THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Starlite Holdings Limited, you should at once hand this Circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

STARLITE
HOLDINGS LIMITED
星光集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 403)

VERY SUBSTANTIAL DISPOSAL

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A SUBSIDIARY

NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 5 to 27 of this Circular.

A notice convening the SGM to be held at Pentahotel Hong Kong, Kowloon, Studio Room 3, 4/F., 19 Luk Hop Street, Sanpokong, Kowloon, Hong Kong at Wednesday, 8 April 2020 on 4:00 p.m. is set out on pages SGM-1 to SGM-2 of this Circular. Whether or not Shareholders are able to attend the SGM in person, Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting thereof should Shareholders so wish.

* *For identification purpose only*

13 March 2020

CONTENTS

In this Circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

"Board"	the board of Directors of the Company
"Business Day(s)"	a day other than Saturday, Sunday and any public holiday on which the commercial banks in the PRC and Hong Kong are generally open for business
"BVI"	British Virgin Islands
"Circular"	this circular of the Company in respect of the Proposed Disposal
"Company"	Starlite Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 403)
"Completion"	completion of the transfer of the Sale Equity
"Completion Conditions"	the conditions to be satisfied (or waived) during the Interim Period and prior to the payment of the balance of the Consideration
"Completion Conditions Satisfaction Date"	the date on which all Completion Conditions have been satisfied (or waived)
"Completion Date"	the date on which Completion takes place
"Consideration"	the consideration in the aggregate amount of RMB319,200,000 (equivalent to approximately HK$353,833,000) to be paid by the Purchaser to the Vendor in respect of the Proposed Disposal
"Constructed Properties"	the properties constructed by the Purchaser on the Undeveloped Property
"Construction Project"	the construction project on the Undeveloped Property by the Purchaser during the Interim Period
"Directors"	the director(s) of the Company
"Earnest Money"	the earnest money in the amount of RMB10,000,000 (equivalent to approximately HK$11,085,000) payable by the Purchaser to the Vendor in accordance with the Equity Transfer Agreement
"Equity Transfer Agreement"	the equity transfer agreement dated 21 February 2020 entered into between the Vendor, the Company, the Target Company, the Purchaser and the Purchaser's Guarantors in respect of Proposed Disposal

"Escrow Account"	the escrow account to be opened by the Vendor and Purchaser during the Interim Period for the receipt of the balance of the Consideration at Completion
"Force Majeure"	a force majeure event including, any disease or epidemic declared by a relevant government authority, emergency measures or restrictions declared by a relevant government authority, natural disasters, war, extraordinary precipitation, earthquakes, typhoons, floods, fires, landslides which have been declared by a relevant government authority
"Fundamental Breach"	a breach of the Equity Transfer Agreement by any Party to it which shall (i) deprive the non-breaching Party of substantially the whole benefit of the Equity Transfer Agreement; or (ii) will render the performance of the Equity Transfer Agreement futile or will be expected to be futile
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person or company who/which are not connected with (within the meaning of the Listing Rules) and are independent of the directors, chief executive and substantial shareholders of the Group or any of their respective associates
"Initial Payment"	the initial payment of the Consideration in the amount of RMB63,200,000 (equivalent to approximately HK$70,057,000)
"Initial Payment Conditions"	the conditions to be satisfied (or waived) prior to the payment of the Initial Payment
"Interim Period"	the period of eighteen (18) months from the date of receipt of the Initial Payment and the Loan by the Vendor and the Target Company respectively, such period may be extended (i) by mutual agreement; or (ii) in the event of a Force Majeure event having occurred
"Latest Practicable Date"	11 March 2020, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
"Lender"	Mr. Chan King
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Loan"	the interest-free loan in the amount of RMB136,800,000 (equivalent to approximately HK$151,643,000) to be provided by the Lender to the Target Company
"Loan Agreement"	the loan agreement dated 21 February 2020 entered into between the Target Company, the Vendor, the Company and the Lender in respect of the Loan
"Maturity Date"	the date on which the Loan is repayable which shall be 24 calendar months from the date of receipt of the Loan by the Target Company or such date as extended pursuant to the Loan Agreement
"Parties" and each a "Party"	the parties to the Equity Transfer Agreement
"PRC"	the Peoples' Republic of China
"Property"	the industrial factories and buildings and the plots of land owned by the Target Company and situated at Starlite Southern China Development Centre, Industrial District No. 2, Xi Xiang Subdistrict, Bao An Qu, Shenzhen, PRC, which includes the Undeveloped Property
"Proposed Disposal"	the proposed disposal of the Sale Equity by the Vendor to the Purchaser
"Purchaser"	Alps Enterprises Limited (峻嶺企業有限公司), a company incorporated in Hong Kong and is principally engaged in the business of investment holding. The Purchaser is wholly-owned by the Purchaser's Guarantors, in equal shares
"Purchaser's Guarantors"	Mr. Chan King and Ms. Ng Ching Yi Lisa (the spouse of Mr. Chan King)
"Purchaser Parties"	the Purchaser, the Purchaser's Guarantors and the Lender
"Remaining Group"	the Company and its subsidiaries, excluding the Target Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Equity"	the entire equity interest of the Target Company
"SGM"	the special general meeting of the Company
"Share(s)"	the ordinary share(s) of the Company
"Shareholder(s)"	the holder(s) of Shares of the Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Starlite Printers (Shenzhen) Co., Ltd (星光印刷(深圳)有限公司), a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company
"Transaction Documents"	the Equity Transfer Agreement and the Loan Agreement
"Undeveloped Property"	a parcel of land on the Property which is currently undeveloped
"Vendor"	Starlite Printers (China) Limited, a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company
"Vendor Parties"	the Vendor, the Target Company and the Company
"%"	per cent

