US\$1	—	100%	Procurement agency
Starlite Laser Graphics Limited	Hong Kong	HK\$3,230,000 ordinary HK\$170,000 non-voting deferred (ii)	—	100%	Provision of design and colour separation services
Starlite Management Services Limited	Hong Kong	HK\$200	—	100%	Provision of management services
Starlite Packaging Technology Consultancy Limited	British Virgin Islands	US\$1	—	100%	Holding of trade and service marks
Starlite Development (China) Limited	Hong Kong	HK\$200	—	100%	Trading of paper products

Name of company	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity interest held		Principal activities
			Directly	Indirectly	
Starlite Paper Products Limited	Hong Kong/ Mainland China	HK\$1,738,000 ordinary	—	100%	Production of paper products
		HK\$262,000 non-voting deferred (ii)	—	—	
Starlite Printers Limited	Hong Kong	HK\$2,700,000 ordinary	—	100%	Printing and trading of packaging materials
		HK\$2,300,000 non-voting deferred (ii)	—	—	
Starlite Printers HK Holdings (BVI) Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Starlite Printers (China) Limited	British Virgin Islands	US\$100	—	100%	Investment holding
Starlite Printers (Shenzhen) Co., Ltd. (i)	Mainland China	US\$8,000,000	—	100%	Printing of packaging materials and production of paper products
Starlite Printers (Suzhou) Co., Ltd. (i)	Mainland China	US\$17,044,489	—	100%	Printing of packaging materials and production of paper products
Starlite Productions (BVI) Limited	British Virgin Island	US\$256,420	—	100%	Investment holding
Starlite Productions (Holdings) Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Guangzhou Starlite Environmental Friendly Center, Limited (i)	Mainland China	US\$6,000,000	—	100%	Production of environmentally friendly and other paper products
Greenworks International Limited	Hong Kong	HK\$2	—	100%	Investment holding and trading of environmentally friendly and other paper products
Shaoguan Fortune Creative Industries Company Limited (i)	Mainland China	US\$6,000,000	—	100%	Printing of packaging materials and production of paper products

Notes:

- (i) All subsidiaries incorporated in Mainland China, except for Guangzhou Starlite Environmental Friendly Center, Limited and Shenzhen Xiangguangmei Gifts Co., Ltd., are wholly foreign owned companies to be operated for 50 years up to 2042 to 2053. Guangzhou Starlite Environmental Friendly Center, Limited is a contractual joint venture established in Mainland China to be operated for 50 years up to 2044. Under the joint venture agreement, the joint venture partner is entitled to a pre-determined fee and is not entitled to share any profit or required to bear any loss of the joint venture. Shenzhen Xiangguangmei Gifts Co., Ltd. is an equity joint venture established in Mainland China to be operated for 20 years up to 2017.
- (ii) The non-voting deferred shares are not owned by the Group. These shares have no voting rights, are not entitled to dividends unless the net profit of the relevant company exceeds HK\$50,000,000,000 and are not entitled to any distributions upon winding up unless a sum of HK\$50,000,000,000 has been distributed by the relevant company to the holders of its ordinary shares.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March, 2007.

18. INVENTORIES

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	59,671	38,176
Work-in-progress	22,110	29,975
Finished goods	<u>23,493</u>	<u>16,985</u>
	<u>105,274</u>	<u>85,136</u>

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$879,034,000 (2006: HK\$699,549,000).

During the ended 31st March, 2007, the Group recorded a write-down of inventories of HK\$2,344,000 (2006: HK\$1,000,000), which was included in cost of sales.

The carrying amount of inventories that were pledged as security for trust receipts bank loan arrangements amounted to approximately HK\$49,391,000 as at 31st March, 2007 (2006: HK\$13,234,000) (Note 31).

19. TRADE AND BILLS RECEIVABLE

The Group grants to its customers credit terms generally ranging from 30 to 120 days.

The aging analysis of trade and bills receivable is as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 90 days	168,780	152,485
91 to 180 days	22,759	22,185
181 to 365 days	22,583	5,694
Over 365 days	<u>4,022</u>	<u>277</u>
	218,144	180,641
Less: Provision for impairment of receivables	<u>(23,127)</u>	<u>(3,888)</u>
	<u><u>195,017</u></u>	<u><u>176,753</u></u>

The carrying amounts of trade and bills receivable approximate their fair values.

There is no concentration of credit risk with respect to trade and bills receivable, as the Group has a large number of customers, internationally dispersed.

The Group has recognised a provision of HK\$19,280,000 (2006: reversal of HK\$6,295,000) for the impairment of its trade and bills receivable, which has been included in general and administrative expenses in the consolidated income statement.

The Group's trade and bills receivable were denominated in the following currencies:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Dollars	59,043	45,528
United States Dollars	113,705	84,373
Chinese Renminbi	31,517	37,064
Singapore Dollars	12,979	13,623
Others	<u>900</u>	<u>53</u>
	<u><u>218,144</u></u>	<u><u>180,641</u></u>

20. CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and on hand	89,627	76,958	280	71
Short-term bank deposits	<u>17,416</u>	<u>12,854</u>	<u>—</u>	<u>—</u>
	<u>107,043</u>	<u>89,812</u>	<u>280</u>	<u>71</u>

As at 31st March, 2007 the effective interest rate on cash at bank, short-term bank deposits ranged from 1.95% to 3.63% (2006: 1.85% to 2.91%). These short-term bank deposits have an average maturity of two months (2006: two months).

Cash and cash equivalents were denominated in the following currencies:

	Consolidated		Company	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Dollars	24,293	20,268	280	71
Chinese Renminbi	15,365	12,941	—	—
United States Dollars	42,207	15,786	—	—
Euro	1,745	26,948	—	—
Singapore Dollars	23,086	13,574	—	—
Others	<u>347</u>	<u>295</u>	<u>—</u>	<u>—</u>
	<u>107,043</u>	<u>89,812</u>	<u>280</u>	<u>71</u>

The Group's cash and cash equivalents denominated in RMB are deposited with banks in Mainland China. The conversion of these Chinese Renminbi denominated balances into foreign currencies and the remittance of funds out of Mainland China is subject to the foreign exchange control rules and regulations promulgated by the Mainland China Government.

Cash and bank overdrafts include the following for purposes of the cash flow statements:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	107,043	89,812
Bank overdrafts	<u>(254)</u>	<u>(505)</u>
	<u>106,789</u>	<u>89,307</u>

21. BORROWINGS

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Long-term bank loans	<u>106,974</u>	<u>135,135</u>
Current		
Current portion of long-term bank loans	54,277	59,100
Short-term bank loans	68,607	46,824
Trust receipts import bank loans	49,391	13,234
Bank overdrafts	<u>254</u>	<u>505</u>
	<u>172,529</u>	<u>119,663</u>
	<u>279,503</u>	<u>254,798</u>

The carrying amounts of all bank borrowings approximate their fair value.

The maturity of borrowings is as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	172,529	119,663
Between 1 and 2 years	54,279	59,100
Between 2 and 5 years	52,494	76,035
Over 5 years	<u>201</u>	<u>—</u>
	<u>279,503</u>	<u>254,798</u>

The carrying amounts of bank borrowings are denominated in the following currencies:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Dollars	227,776	217,387
Chinese Renminbi	45,914	33,810
United States Dollars	5,687	3,228
Euro	126	—
Singapore Dollars	—	373
	<u>279,503</u>	<u>254,798</u>

The effective interest rates (per annum) at the balance sheet date were as follows:

	2007					2006				
	<i>HK\$</i>	<i>RMB</i>	<i>US\$</i>	<i>S\$</i>	<i>Euro</i>	<i>HK\$</i>	<i>RMB</i>	<i>US\$</i>	<i>S\$</i>	<i>Euro</i>
Bank overdrafts	7.75%	—	—	—	—	6.75%	—	—	7.25%	—
Trust receipts import										
bank loans	6.88%	—	7.60%	—	7.75%	6.16%	—	6.18%	—	—
Finance leases	5.81%	—	—	5.83%	—	3.39%	—	—	5.83%	—
Short-term bank loans	5.87%	5.86%	—	—	—	5.41%	5.70%	—	—	—
Long-term bank loans	5.66%	—	—	—	—	5.24%	—	—	—	—

22. FINANCE LEASE OBLIGATIONS

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total minimum lease payments under finance leases		
— not exceeding one year	2,782	8,174
— more than one year and not exceeding two years	2,226	2,631
— more than two years and not exceeding five years	<u>742</u>	<u>2,767</u>
	5,750	13,572
Less: Future finance charges	<u>(327)</u>	<u>(825)</u>
	<u>5,423</u>	<u>12,747</u>

Analysed as:

The present value of obligations under finance leases		
— not exceeding one year	2,565	7,655
— more than one year and not exceeding two years	2,124	2,428
— more than two years and not exceeding five years	<u>734</u>	<u>2,664</u>
	5,423	12,747
Less: Amounts payable within one year included under current liabilities	<u>(2,565)</u>	<u>(7,655)</u>
	<u>2,858</u>	<u>5,092</u>

23. TRADE AND BILLS PAYABLE

The aging analysis of trade and bills payable is as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 90 days	124,209	116,196
91 to 180 days	20,740	14,288
181 to 365 days	8,038	3,592
Over 365 days	<u>1,224</u>	<u>418</u>
	<u>154,211</u>	<u>134,494</u>

The Group's trade and bills payable were denominated in the following currencies:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Dollars	68,621	60,289
Chinese Renminbi	63,441	36,220
United States Dollars	10,357	15,516
Others	<u>11,792</u>	<u>22,469</u>
	<u>154,211</u>	<u>134,494</u>

24. DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when the deferred taxes relate to the same fiscal authority. The net amounts are as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax liabilities to be settled after 12 months	<u>13,303</u>	<u>15,794</u>

The movements in the deferred tax account are as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the year	15,794	17,301
Deferred taxation credited to income statement (<i>Note 11</i>)	(2,644)	(1,541)
Translation adjustments	<u>153</u>	<u>34</u>
End of the year	<u>13,303</u>	<u>15,794</u>

The movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax assets:

	Tax losses		Others		Total	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year	258	—	458	1,856	716	1,856
Credited/(Charged) to income statement	(258)	258	5	(1,396)	(253)	(1,138)
Translation adjustments	—	—	—	(2)	—	(2)
End of the year	—	258	463	458	463	716

Deferred tax liabilities:

	Accelerated taxation depreciation	
	2007	2006
	HK\$'000	HK\$'000
Beginning of the year	16,510	19,157
Credited to income statement	(2,897)	(2,679)
Translation adjustments	153	32
End of the year	13,766	16,510

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future profits is probable. The Group has not recognised deferred tax assets of approximately HK\$29,837,000 (2006: HK\$27,477,000), in respect of the tax effect of cumulative tax losses (subject to agreement by the relevant tax authorities) amounting to HK\$29,273,000 (2006: HK\$24,553,000) that can be carried forward against future taxable income. As at 31st March, 2007, tax losses amounting to approximately HK\$6,927,000 (2006: HK\$5,991,000) will expire in 2012, while the remaining balance can be carried forward indefinitely.

25. SHARE CAPITAL

	2007		2006	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised — Ordinary shares of HK\$0.1 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid — Ordinary shares of HK\$0.1 each:				
Beginning of the year	429,476	42,947	425,175	42,517
Issue of shares upon exercise of share options	—	—	4,301	430
End of the year	429,476	42,947	429,476	42,947

26. EMPLOYEE SHARE OPTIONS

In 2002, the Company adopted a new employee share options scheme (the “New Share Options Scheme”) to replace the old employee share options scheme adopted in 1993 (the “Old Share Options Scheme”). Under the New Share Options Scheme, the Company may grant options to employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time excluding for this purpose any shares issued on the exercise of options. The exercise price will be determined by the Company’s board of directors and shall be at least the highest of (i) the closing price of the Company’s shares on the date of grant of the options, (ii) an average closing price of the Company’s shares for the five trading days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company’s shares of HK\$0.1 each. The Group has no legal or constructive obligation to repurchase or settle the options in cash. All options granted under the Old Share Options Scheme will continue to be valid and exercisable in accordance with the rules of the Old Share Options Scheme.

Movements of employee share options during the year ended 31st March, 2007 were:

Date of grant	Exercise period	Subscription price per share	Beginning of year	Number of shares			End of year
				Granted during the year	Exercised during the year	Lapsed during the year	
			'000	'000	'000	'000	'000
Old Share Options Scheme							
10th September, 1997	11th March, 1998 to 9th September, 2007	HK\$0.69	3,514	—	—	—	3,514
New Share Options Scheme							
6th February, 2004	6th August, 2004 to 5th February, 2007	HK\$0.93	3,363	—	—	(3,363)	—
19th February, 2004	19th August, 2004 to 18th February, 2007	HK\$1.07	6,900	—	—	(6,900)	—
29th December, 2004	29th June, 2005 to 28th December, 2007	HK\$0.77	5,616	—	—	(764)	4,852
28th October, 2005	28th April, 2006 to 27th October, 2007	HK\$0.72	482	—	—	(64)	418
9th February, 2007	9th August, 2007 to 8th February, 2010	HK\$0.48	—	7,585	—	—	7,585
			19,875	7,585	—	(11,091)	16,369

The weighted average fair value of options granted on 9th February, 2007 determined using the binomial valuation model was HK\$0.075 per option. The significant inputs into the model were share price of HK\$0.48 at the grant date, the exercise price of HK\$0.48, volatility of 32.59%, dividend yield of 6.32% per annum, an expected option life of 2.6 years, and annual risk-free interest rate of 4.17%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of listed companies in a similar business over the last three years.

Based on the above, the fair value of the above options granted during the year was approximately HK\$571,000 (2006: HK\$1,324,000). The attributable amount charged to the consolidated income statement during the year ended 31st March, 2007 was approximately HK\$161,000 (2006: HK\$693,000).