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK$ in this Circular is based on the exchange rate of RMB1 to HK$1.1085. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this rate or any other rate.

STARLITE
HOLDINGS LIMITED
星光集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 403)

Executive Directors:
Mr. Lam Kwong Yu
Mr. Tin Shing
Mr. Poon Kwok Ching

Non-executive Directors:
Ms. Yeung Chui
Mr. Tai Tzu Shi, Angus
Mr. Cheung Chi Shing, Charles

Independent Non-executive Directors:
Mr. Chan Yue Kwong, Michael
Mr. Kwok Lam-Kwong, Larry, *SBS, JP*
Mr. Tam King Ching, Kenny

Head Office and Principal Place of Business:
3/F., Perfect Industrial Building
31 Tai Yau Street, Sanpokong
Kowloon, Hong Kong

13 March 2020

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A SUBSIDIARY

NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

The Board refers to the announcement made by the Company on 21 February 2020 relating to the Proposed Disposal.

* *For identification purpose only*

The purpose of this Circular is (a) to provide you with further information in relation to the Proposed Disposal and the transactions contemplated under the Transaction Documents, and (b) to give you notice of the SGM at which an ordinary resolution will be proposed to approve the Proposed Disposal and the transactions contemplated under the Transaction Documents.

2. THE PROPOSED DISPOSAL

On 21 February 2020 (after trading hours), the Company (as the Vendor's guarantor), the Vendor, the Target Company, the Purchaser and the Purchaser's Guarantors entered into the Equity Transfer Agreement pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Equity at a Consideration of RMB319,200,000 (equivalent to approximately HK$353,833,000). As part of the transactions contemplated under the Equity Transfer Agreement, the Company, the Vendor, the Target Company and the Lender also entered into the Loan Agreement pursuant to which the Lender will lend RMB136,800,000 (equivalent to approximately HK$151,643,000) to the Target Company.

The Equity Transfer Agreement

Summarised below are the principal terms of the Equity Transfer Agreement:

Date	21 February 2020
Parties	(1) The Vendor (2) The Company (as the Vendor's guarantor) (3) The Target Company (4) The Purchaser (5) The Purchaser's Guarantors

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and the Purchaser's Guarantors are Independent Third Parties.

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, the Vendor shall dispose of the Sale Equity, representing the entire equity interest in the Target Company. The assets of the Target Company consist of, among other things, the Property.

Consideration

The Vendor agreed to sell the Sale Equity to the Purchaser, and the Purchaser agreed to purchase the Sale Equity at a Consideration of RMB319,200,000 (equivalent to approximately HK$353,833,000) which shall be payable in cash in the following manner:

(a) within five (5) Business Days of the date of signing of the Equity Transfer Agreement, the Purchaser shall pay the Earnest Money to the Vendor in the amount of RMB10,000,000 (equivalent to approximately HK$11,085,000);

(b) within five (5) Business Days of the satisfaction of the Initial Payment Conditions, the Purchaser shall pay the Initial Payment in the amount of RMB63,200,000 (equivalent to approximately HK$70,057,000) part of which shall be settled by the Earnest Money received by the Vendor; and

(c) within five (5) Business Days after the Completion Conditions Satisfaction Date, the Purchaser shall pay the balance of the Consideration into the Escrow Account, which will be released to the Vendor upon satisfaction of certain conditions as set out below in the paragraph headed "**Completion**".