27. RESERVES

Movements were:

	Share premium HK\$'000	Capital reserve HK\$'000	Share-based compensation reserve HK\$'000	Investment reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Consolidated							
Balance at 31st March, 2005	100,968	1,169	631	232	(3,511)	183,641	283,130
Fair value gains — Other non-current assets	—	—	—	127	—	—	127
Currency translation differences	—	—	—	—	1,697	—	1,697
Net income recognised directly in equity	—	—	—	127	1,697	—	1,824
Profit attributable to equity holders of the Company	—	—	—	—	—	31,128	31,128
Total recognised income for the year	—	—	—	127	1,697	31,128	32,952
Dividends paid	100,968	1,169	631	359	(1,814)	214,769	316,082
Employee share options scheme	—	—	—	—	—	(17,141)	(17,141)
— Value of employee services	—	—	693	—	—	—	693
— Issue of shares upon exercise of employee share options	3,189	—	(349)	—	—	—	2,840
Balance at 31st March, 2006	104,157	1,169	975	359	(1,814)	197,628	302,474
Fair value gains — Other non-current assets	—	—	—	363	—	—	363
Currency translation differences	—	—	—	—	9,476	—	9,476
Net income recognised directly in equity	—	—	—	363	9,476	—	9,839
Profit attributable to equity holders of the Company	—	—	—	—	—	32,541	32,541
Total recognised income for the year	—	—	—	363	9,476	32,541	42,380
Dividends paid	104,157	1,169	975	722	7,662	230,169	344,854
Employee share options scheme	—	—	—	—	—	(12,884)	(12,884)
— Value of employee services	—	—	161	—	—	—	161
Balance at 31st March, 2007	104,157	1,169	1,136	722	7,662	217,285	332,131

	Share premium HK\$'000	Capital reserve HK\$'000	Share-based compensation reserve HK\$'000	Investment reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company							
Balance at 31st March, 2005	100,968	520	631	—	—	39,469	141,588
Profit for the year	—	—	—	—	—	544	544
Employee share options scheme							
— Value of employee services	—	—	693	—	—	—	693
— Issue of shares upon exercise of employee share options	3,189	—	(349)	—	—	—	2,840
Dividends paid	—	—	—	—	—	(17,141)	(17,141)
Balance at 31st March, 2006	<u>104,157</u>	<u>520</u>	<u>975</u>	<u>—</u>	<u>—</u>	<u>22,872</u>	<u>128,524</u>
Profit for the year	—	—	—	—	—	—	—
Employee share option scheme							
— Value of employee services	—	—	161	—	—	—	161
Dividends paid	—	—	—	—	—	(12,884)	(12,884)
Balance at 31st March, 2007	<u>104,157</u>	<u>520</u>	<u>1,136</u>	<u>—</u>	<u>—</u>	<u>9,988</u>	<u>115,801</u>

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to cash generated from operations:

	2007 HK\$'000	2006 HK\$'000
Profit before income tax	41,625	53,612
Adjustments for:		
— Interest income	(1,147)	(635)
— Interest expense	18,451	14,024
— Depreciation of property, plant and equipment	57,460	47,938
— Amortisation of leasehold land and land use rights	487	2,752
— Net loss/(gain) on disposal of property, plant and equipment	21	(277)
— Share-based payments	161	693
— Translation adjustments	153	34
	<u>117,211</u>	<u>118,141</u>
Changes in working capital:		
— Inventories	(20,138)	(12,439)
— Trade and bills receivable	(18,264)	(35,089)
— Prepayments and deposits	12,427	(2,405)
— Trade and bills payable	19,717	12,354
— Accruals and other payables	7,267	369
Net cash generated from operations	<u>118,220</u>	<u>80,931</u>

(b) In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book amount	171	38
(Loss)/Gain on disposal of property, plant and equipment	<u>(21)</u>	<u>277</u>
Proceeds from disposal of property, plant and equipment	<u><u>150</u></u>	<u><u>315</u></u>

29. COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date contracted but not yet provided for is as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land	582	—
Machinery	31,846	14,576
Furniture and equipment	<u>80</u>	<u>1,507</u>
	<u><u>32,508</u></u>	<u><u>16,083</u></u>

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases of land and buildings, as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts payable		
— within one year	12,021	10,763
— later than one year but no later than and five years	18,267	16,390
— later than five years	<u>3,738</u>	<u>5,751</u>
	<u><u>34,026</u></u>	<u><u>32,904</u></u>

(c) Other commitments

Total pre-determined fees payable to the joint venture partner of Guangzhou Starlite Environmental Friendly Center, Limited for 50 years up to 2044 amounted to approximately HK\$18,226,000 (2006: HK\$18,368,000) (Note 17).

30. FINANCIAL GUARANTEES

As at 31st March, 2007, the Company had provided guarantees in respect of banking facilities of its subsidiaries amounting to approximately HK\$692,592,000 (2006: HK\$665,488,000). The facilities utilised by the subsidiaries as at 31st March, 2007 amounted to HK\$309,734,000 (2006: HK\$300,871,000).

31. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 31st March, 2007, the Group had aggregate banking facilities of approximately HK\$639,558,000 (2006: HK\$636,996,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately HK\$302,050,000 (2006: HK\$316,731,000). These facilities were secured by:

- (i) mortgages over the Group's leasehold land and buildings with a net book value of approximately HK\$4,664,000 (2006: HK\$4,260,000) (Note 15 and Note 16 (c));
- (ii) the Group's inventories held under trust receipts bank loan arrangements of approximately HK\$49,391,000 (2006: HK\$13,234,000) (Note 18); and
- (iii) guarantees provided by the Company and certain of its subsidiaries.

32. RELATED PARTY TRANSACTIONS

As at 31st March, 2007, approximately 51.47% of the Company's ordinary shares were owned by Best Grade Advisory Limited, a company incorporated in the British Virgin Islands. Best Grade Advisory Limited is owned by two discretionary trusts, the discretionary beneficiaries of which include Mr. Lam Kwong Yu and Ms. Yeung Chui, directors of the Company. The directors of the Company regard Best Grade Advisory Limited to be the ultimate holding company.

- (a) Particulars of significant transactions between the Group and a related party are summarised as follows:

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating lease rentals charged by related parties:		
Megastar Enterprises Limited ¹	<u>58</u>	<u>58</u>

¹ Megastar Enterprises Limited is beneficially owned by Ms. Yeung Chui, a director of the Company.

In the opinion of the Company's directors and the Group's management, the above transactions were carried out in the usual course of business and on normal commercial terms, and in accordance with the terms of the contract entered into by the Group and the related party.

- (b) **Key management compensation**

	Consolidated	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowances	9,880	9,636
Discretionary bonus	281	1,280
Pension costs — defined contribution plans	183	175
Share-based payments	<u>90</u>	<u>304</u>
	<u>10,434</u>	<u>11,395</u>

33. EVENT AFTER THE BALANCE SHEET DATE

In April 2007, a wholly-owned subsidiary of the Company entered into an agreement to acquire a 75% equity interest in Taspack Industrial Sdn. Bha., a private company incorporated in Malaysia, from certain third parties for a consideration of approximately RM9,444,000 (equivalent to HK\$19,836,000).

III. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The following information has been extracted from the published interim report of the Company for the six months ended 30 September 2007.

Condensed consolidated income statement

For the six months ended 30th September, 2007

		Unaudited Six months ended 30th September,	
		2007	2006
	Notes	HK\$'000	HK\$'000
Revenue	4	625,977	634,547
Cost of sales		<u>(489,081)</u>	<u>(494,938)</u>
Gross profit		136,896	139,609
Other gains — net	5	723	426
Selling and distribution costs		(30,420)	(32,306)
General and administrative expenses		<u>(62,583)</u>	<u>(62,392)</u>
Operating profit	6	44,616	45,337
Finance costs — net	7	<u>(8,042)</u>	<u>(8,615)</u>
Profit before income tax		36,574	36,722
Income tax expense	8	<u>(7,039)</u>	<u>(8,527)</u>
Profit for the period, attributable to equity holders of the Company		<u><u>29,535</u></u>	<u><u>28,195</u></u>
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
— Basic	9	6.88	6.56
— Diluted		<u>6.87</u>	<u>6.56</u>
Dividends	10	<u>6,442</u>	<u>6,442</u>

The accompanying notes are an integral part of these condensed financial information.

Condensed consolidated balance sheet*As at 30th September, 2007*

	<i>Note</i>	Unaudited As at 30th September, 2007 HK\$'000	Audited As at 31st March, 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	466,158	448,017
Leasehold land and land use rights	11	27,025	26,825
Other non-current assets		<u>1,275</u>	<u>1,543</u>
		----- 494,458	----- 476,385
Current assets			
Inventories		99,248	105,274
Trade and bills receivable	12	296,898	195,017
Prepayments and deposits		14,182	15,094
Cash and cash equivalents		<u>127,638</u>	<u>107,043</u>
		----- 537,966	----- 422,428
LIABILITIES			
Current liabilities			
Borrowings	13	179,306	172,529
Finance lease obligations, current portion		2,100	2,565
Trade and bills payable	14	224,571	154,211
Accruals and other payables		62,412	49,260
Current income tax liabilities		<u>27,346</u>	<u>22,035</u>
		----- 495,735	----- 400,600
Net current assets		----- 42,231	----- 21,828
Total assets less current liabilities		----- 536,689	----- 498,213

		Unaudited As at 30th September, 2007	Audited As at 31st March, 2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Borrowings	13	117,231	106,974
Finance lease obligations, non-current portion		1,839	2,858
Deferred income tax liabilities	15	<u>13,332</u>	<u>13,303</u>
		<u>132,402</u>	<u>123,135</u>
Net assets		<u><u>404,287</u></u>	<u><u>375,078</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	42,947	42,947
Reserves	17	<u>361,340</u>	<u>332,131</u>
Shareholders' equity		<u><u>404,287</u></u>	<u><u>375,078</u></u>

The accompanying notes are an integral part of these condensed financial information.

Condensed consolidated statement of changes in equity*For the six months ended 30th September, 2007*

	Unaudited		
	Attributable to equity holders of the Company		
	Share capital	Reserves	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st April, 2007	42,947	332,131	375,078
Fair value gains	—	(184)	(184)
Currency translation differences	—	5,891	5,891
Net income recognised directly in equity	—	5,707	5,707
Profit for the period	—	29,535	29,535
Total recognised income for the period	—	35,242	35,242
Dividends paid	—	(6,442)	(6,442)
Employee share options scheme			
— Value of employee services	—	409	409
	—	29,209	29,209
Balance at 30th September, 2007	42,947	361,340	404,287
Balance at 1st April, 2006	42,947	302,474	345,421
Fair value gains	—	93	93
Currency translation differences	—	2,280	2,280
Net income recognised directly in equity	—	2,373	2,373
Profit for the period	—	28,195	28,195
Total recognised income for the period	—	30,568	30,568
Dividends paid	—	(6,442)	(6,442)
	—	24,126	24,126
Balance at 30th September, 2006	42,947	326,600	369,547

The accompanying notes are an integral part of these condensed financial information.

Condensed consolidated cash flow statement*For the six months ended 30th September, 2007*

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	40,404	(5,363)
Net cash used in investing activities	(26,824)	(34,575)
Net cash provided by financing activities	2,555	53,089
Currency translation differences	<u>(684)</u>	<u>—</u>
Net increase in cash and cash equivalents	15,451	13,151
Cash and cash equivalents, beginning of period	<u>106,789</u>	<u>89,307</u>
Cash and cash equivalents, end of period	<u><u>122,240</u></u>	<u><u>102,458</u></u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	127,638	105,453
Bank overdraft	<u>(5,398)</u>	<u>(2,995)</u>
	<u><u>122,240</u></u>	<u><u>102,458</u></u>

The accompanying notes are an integral part of these condensed financial information.

Notes to the condensed consolidated financial information

1. GENERAL INFORMATION

Starlite Holdings Limited (“the Company”) and its subsidiaries (together the “Group”) are principally engaged in the printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information are presented in Hong Kong dollars (HK\$) unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 5th December, 2007.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th September, 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31st March, 2007.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of and as described in the annual financial statements for the year ended 31st March, 2007.

The following new standards, amendments to standards and interpretations are mandatory and relevant for financial year ending 31st March, 2008.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group interim results and financial position.

The following new standards, amendments to standards and interpretations, which are relevant to the Group, have been issued but are not effective for the year ending 31st March, 2008 and have not been early adopted by the Group:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

4. SEGMENT INFORMATION

(a) Revenue is analysed as follows:

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of packaging materials, labels, paper products and environmentally friendly products	619,761	628,558
Others	<u>6,216</u>	<u>5,989</u>
	<u><u>625,977</u></u>	<u><u>634,547</u></u>

(b) Primary reporting format — business segment

The Group is principally engaged in the printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products. No business segment information is provided as substantially all of the assets, sales and contribution to the Group's results are attributable to the printing and manufacturing of packaging materials, labels, paper products and environmentally friendly products.

(c) Secondary reporting segment — geographical segments

An analysis of the Group's results by geographical location is as follows:

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue ¹		
Hong Kong and Mainland China	272,512	273,043
United States of America	163,092	198,268
Europe	90,648	74,114
South East Asia	76,090	69,073
Others	<u>23,635</u>	<u>20,049</u>
	<u><u>625,977</u></u>	<u><u>634,547</u></u>
Profit for the period attributable to equity holders of the Company		
Hong Kong and Mainland China	12,510	9,283
United States of America	7,370	9,449
Europe	4,004	3,808
South East Asia	4,564	4,637
Others	<u>1,087</u>	<u>1,018</u>
	<u><u>29,535</u></u>	<u><u>28,195</u></u>

¹ Revenue by geographical location is determined on the basis of the destination of shipments of merchandise.

There are no material sales between the geographical segments.

An analysis of the Group's assets by geographical location is as follows:

	Unaudited As at 30th September, 2007 <i>HK\$'000</i>	Audited As at 31st March, 2007 <i>HK\$'000</i>
Hong Kong and Mainland China	938,676	813,489
Singapore	<u>93,748</u>	<u>85,324</u>
	<u><u>1,032,424</u></u>	<u><u>898,813</u></u>

Total assets are allocated based on where the assets are located.

An analysis of the Group's capital expenditure for the period is as follows:

	Unaudited Six months ended 30th September, 2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong and Mainland China	40,608	53,154
Singapore	<u>32</u>	<u>476</u>
	<u><u>40,640</u></u>	<u><u>53,630</u></u>

Capital expenditure is allocated based on where the assets are located.