Initial Payment Conditions

The payment of the Initial Payment shall be conditional upon the satisfaction (or waiver) of the Initial Payment Conditions which consist of, among other things:

(a) the entering into of the Loan Agreement by the Company, the Vendor, the Target Company and the Lender;

(b) the Vendor, the Target Company, the Purchaser, the Lender and the Purchaser's Guarantors having obtained the necessary approvals, consents or waivers as required in relation to the execution, delivery and performance of the Equity Transfer Agreement, the Loan Agreement (as the case may be) and the transactions contemplated therein;

(c) the approval of the Shareholders at the SGM for the delivery and performance by the Vendor and the Company of the Equity Transfer Agreement and the transactions contemplated therein; and

(d) there having been no restriction or prohibition under any applicable laws or relevant authority restraining or otherwise prohibiting consummation of the transactions contemplated in the Equity Transfer Agreement.

Save for conditions (c) and (d) above, the Vendor Parties or the Purchaser Parties (as the case may be) may, by written notice, waive any one or more of the Initial Payment Conditions required to be fulfilled by the other Parties (as the case may be).

Pursuant to the Equity Transfer Agreement, the Initial Payment Conditions must be satisfied within 120 calendar days from the date of the signing of the Equity Transfer Agreement and unless the Parties can reach an agreement with respect to the satisfaction of the Initial Payment Conditions, the Equity Transfer Agreement shall terminate.

As at the Latest Practicable Date, (i) conditions (a), (b) above have been fulfilled; and (ii) the Vendor Parties and, to the best of the Directors' knowledge, the Purchaser Parties, do not have any intention to waive any of the Initial Payment Conditions.

Interim Period and Completion Conditions

During the Interim Period, the Vendor and the Target Company shall jointly undertake to satisfy the Completion Conditions which consist of, among other things:

(a) the termination of all employment contracts of all the employees of the Target Company including the execution of all relevant termination agreements and the payment of compensation by the Target Company (if any). In respect of certain employees of the Target Company who are required to remain under the employment of the Target Company after the Completion Conditions Satisfaction Date, such employees shall not remain under the employment of the Target Company for a period longer than three months after the Completion Conditions Satisfaction Date and shall have executed all relevant termination agreements with the Target Company. The Vendor shall bear all costs and expenses in respect of the extended employment and the subsequent termination of such employees;

(b) the stripping out and removal of certain machinery, equipment and inventory related to the production and operations of the Target Company from the Property in whatever manner determined appropriate by the Target Company;

(c) all debts and liabilities of the Target Company having been paid off, settled or released by the creditors of the Target Company (except any debts or liabilities owed to the Lender);

(d) the payment by the Target Company of all outstanding fees owed to the relevant local government authority in respect of the Undeveloped Property and the development of the Undeveloped Property prior to the Completion Date as required by the relevant local government authority;

(e) the completion of all soil quality surveys and evaluation and the restoration (if any) of the Property, in accordance with the relevant national and Shenzhen environmental protection regulations; and

(f) the completion of the deregistration of branch offices of the Target Company.

As part of the Completion Conditions, the Vendor and the Purchaser shall jointly open the Escrow Account in Hong Kong for receipt of the balance of the Consideration at Completion. The Vendor and the Purchaser will finalise and sign an escrow agreement in order for the Escrow Account to be in place before Completion. It is contemplated that the Escrow Account will be opened with a major bank in Hong Kong with customary terms to be agreed between the Vendor and the Purchaser. It is contemplated that the Escrow Account will be operated jointly by the Vendor and the Purchaser and that a director of the Vendor and the Purchaser respectively shall jointly provide instructions on the operation of the Escrow Account.

Pursuant to the Equity Transfer Agreement, the Completion Conditions are not waivable.