5. OTHER GAINS — NET

	Unaudited Six months ended 30th September, 2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Net exchange gain	407	439
Net loss on disposal of property, plant and equipment	(2)	(13)
Net gain on disposal of other non-current assets	<u>318</u>	<u>—</u>
	<u><u>723</u></u>	<u><u>426</u></u>

6. OPERATING PROFIT

The following items have been charged to the operating profit during the period:

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employment costs (including directors' emoluments)	121,285	116,821
Depreciation of property, plant and equipment and amortisation of leasehold land and land use rights	30,319	28,479
Provision for impairment of receivables	494	5,600
	<u>152,108</u>	<u>150,900</u>

7. FINANCE COSTS — NET

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	8,437	8,736
Interest element of finance leases	124	330
Interest income from bank deposits	(519)	(451)
	<u>8,042</u>	<u>8,615</u>

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
— Hong Kong profits tax	5,904	7,321
— Overseas taxation	1,135	1,105
	<u>7,039</u>	<u>8,426</u>
Deferred taxation	—	101
	<u>7,039</u>	<u>8,527</u>

9. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	29,535	28,195
Weighted average number of ordinary shares in issue (<i>'000</i>)	429,476	429,476
Basic earnings per share (<i>HK cents</i>)	<u>6.88</u>	<u>6.56</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's only category of dilutive potential ordinary shares is share options. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
Profit attributable to equity holders of the Company used to determine diluted earnings per share (<i>HK\$'000</i>)	29,535	28,195
Weighted average number of ordinary shares in issue (<i>'000</i>)	429,476	429,476
Adjustments for share options (<i>'000</i>)	<u>325</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>'000</i>)	<u>429,801</u>	<u>429,476</u>
Diluted earnings per share (<i>HK cents</i>)	<u>6.87</u>	<u>6.56</u>

10. DIVIDENDS

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed interim dividends of HK1.5 cents (2006: 1.5 cents) per share	<u>6,442</u>	<u>6,442</u>

11. CAPITAL EXPENDITURE

	Unaudited	
	For the six months ended	
	30th September, 2007	
	Property, plant and equipment	Leasehold land and land use rights
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book value as at 1st April, 2007	448,017	26,825
Additions	40,640	—
Disposal	(3)	—
Depreciation/Amortisation	(29,977)	(342)
Currency translation differences	7,481	542
	<u>466,158</u>	<u>27,025</u>
Closing net book value as at 30th September, 2007	<u>466,158</u>	<u>27,025</u>

	Unaudited	
	For the six months ended	
	30th September, 2006	
	Property, plant and equipment	Leasehold land and land use rights
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book value as at 1st April, 2006	418,904	26,413
Additions	53,630	—
Disposal	(130)	—
Depreciation/Amortisation	(28,153)	(326)
Currency translation differences	5,453	386
	<u>449,704</u>	<u>26,473</u>
Closing net book value as at 30th September, 2006	<u>449,704</u>	<u>26,473</u>

12. TRADE AND BILLS RECEIVABLE

The Group usually grants to its customers a credit term ranging from 30 days to 120 days.

An aging analysis of trade and bills receivable as at 30th September, 2007 is as follows:

	Unaudited As at 30th September, 2007 HK\$'000	Audited As at 31st March, 2007 HK\$'000
1 to 90 days	270,969	168,780
91 to 180 days	25,115	22,759
181 to 365 days	1,551	22,583
Over 365 days	<u>22,899</u>	<u>4,022</u>
	320,534	218,144
Less: Provision for impairment of receivable	<u>(23,636)</u>	<u>(23,127)</u>
	<u><u>296,898</u></u>	<u><u>195,017</u></u>

The carrying amounts of trade and bills receivable approximate their fair values.

There is no concentration of credit risk with respect to trade and bills receivable as the Group has a large number of customers, internationally dispersed.

13. BORROWINGS

	Unaudited As at 30th September, 2007 HK\$'000	Audited As at 31st March, 2007 HK\$'000
Current		
Trust receipts import bank loans	54,976	49,391
Bank overdrafts	5,398	254
Short-term bank loans	49,971	68,607
Current portion of long-term bank loans	<u>68,961</u>	<u>54,277</u>
	179,306	172,529
Non-current		
Long-term bank loans	<u>117,231</u>	<u>106,974</u>
	<u><u>296,537</u></u>	<u><u>279,503</u></u>

Short-term bank borrowings bear interest at rates ranging from 5.50% to 9.50% per annum (2007: 5.37% to 9.75% per annum).

Long-term bank loans are secured and bear interest at rates ranging from 4.91% to 8.63% per annum (2007: 4.70% to 6.94% per annum).

The maturity of borrowings is as follows:

	Unaudited As at 30th September, 2007 <i>HK\$'000</i>	Audited As at 31st March, 2007 <i>HK\$'000</i>
Within 1 year	179,306	172,529
Between 1 and 2 years	62,965	54,279
Between 2 and 5 years	54,079	52,494
Over 5 years	<u>187</u>	<u>201</u>
	<u>296,537</u>	<u>279,503</u>

14. TRADE AND BILLS PAYABLE

The aging analysis of trade and bills payable is as follows:

	Unaudited As at 30th September, 2007 <i>HK\$'000</i>	Audited As at 31st March, 2007 <i>HK\$'000</i>
1 to 90 days	200,508	124,209
91 to 180 days	20,067	20,740
181 to 365 days	2,271	8,038
Over 365 days	<u>1,725</u>	<u>1,224</u>
	<u>224,571</u>	<u>154,211</u>

15. DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities are calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (31st March, 2007: 17.5%).

Deferred income tax liabilities represent the tax effect of the following temporary differences:

	Unaudited As at 30th September, 2007 <i>HK\$'000</i>	Audited As at 31st March, 2007 <i>HK\$'000</i>
Accelerated tax depreciation	13,795	13,766
Others	<u>(463)</u>	<u>(463)</u>
	<u>13,332</u>	<u>13,303</u>

16. SHARE CAPITAL

	Unaudited		Audited	
	As at 30th September, 2007		As at 31st March, 2007	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>100,000</u>	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.1 each:				
Beginning and end of the period/year	<u>429,476</u>	<u>42,947</u>	<u>429,476</u>	<u>42,947</u>

17. RESERVES

Movements were:

	Unaudited						Total HK\$'000
	For the six months ended 30th September, 2007						
	Share premium HK\$'000	Capital reserve HK\$'000	Share-based compensation reserve HK\$'000	Translation reserve HK\$'000	Investment reserve HK\$'000	Retained profits HK\$'000	
Balance at 1st April, 2007	104,157	1,169	1,136	7,662	722	217,285	332,131
Fair value gains — Other non-current assets	—	—	—	—	(184)	—	(184)
Currency translation differences	—	—	—	5,891	—	—	5,891
Net income recognised directly in equity	—	—	—	5,891	(184)	—	5,707
Profit attributable to equity holders of the Company	—	—	—	—	—	29,535	29,535
Total recognised income for the period	—	—	—	5,891	(184)	29,535	35,242
2006/07 final dividends paid	—	—	—	—	—	(6,442)	(6,442)
Employee share options scheme — Value of employee services	—	—	409	—	—	—	409
Balance at 30th September, 2007	<u>104,157</u>	<u>1,169</u>	<u>1,545</u>	<u>13,553</u>	<u>538</u>	<u>240,378</u>	<u>361,340</u>