All the Completion Conditions, which require time to be completed in an orderly manner, must be satisfied within the Interim Period. As disclosed in the paragraph headed "**Use of Proceeds**", the Group intends to use the proceeds of the Proposed Disposal to consolidate its manufacturing plants and factories in Shaoguan and the expansion of those manufacturing plants and factories. As part of this expansion, the Group intends to transfer the existing business operations of the Target Company to the Remaining Group by moving certain machinery, equipment and inventory from the Property to the Group's manufacturing plants and factories in Shaoguan. As at the Latest Practicable Date, the Group estimates that the expansion of the Group's manufacturing plants and factories in Shaoguan will take approximately 12 months during the Interim Period and during this period, the Target Company will begin to relocate certain machinery, equipment and inventory to the Shaoguan factories which is expected to take 2.5 months. Taking into account the need for a buffer period, the Group expects that the Completion Conditions will be completed during the Interim Period (including any extension thereof due to a Force Majeure event). Accordingly, the Directors consider the length of the Interim Period is fair and reasonable.

As at 30 September 2019, the Target Company's debts and liabilities, excluding deferred revenue, are approximately RMB76,514,000 (equivalent to approximately HK$84,816,000). The Group intends to utilise the Loan to finance the repayment of the debts and liabilities of the Target Company (except any debts or liabilities owed to the Lender) as set out in subparagraph (c) above. As at 30 September 2019, the debts and liabilities of the Target Company owed to the Group are approximately HK$4,000 and will be settled by the Target Company using the Loan.

The Target Company has paid RMB114,555 (equivalent to approximately HK$126,984) to the relevant local government authority to settle the outstanding fees in respect of the Undeveloped Property. The Target Company does not expect that any further fees in respect of the Undeveloped Property will be payable to the relevant local government authority during the Interim Period.

As at the Latest Practicable Date, to the best of the Directors' knowledge, condition (d) above has been fulfilled.

Other arrangements prior to the Completion Date

Development of the Undeveloped Property

During the period between the date of the Equity Transfer Agreement and the Completion Date, the Purchaser shall have the right, and the Target Company shall cooperate with the Purchaser, to develop the Undeveloped Property. The Purchaser shall be responsible for the design, application, development and construction of the Construction Project and shall bear all related capital expenditure, costs, fees and taxes associated with the Construction Project (save for the amount of RMB114,555 (equivalent to approximately HK$126,984) paid by the Target Company to the relevant local government authority to settle the outstanding fees in respect of the Undeveloped Property). Upon completion of the Construction Project, the Purchaser shall have the use, control and income rights of the Construction Project and the Constructed Properties.

In the event of termination of the Equity Transfer Agreement, regardless of whether the termination was due to the default of the Vendor Parties, the Target Company shall reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser and upon receipt of such compensation, the Purchaser shall promptly transfer the Construction Project and the Constructed Properties to the Vendor and Target Company, including the use, control and income rights of the Construction Project and Constructed Properties.

Subject to the terms agreed in the Equity Transfer Agreement, the Parties shall execute a supplemental agreement in respect of the Construction Project and Constructed Properties based on the terms agreed in the Equity Transfer Agreement. Such agreement will only be entered into after the Company obtains the Shareholders' approval at the SGM in respect of the Proposed Disposal. Save as disclosed below, at this stage, it is not possible for the Company to quantify the relevant transaction size of the potential transfer of the Construction Project and Constructed Properties and the reimbursement to the Purchaser. The potential transfer of the Construction Project and Constructed Properties and the reimbursement to the Purchaser are part of terms of the Proposed Disposal to be approved by the Shareholders at the SGM. The Company will make further announcements in respect of the status of the Proposed Disposal (including any termination events) as and when appropriate.

Although the Parties have not entered into any supplemental agreement in respect of the Construction Project and the Constructed Properties, as at the Latest Practicable Date and based on the preliminary negotiations between the Target Company and the Purchaser, it is expected that the Purchaser's capital expenditure, costs and fees associated with the Construction Project will not exceed RMB40,000,000 after taking into account the estimated construction cost, the estimated costs of interior decoration and hardware installation as well as the planning and design costs, and road and greenery costs.

It is expected that the Target Company will begin its cooperation with the Purchaser before obtaining the approval of the Shareholders at the SGM because the local government authority in Shenzhen has requested the Target Company to develop the Undeveloped Property by February 2022, otherwise, the local government authority in Shenzhen may resume the Undeveloped Property. The Target Company had been liaising and in discussion with the relevant local government authority in Shenzhen regarding the development of the Undeveloped Property prior to entering into the Proposed Disposal and the requirement from the relevant local government authority in Shenzhen to develop the Undeveloped Property did not arise from the Proposed Disposal and would have materialised regardless of the same.

Therefore, it is vital that the development on the Undeveloped Property begins as soon as possible in order to comply with the requirement of the relevant local government authority in Shenzhen and the relevant PRC laws and regulations. Given that (i) the Purchaser will own the Undeveloped Property through the Target Company after Completion and the Group would therefore be unwilling to incur any further expenditure to develop the Undeveloped Property; and (ii) the tight timeframe in which the development must be completed, the Parties have agreed that the Purchaser should be responsible for the design, application, development and the construction of the Construction Project and shall bear all related capital expenditure, costs, fees and taxes associated with the Construction Project and the Target Company shall cooperate with the Purchaser in respect of the development of the Undeveloped Property.

As the Purchaser will bear all related capital expenditure, costs, fees and taxes associated with the Construction Project, this would mean that the Group will not have to utilise its cashflow to develop the Undeveloped Property in order to meet the local government authority's requirements.

Accordingly, the Directors consider that it is fair and reasonable, and in the interest of the Company and its shareholders as a whole, to grant the use, control and income rights of the Construction Project and Constructed Properties to the Purchaser and for the Group to reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser, in the event of termination of the Equity Transfer Agreement for any reason, in exchange for, the Purchaser having to bear the capital expenditure, costs, fees and taxes associated with the Construction Project and to transfer the rights of such Constructed Properties back to the Group in the event of termination of the Equity Transfer Agreement. The purpose of this arrangement seeks to put the respective Parties into the positions that they were in if the Equity Transfer Agreement had not been entered into. In respect of the Target Company, the intention of the Group is to dispose of the Target Company. As such, if the Equity Transfer Agreement was terminated, the Group will not re-employ the Target Company's ex-employees or relocate any machinery, equipment or inventory back to the Target Company. It is the intention of the Group that if the Equity Transfer Agreement is terminated, it will use its best efforts to dispose the Target Company to another purchaser. As such, it would not be necessary to put the Target Company in the position that it was in if the Equity Transfer Agreement had not been entered into and it is in the interest of the Company for the Target Company and the Property to be in a ready to be sold state.

Further, in the event that the Equity Transfer Agreement is terminated, the Undeveloped Property will still be owned by the Group and the Target Company may utilise the Constructed Properties for its own business. It is expected that the Constructed Properties will consist of standard industrial buildings such as office buildings which the Target Company may use. Therefore, it is fair and reasonable for the Target Company to reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser given that they have incurred the expense of developing the Undeveloped Property and the Constructed Properties which would still be owned by the Group and may be used by the Target Company for its own business. Under the terms of the Equity Transfer Agreement, the reimbursement of the constructions costs and expenses shall be limited to those that have been reasonably incurred.

During the period before obtaining the approval of the Shareholders at the SGM, it is expected that the cooperation of the Target Company with the Purchaser in respect of the development of the Undeveloped Property will be limited to the provision of information regarding the Target Company and the Property to the Purchaser. It is not expected that such cooperation will incur any material costs for the Group or the Purchaser (which the Target Company would have to reimburse in the event of termination of the Equity Transfer Agreement) and any actual development and construction of the Construction Project shall only take place after the SGM.

Applications in respect of the Shenzhen Urban Renewal

Prior to the Completion Date, the Target Company shall make all preliminary applications in respect of the Property under the Shenzhen Urban Renewal and shall act on the instructions of the Purchaser in respect of such preliminary applications unless the Vendor and Target Company can show that its rights and interests have been prejudiced by doing so.

The preliminary applications in respect of the Property under the Shenzhen Urban Renewal include the filing of information and particulars by the Target Company to the relevant city renewal authority in Shenzhen for the purpose of applying for modification of the Property.

The Purchaser shall bear all liability, obligations, fees and expenses incurred in respect of such preliminary applications and the Purchaser shall not make any changes to the Property or the structures on top of it without the written consent of the Target Company.

Other than the development of the Undeveloped Property, the Parties will not modify the use or begin any other development of the Property until Completion and the Target Company will continue to utilise the Property for its current use. Any modification of the partitioning and exterior of the Property under the Shenzhen Urban Renewal will take place after Completion and to be determined by the Purchaser.

Completion

Within five (5) Business Days of the Completion Conditions Satisfaction Date, the Purchaser shall pay the balance of the Consideration into the Escrow Account.

Within ten (10) days of payment of the balance of the Consideration, the Vendor shall pass all the necessary resolutions to transfer the Sale Equity and shall make all necessary applications and filings to the applicable government authorities in respect of the transfer of the Sale Equity.