	Unaudited						
	For the six months ended 30th September, 2006						
	Share premium	Capital reserve	Share-based compensation reserve	Translation reserve	Investment reserve	Retained profits	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1st April, 2006	104,157	1,169	975	(1,814)	359	197,628	302,474
Fair value gains — Other non-current assets	—	—	—	—	93	—	93
Currency translation differences	—	—	—	2,280	—	—	2,280
Net income recognised directly in equity	—	—	—	2,280	93	—	2,373
Profit attributable to equity holders of the Company	—	—	—	—	—	28,195	28,195
Total recognised income for the period	—	—	—	2,280	93	28,195	30,568
2005/06 final dividends paid	—	—	—	—	—	(6,442)	(6,442)
Balance at 30th September, 2006	<u>104,157</u>	<u>1,169</u>	<u>975</u>	<u>466</u>	<u>452</u>	<u>219,381</u>	<u>326,600</u>

18. EMPLOYEE SHARE OPTIONS

The Company has an employee share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company.

Movements of employee share options during the six months ended 30th September, 2007 are as follows:

Date of grant	Exercise period	Exercise price per share	Beginning of period	Unaudited Number of shares			End of period
				Granted during the period	Exercised during the period	Lapsed during the period	
			'000	'000	'000	'000	'000
Old Share Options Scheme							
10th September, 1997	11th March, 1998 to 9th September, 2007	HK\$0.69	3,514	—	—	(3,514)	—
New Share Options Scheme							
29th December, 2004	29th June, 2005 to 28th December, 2007	HK\$0.77	4,852	—	—	—	4,852
28th October, 2005	28th April, 2006 to 27th October, 2007	HK\$0.72	418	—	—	—	418
9th February, 2007	9th August, 2007 to 8th February, 2010	HK\$0.48	7,585	—	—	—	7,585
			<u>16,369</u>	<u>—</u>	<u>—</u>	<u>(3,514)</u>	<u>12,855</u>

19. COMMITMENTS

(a) Capital commitments

Capital commitments, which were authorised and contracted for, are analysed as follows:

	Unaudited As at 30th September, 2007 <i>HK\$'000</i>	Audited As at 31st March, 2007 <i>HK\$'000</i>
Land	705	582
Machinery	983	31,846
Office equipment	<u>159</u>	<u>80</u>
	<u>1,847</u>	<u>32,508</u>

(b) Other commitments

The Group had pre-determined fee payable to the joint venture partner of Guangzhou Starlite Environmental Friendly Center, Limited for 50 years up to 2044 amounted to approximately HK\$18,078,000 (31st March, 2007: HK\$18,226,000).

20. RELATED PARTY TRANSACTIONS

As at 30th September, 2007, approximately 51.54% of the Company's ordinary shares were owned by Best Grade Advisory Limited, a company incorporated in the British Virgin Islands. Best Grade Advisory Limited is owned by two discretionary trusts, the discretionary beneficiaries of which include Mr. Lam Kwong Yu and Ms. Yeung Chui, directors of the Company. The directors of the Company regard Best Grade Advisory Limited to be the ultimate holding company.

(a) Particulars of significant transactions between the Group and a related party are summarised as follows:

	Unaudited Six months ended 30th September, 2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Operating lease rentals charged by related parties: Megastar Enterprises Limited ¹	<u>29</u>	<u>29</u>

¹ Megastar Enterprises Limited is beneficially owned by Ms. Yeung Chui, a director of the Company.

In the opinion of the Company's directors and the Group's management, the above transactions were carried out in the usual course of business and on normal commercial terms, and in accordance with the terms of the contract entered into by the Group and the related party.

(b) Key management compensation

	Unaudited	
	Six months ended 30th	
	September,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries and allowance	4,731	4,726
Pension costs-defined contributions plans	95	96
Share-based payments	<u>227</u>	<u>—</u>
	<u>5,053</u>	<u>4,822</u>

IV. STATEMENT OF INDEBTEDNESS

At the close of business on 31 March 2008, being the latest practicable date for this indebtedness statement prior to the printing of the Prospectus, the Group had borrowings of approximately HK\$309 million which comprised bank borrowings of approximately HK\$306 million (including secured bank borrowings of approximately HK\$186 million and unsecured bank borrowings of approximately HK\$120 million) and obligation under finance leases of approximately HK\$3 million.

The Group's above secured bank borrowings and finance lease obligations were secured by certain property, plant and equipment, leasehold land and inventories with an aggregate book value of approximately HK\$73 million. All bank borrowings were covered by corporate guarantees given by the Company and/or guarantees given by other banks.

Save as aforesaid, and apart from the intra-group liabilities and normal trade debts payable, the Group did not have any outstanding mortgages, charges, debentures, loan capital or overdraft, or other similar indebtedness, finance lease or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 March 2008.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 March 2008.

V. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest audited financial statements of the Group were made up.

VI. WORKING CAPITAL

The Directors are of the opinion that after taking into account the present internal financial resources of the Group, the available banking facilities and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this Prospectus.

I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 September 2007.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Open Offer been completed as at 30 September 2007 or at any future date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 September 2007 and adjusted to reflect the effect of the Open Offer:

	Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2007	Estimated net proceeds from Open Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>Note 1</i>	<i>Note 2</i>		<i>Note 3</i>
Based on 86,059,197 Offer Shares at subscription price of HK\$0.35 per Offer Share	<u>404,287</u>	<u>28,821</u>	<u>433,108</u>	<u>0.84</u>

Notes:

- 1 The consolidated net tangible assets of the Group attributable to the Shareholders as at 30 September 2007 is extracted from the published interim report of the Group for the six months ended 30 September 2007, which is based on the unaudited consolidated net assets of the Group attributable to the Shareholders as at 30 September 2007 of approximately HK\$404,287,000.
- 2 The estimated net proceeds from the Open Offer are based on 86,059,197 Offer Shares to be issued at the Subscription Price of HK\$0.35 per Offer Share, after deduction of the related expenses of approximately HK\$1.3 million and take no account of any additional Offer Shares to be issued upon the exercise of any outstanding Share Options.
- 3 The unaudited pro forma consolidated net tangible assets per Share is calculated based on the unaudited pro forma consolidated net tangible assets attributable to the Shareholders of approximately HK\$433,108,000 and 515,535,186 Shares in issue (on the basis that there were 429,475,989 Shares in issue as at 30 September 2007 and assuming that none of the Share Options were exercised from 1 October 2007 up to the Latest Practicable Date and 86,059,197 Offer Shares were issued under the Open Offer) as if the Open Offer has been completed on 30 September 2007.
- 4 No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2007, including the interim dividend of HK\$6,442,000 declared for the six months ended 30 September 2007 and paid on 18 January 2008, and the issuance of 820,000 Shares upon the exercise of Share Options from 1 October 2007 to the Latest Practicable Date.

II. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF STARLITE HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Starlite Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 84 to 85 under the heading of “Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group” (the “Unaudited Pro Forma Financial Information”) in Appendix II of the Company’s prospectus dated 27 May 2008 (the “Prospectus”), in connection with the proposed open offer of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed open offer might have affected the relevant financial information of the Group as at 30 September 2007. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 84 to 85 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated net tangible assets of the Group attributable to the Company’s equity holders as at 30 September 2007 with the unaudited consolidated balance sheet of the Group as at 30 September 2007 as disclosed in

the Company's interim report for the six months ended 30 September 2007, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted consolidated net tangible assets of the Group as at 30 September 2007 or any future date.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 May 2008

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Open Offer was and will be as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	
<u>430,295,989</u> Shares in issue as at the Latest Practicable Date	<u>43,029,599</u>

All of the Shares in issue and the Offer Shares to be issued rank pari passu in all respects with each other, including in particular as to dividends, voting rights and capital.

As at the Latest Practicable Date, the Company has 6,765,000 outstanding and vested Share Options entitling holders thereof to subscribe for 6,765,000 Shares. Save as disclosed above, the Company does not have any other outstanding derivatives, options, warrants and conversion rights or similar rights or securities in issue which are convertible or exchangeable into Shares or Offer Shares.

The Shares in issue are listed on Main Board of the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There is no arrangement under which future dividends are waived or agreed to be waived.

Save as disclosed in this Prospectus, no share or loan capital of the Company or any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally or unconditionally to be issued or granted.

3. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Head Office and Principal Place of Business in Hong Kong	3/F., Perfect Industrial Building 31 Tai Yau Street Sanpokong Kowloon Hong Kong
Registered Office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Underwriter	Best Grade Advisory Limited Trustnet Chambers P.O. Box 3444, Road Town Tortola, British Virgin Islands
Auditor and Reporting Accountant	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building Central Hong Kong
Financial Adviser	Veda Capital Limited Suite 1302, 13/F Takshing House 20 Des Voeux Road Central Hong Kong
Legal Advisers	<i>As to Hong Kong Law</i> Richards Butler (in association with Reed Smith LLP) 20th Floor, Alexandra House, 16–20 Chater Road Central Hong Kong <i>As to Bermuda Law</i> Appleby 8th Floor, Bank of America Tower 12 Harcourt Road Central Hong Kong

Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
Hong Kong Branch Share Registrar and Transfer Office	Tricor Secretaries Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorised Representatives	Mr. Lam Kwong Yu Ms. Yeung Chui
Company Secretary	Mr. Cheung Chi Shing, Charles <i>Associate Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants</i>
Qualified Accountant	Mr. Cheung Chi Shing, Charles <i>Associate Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants</i>

4. DISCLOSURE OF INTERESTS

(a) Directors' interests in Shares and Share Options

As at the Latest Practicable Date, the interest of the Directors and chief executive of the Company in Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate % of Total Shareholding interest
Mr. Lam	Beneficial owner, interest of spouse, interest of controlled corporation, beneficiary and founder of trusts	4,380,000 (Note 1)	2,760,000 (Note 1)	1,012,800 (Note 2)	311,634,371 (Note 3)	315,728,371 (Note 4)	60.20% (Note 4)
Ms. Yeung	Beneficial owner, interest of spouse, interest of controlled corporation, beneficiary and founder of trusts	2,760,000 (Note 1)	4,380,000 (Note 1)	1,012,800 (Note 2)	311,634,371 (Note 3)	315,728,371 (Note 4)	60.20% (Note 4)
Mr. Tai Tzu Shi, Angus	Interest of spouse	—	18,000	—	—	18,000	0.003%
Mr. Cheung Chi Shing, Charles	Beneficiary owner	750,000	—	—	—	750,000	0.14%

Notes:

- Mr. Lam and Ms. Yeung are respectively the beneficial owner of 2,150,000 Shares and 1,100,000 Shares and the holders of Share Options entitling them to respectively subscribe for 1,500,000 Shares and 1,200,000 Shares. By virtue of each of their irrevocable undertaking to the Company to take up their pro rata entitlement under the Open Offer and assuming full exercise by each of them of Share Options referred to above, each of them is also respectively deemed to be interested in 730,000 Offer Shares and 460,000 Offer Shares respectively to be issued to them under the Open Offer. Accordingly, the personal interest of each of Mr. Lam and Ms. Yeung is or is deemed to be 4,380,000 Shares in aggregate and 2,760,000 Shares in aggregate respectively. Ms. Yeung is Mr. Lam's spouse and accordingly, the family interest of Mr. Lam includes Ms. Yeung's personal interest and the family interest of Ms. Yeung includes Mr. Lam's personal interest.

2. Dayspring is the beneficial owner of 844,000 Shares but by virtue of its irrevocable undertaking to the Company to take up its pro rate entitlement under the Open Offer, it is also deemed to be interested in 168,800 Offer Shares to be issued to it under the Open Offer. Accordingly, Dayspring is interested or deemed to be interested in an aggregate of 1,012,800 Shares. The entire issued share capital of the company is beneficially owned and controlled by Mr. Lam and Ms. Yeung. The 1,012,800 Shares of Mr. Lam and Ms. Yeung were the same block of Shares.
3. Best Grade is the beneficial owner of 224,222,174 Shares but by virtue of its obligations under the Underwriting Agreement, Best Grade is also deemed to be interested in 87,412,197 Offer Shares, being the maximum number of Offer Shares agreed to be taken up by Best Grade as Underwriter under the Open Offer. Accordingly, Best Grade is interested or deemed to be interested in an aggregate of 311,634,371 Shares although as a result of the undertakings given by it, Dayspring, Mr. Lam and Ms. Yeung to take up their pro rata entitlement under the Open Offer, the maximum amount of Offer Shares which Best Grade is required to take up under the Underwriting Agreement should effectively be not more than 41,208,963 Offer Shares. The entire issued share capital of Best Grade is held by Masterline Industrial Limited as trustee of The New Super Star Unit Trust. All except one units in The New Super Star Unit Trust are beneficially owned by two discretionary trusts, the discretionary beneficiaries of which include Mr. Lam, Ms. Yeung and Mr. Lam Chuen Yik, Kenneth. HSBC International Trustee Limited acted as trustee of the two discretionary trusts. The two references to 311,634,371 Shares relate to the same block of the Shares.
4. The total interest of each of Mr. Lam and Ms. Yeung will be less than the sum of each of their personal, family, corporate and other interest as a result of the overlap of (1) the aggregate amount of their personal/family/corporate interest in the Offer Shares (assuming full exercise of the Share Options held by each of them take up the full pro rate entitlement of the Offer Shares under their respective irrevocable undertaking to the Company — see Note 1 above) and (2) their other interest, being Best Grade's interest in the Offer Shares (taking into account its obligations under the Underwriting Agreement in respect of all of the Offer Shares — see Note 3 above). The approximate percentage of total shareholding interest is calculated based on the total shareholding interest of such party out of the issued share capital of the Company as enlarged by the 6,765,000 Shares to be issued upon exercise of all of the Share Options outstanding and the issue of the 87,412,197 Offer Shares.