Upon the satisfaction of the following conditions, the Vendor and the Purchaser shall jointly provide instructions to transfer the balance of the Consideration (excluding any interest generated, which shall belong to the Purchaser, and if any tax payable by the Vendor arising from the sale of the Sale Equity is outstanding at Completion, the Purchaser may retain an amount up to 10% of the Consideration in the Escrow Account, which shall be released to the Vendor upon completion of the payment of tax payable by the Vendor) from the Escrow Account to the Vendor:

(a) the completion of the transfer of the Sale Equity and the registration of the Purchaser as the sole owner of the Target Company by the applicable government authority; and

(b) the Purchaser, the Vendor and the Target Company having completed all handover work and signed its handover confirmation in accordance with the Equity Transfer Agreement.

Upon Completion, the Vendor will no longer own any shares of the Target Company and the Target Company will cease to be a subsidiary of the Company.

Guarantee

The Company has provided an unconditional and irrevocable guarantee in relation to the Vendor and the Target Company's obligations under the Equity Transfer Agreement for a period of three (3) years from the date of expiration of the period that the relevant obligations have to be fulfilled in accordance with the Equity Transfer Agreement.

The Purchaser's Guarantors have provided an unconditional and irrevocable guarantee in relation to the Purchaser's obligations under the Equity Transfer Agreement including, but not limited to, the payment of the Consideration by the Purchaser, for a period of three (3) years from the date of expiration of the period that the relevant obligations have to be fulfilled in accordance with the Equity Transfer Agreement.

Default

If any Party breaches any term under the Equity Transfer Agreement, it shall take steps to remedy such breaches.

Fundamental Breach

The Parties have agreed that a Fundamental Breach shall include, among other things, the following:

1. Vendor Parties' Fundamental Breach

   (a) the failure to satisfy the Completion Conditions set out in subparagraph (a) to (d) in the paragraph headed "**Interim Period and Completion Conditions**";

   (b) a breach of the warranties given by the Vendor Parties; and

   (c) a breach of the undertakings given by the Vendor Parties including:

      (i) the sale of the Target Company to third parties or the entering into of any legally binding agreement or memorandum to do the same;

      (ii) the provision of materially false or misleading information by the Vendor Parties;

      (iii) the failure to maintain the entirety and condition of the Property and the facilities therein and taking any action which would foreseeably reduce the value of the Property;

      (iv) the leasing, encumbrance or seizure of the Property, without the consent of the Purchaser (other than the mortgage of the Property under the Loan Agreement); or

   (d) the failure to abide by the terms of the Loan Agreement in respect of the purpose of the Loan.

2. Purchaser Parties' Fundamental Breach

   (a) a breach of the warranties given by the Purchaser Parties;

   (b) the failure to provide the Loan in accordance with the Loan Agreement;

   (c) the failure to pay the Initial Payment or the balance of the Consideration by the Purchaser; and

   (d) the failure by the Purchaser to release the balance of the Consideration from the Escrow Account.

If a Party commits a Fundamental Breach, the non-defaulting Party may elect to:

(a) require the defaulting Party to remedy such breach and to continue to fulfil its obligations under Equity Transfer Agreement and:

(i) if the Vendor Parties have committed the Fundamental Breach, they shall pay interest to the Purchaser at a rate of 0.02% per day during the period of default calculated based on the amount of the Consideration paid by the Purchaser (including the Initial Payment and the balance of the Consideration paid into the Escrow Account) and the Loan;

(ii) if the Purchaser Parties have committed the Fundamental Breach, they shall pay interest to the Vendor at a rate of 0.02% per day during the period of default calculated based on the balance of the Consideration and the Loan which have yet been paid to the Vendor and the Target Company;

or

(b) terminate the Equity Transfer Agreement before the Completion Date and seek the following remedies:

(i) if the Vendor Parties have committed the Fundamental Breach, within sixty (60) days of such Fundamental Breach:

I. the Vendor and the Company shall jointly and severally repay the amount of Consideration paid by the Purchaser (without interest) and the Vendor Parties shall jointly and severally repay the Loan (without interest);

II. the Vendor and the Company shall jointly and severally pay liquidated damages in the amount of RMB170,000,000 (equivalent to approximately HK$188,445,000) to the Purchaser;

III. upon the repayment of the above amounts, the Lender shall cooperate with the Target Company to release the mortgage over the Property in accordance with the terms of the Loan Agreement; and

IV. the Target Company shall reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser in accordance with the terms as set out in the paragraph headed "**Other arrangements prior to the Completion Date — Development of the Undeveloped Property**".