(ii) *Long positions in underlying Shares pursuant to Share Options granted by the Company*

As at the Latest Practicable Date, the numbers of outstanding Share Options of the Company with details were set out as below:

Name	Date of grant	Exercise period	Exercise price per share HK\$	Outstanding at 1.4.2007 '000	Granted during the period '000	Exercised during the period '000	Lapsed during the period '000	Outstanding
								at the Latest Practicable Date '000
(i) Directors								
Mr. Lam	9.2.2007	9.8.2007–8.2.2010	0.475	1,500	—	—	—	1,500
Ms. Yeung	9.2.2007	9.8.2007–8.2.2010	0.475	1,200	—	—	—	1,200
Mr. Tai Tzu Shi, Angus	29.12.2004	29.6.2005–28.12.2007	0.770	1,420	—	—	(1,420)	—
	9.2.2007	9.8.2007–8.2.2010	0.475	500	—	—	—	500
Mr. Cheung Chi Shing, Charles	29.12.2004	29.6.2005–28.12.2007	0.770	1,440	—	—	(1,440)	—
	9.2.2007	9.8.2007–8.2.2010	0.475	500	—	—	—	500
Mr. Lim Pheck Wan, Richard	29.12.2004	29.6.2005–28.12.2007	0.770	100	—	—	(100)	—
	28.10.2005	28.4.2006–27.10.2007	0.722	36	—	—	(36)	—
	9.2.2007	9.8.2007–8.2.2010	0.475	500	—	—	—	500
(ii) Employees								
	29.12.2004	29.6.2005–28.12.2007	0.770	1,892	—	—	(1,892)	—
	28.10.2005	28.4.2006–27.10.2007	0.722	382	—	—	(382)	—
	9.2.2007	9.8.2007–8.2.2010	0.475	<u>3,385</u>	<u>—</u>	<u>(820)</u>	<u>—</u>	<u>2,565</u>
				<u>12,855</u>	<u>—</u>	<u>(820)</u>	<u>(5,270)</u>	<u>6,765</u>

Save as disclosed above, none of the Directors or Chief Executive of the Company had, as at the Latest Practicable Date, 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) which would have 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 were taken or deemed to have under such provisions of the SFO), or which were

recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

(b) Substantial shareholders

So far as is known to any Director or Chief Executive of the Company, as at the Latest Practicable Date, shareholders (other than Directors or Chief Executive of the Company) who had interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial shareholders in the Shares

Name of shareholder	Capacity	Number of Shares	Approximate % of Shareholding interest
Best Grade	Beneficial owner	311,634,371 (Note 1)	59.42%
Masterline Industrial Limited	Trustee	311,634,371 (Note 1)	59.42%
HSBC International Trustee Limited	Trustee	311,834,371 (Note 2)	59.46%

Notes:

- Best Grade is the beneficial owner of 224,222,174 Shares but by virtue of its obligations under the Underwriting Agreement, Best Grade is also deemed to be interested in 87,412,197 Offer Shares, being the maximum number of Offer Shares agreed to be taken up by Best Grade as Underwriter under the Open Offer. Accordingly, Best Grade is interested or deemed to be interested in an aggregate of 311,634,371 Shares although as a result of the undertakings given by it, Dayspring, Mr. Lam and Ms. Yeung to take up their pro rata entitlement under the Open Offer, the maximum amount of Offer Shares which Best Grade is required to take up under the Underwriting Agreement should effectively be not more than 41,208,963 Offer Shares. The entire issued share capital of Best Grade is held by Masterline Industrial Limited as trustee of The New Super Star Unit Trust. All except one units in The New Super Star Unit Trust are beneficially owned by two discretionary trusts, the discretionary beneficiaries of which include Mr. Lam, Ms. Yeung and Mr. Lam Chuen Yik, Kenneth. HSBC International Trustee Limited acted as trustee of the two discretionary trusts. The two references to 311,634,371 Shares relate to the same block of the Shares.

2. 311,634,371 Shares of the 311,834,371 Shares were the same block of Shares as described in Note 1. HSBC International Trustee Limited (“HSBC”), as trustee of two discretionary trusts in which Mr. Lam, Ms. Yeung and Mr. Lam Chuen Yik, Kenneth were the beneficiaries, were interested and/or deemed to be interested in the said 311,634,371 Shares. The remaining Shares were held by other trusts for which HSBC acted as trustee.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons (other than Directors or Chief Executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

(c) Directors’ Interests in contracts and assets

As at the Latest Practicable Date, none of the Directors had materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, being the date to which the latest published audited financial statements of the Company were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associated has any business or interest that competes or may compete with the business of the Group or any other conflicts of interest with the Group.

6. LITIGATIONS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

7. SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which can not be terminated by the Company within one year without payment of compensation.

8. EXPERT AND CONSENT**(a) Qualification of expert**

The following is the qualification of the expert who has given opinion and advice, which is contained in this Prospectus:

Name	Qualifications
PricewaterhouseCoopers	Certified Public Accountants

(b) Consent of expert

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and the references to its name in the form and context in which they are included.

(c) Interests of expert

As at the Latest Practicable Date, PricewaterhouseCoopers:

- (i) was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to an member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, being the date to which the latest published audited financial statements of the Company were made up; and
- (ii) did not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of the Prospectus Documents and the consent letter referred to the sub-section “Expert and Consent” in the Appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance. A copy of the Prospectus has also been or will as soon as reasonably practicable be filed with the Registrar of Companies in Bermuda in accordance with the requirements of the Companies Act 1981 of Bermuda.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) a sale and purchase agreement (the “Sale and Purchase Agreement”) dated 11 April 2007 entered into between Mr. Lim Kian Tiong, Ms. Soo Ying Seong and Mr. Teo Hock Seng (collectively, the “Vendors”) and Starlite Printers (Far East)

Pte Ltd, a wholly-owned subsidiary of the Company (the “Purchaser”) pursuant to which the Purchaser has agreed to purchase from the Vendors in aggregate 150,000 shares representing 75% of the issued share capital of Taspac Industrial Sdn. Bhd., a private company incorporated in Malaysia and a termination agreement dated 11 September 2007. The Purchaser and the Vendors entered into a written agreement on 11 September 2007 for the termination of the Sale and Purchase Agreement as the conditions precedent (as defined in the Sale and Purchase Agreement) could not be fulfilled; and

- (ii) the Underwriting Agreement.

11. MISCELLANEOUS

In the event of inconsistency, the English version of this Prospectus shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 3/F., Perfect Industrial Building, 31 Tai Yau Street, Sanpokong, Kowloon, Hong Kong during normal business hours on any weekday other than public holidays, up to and including Tuesday, 10 June 2008:

- (a) the Memorandum of Association and Bye-Laws of the Company;
- (b) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (c) the annual reports of the Group for the two years ended 31 March 2006 and 2007;
- (d) the interim report of the Company for the six months ended 30 September 2007;
- (e) the report on the unaudited pro forma financial information of the Group from PricewaterhouseCoopers, the text of which is set out on pages 86 to 87 of this Prospectus;
- (f) the consent letter from PricewaterhouseCoopers referred to in the paragraph headed “Expert and Consent” in this Appendix; and
- (g) this Prospectus.