(ii) if the Purchaser Parties have committed Fundamental Breach, within sixty (60) days of such Fundamental Breach:

I. the Purchaser Parties shall, jointly and severally, pay liquidated damages in the amount of RMB170,000,000 (equivalent to approximately HK$188,445,000) to the Vendor. The Vendor shall also repay the amount of Consideration paid by the Purchaser (without interest) and the Target Company shall repay the Loan (without interest) but shall have the right to set-off the liquidated damages due from the Purchaser against such repayment amounts;

II. the mortgage over the Property in accordance with the terms of the Loan Agreement shall be deemed to have been terminated simultaneously and the Lender shall cooperate with the Target Company to release the mortgage over the Property; and

III. the Target Company shall reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser in accordance with the terms as set out in the paragraph headed "**Other arrangements prior to the Completion Date — Development of the Undeveloped Property**".

The basis of the liquidated damages in the amount of RMB170,000,000 (equivalent to approximately HK$188,445,000) was agreed after taking into account the direct and expected loss of income of the Parties arising from the termination of the Equity Transfer Agreement including, but not limited to, the Purchaser's financing and borrowing costs for the Consideration, the Purchaser's transaction related costs and fees, the cost arising from the rising price of real property similar to the Property.

Non-Fundamental Breach

In the event that a Party commits a breach of the Equity Transfer Agreement which does not constitute a Fundamental Breach, the defaulting Party shall take steps to remedy such breach(es) within a reasonable time and continue to fulfil its obligations under Equity Transfer Agreement. If the Vendor Parties fail to fulfil its obligations under the Equity Transfer Agreement, they shall pay interest to the Purchaser at rate of 0.02% per day during the period of default calculated based on the amount of Consideration paid by the Purchaser (including the Initial Payment and the balance of the Consideration paid into the Escrow Account) and the Loan. If the Purchaser Parties fail to fulfil its obligations under the Equity Transfer Agreement, they shall pay interest to the Vendor at rate of 0.02% per day for the period of default calculated based on the balances of the Consideration and the Loan which have yet been paid to the Vendor and the Target Company.

Aggregate Liability

In any event, the aggregate liability of the Parties under the Equity Transfer Agreement shall be limited to RMB170,000,000 (equivalent to approximately HK$188,445,000).

Late Payment Penalty

If a Party fails to fulfil the above payment obligations in the event of default within the specified period, the defaulting Party shall pay interest to the non-defaulting Party at a rate of 0.02% per day based on the amount of compensation to be paid in accordance with the Equity Transfer Agreement.

Termination

The Equity Transfer Agreement may be terminated before the Completion Date, among other things:

(a) by mutual consent of the Parties;

(b) if the Initial Payment Conditions are not fulfilled within 120 days of the date of the Equity Transfer Agreement, in which case:

(i) if the Company fails to obtain the approval of the Shareholders at the SGM for the delivery and performance by the Vendor and the Company of the Equity Transfer Agreement and the transactions contemplated therein or there is a restriction or prohibition under any applicable laws or relevant authority restraining or otherwise prohibiting consummation of the transactions contemplated in the Equity Transfer Agreement within 120 days of the date of the Equity Transfer Agreement and the Equity Transfer Agreement is terminated, the Vendor shall repay the Earnest Money, together with interest at a rate of 0.02% per day calculated based on the Earnest Money paid from the date of receipt of the Earnest Money until the repayment of the Earnest Money and pay the fees incurred by the Purchaser arising from the negotiation of the Equity Transfer Agreement;

(ii) if the other Initial Payment Conditions are not satisfied within 120 days of the date of the Equity Transfer Agreement and the Equity Transfer Agreement is terminated, the Vendor (if it is the defaulting Party) shall repay the Earnest Money and pay damages equivalent to the amount of the Earnest Money to the Purchaser; or

(iii) if the Purchaser fails to fulfil its respective Initial Payment Conditions and the Parties fail to reach an agreement, the Vendor shall be entitled to forfeit the Earnest Money.

(c) by the non-defaulting Party, in the event that a Party commits a Fundamental Breach, in which case, the non-defaulting Party shall be entitled to the remedies set out in in the paragraph headed "**Fundamental Breach**";

(d) by the Vendor, Target Company or Purchaser, if the Target Company is unable to satisfy the Completion Conditions and transfer the Sale Equity due to Force Majeure (in which case the Vendor shall repay the Consideration received back to the Purchaser together with interest at a rate of 6% per annum); or

(e) if within 180 days after the Purchaser has paid the balance of the Consideration into the Escrow Account, the Parties are unable to fulfil the conditions set out in the paragraph above headed "**Completion**", the Equity Transfer Agreement shall terminate automatically.

Unless the Parties have initiated legal proceedings in respect of the termination of the Equity Transfer Agreement and without prejudice to the terms as set out in the paragraph headed "**Default**" above, in the event that the Equity Transfer Agreement is terminated other than due to a Fundamental Breach or the failure to fulfil the Initial Payment Conditions, the Parties shall fulfil the following obligations within 60 days of the date of termination of the Equity Transfer Agreement:

(a) the Vendor shall repay the amount of Consideration paid by the Purchaser with interest (if any);

(b) the Target Company shall repay the Loan with interest (if any);

(c) within 5 Business Days of the repayment of the above amounts, the Lender shall cooperate with the Target Company to release the mortgage over the Property in accordance with the terms of the Loan Agreement;

(d) the Target Company shall reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser in accordance with the terms as set out in the paragraph headed "**Other arrangements prior to the Completion Date — Development of the Undeveloped Property**".

As this term seeks to put the respective Parties into the positions that they were in if the Equity Transfer Agreement had not been entered into, the Directors consider that this is fair and reasonable because the Purchaser should be reimbursed the monies that it has paid to the Vendor Parties, including the Consideration, the Loan and the costs of developing the Undeveloped Property.

The Company shall act as the guarantor in respect of the Vendor and the Target Company's obligations under the Equity Transfer Agreement. Based on the unaudited financial statements of the Group as at 30 September 2019, the Group has a cash and cash equivalents balance of approximately HK$206,743,000, which in the view of the Company, is sufficient to repay the Loan (in the event of termination of the Equity Transfer Agreement and the Loan Agreement).

The requirement to repay the Loan by the Target Company in the event of termination of the Equity Transfer Agreement (other than due to a Fundamental Breach by the Purchaser Parties as the Vendor shall have the right to set-off the liquidated damages due from the Purchaser against the repayment of the Consideration and Loan) could have a material adverse effect on financial position, working capital and operation of the Company.

The Loan Agreement

On 21 February 2020 (after trading hours), the Target Company and the Lender entered into the Loan Agreement pursuant to which the Lender will lend RMB136,800,000 (equivalent to approximately HK$151,643,000) to the Target Company. The delivery and performance of the Loan Agreement shall be subject to the approval of the Shareholders at the SGM.

Summarised below are the principal terms of the Loan Agreement:

Date	21 February 2020
Parties	(1) The Target Company (2) The Lender (3) The Vendor (4) The Company The Vendor and the Company shall act as the Target Company's guarantors in respect of the Target Company's obligations under the Loan Agreement. Such guarantee provided by the Vendor and the Company shall terminate upon Completion
Loan Amount	RMB136,800,000 (equivalent to approximately HK$151,643,000)
Term	24 calendar months from the date of receipt of the Loan by the Target Company. If the Interim Period is extended pursuant to the Equity Transfer Agreement, the Maturity Date shall be extended accordingly until the Completion Date or 60 calendar days of the date of termination of the Loan Agreement (whichever is applicable).
Repayment	The Loan is repayable on the Maturity Date. The Loan shall also be repaid within 60 calendar days of the date of termination of the Equity Transfer Agreement.

Purpose	The Target Company shall have the right to determine the use of the Loan subject to applicable laws but shall ensure that a sufficient amount of the Loan shall be reserved for the purpose of fulfilling certain Completion Conditions. A breach of this term shall constitute an event of default under the terms of the Loan Agreement and a Fundamental Breach under the Equity Transfer Agreement.
Security	Within ten (10) days of receipt by the Target Company of the Loan, the Target Company will make an application to the relevant authority to mortgage the Property to the Lender.
Drawdown	The Loan amount may be drawn down between the date of signing of the Loan Agreement and the Equity Transfer Agreement and no later than five Business Days after the satisfaction of the Initial Payment Conditions. It is expected that the Loan will be drawn down after the satisfaction of the Initial Payment Conditions (including after the SGM).
Interest	The Loan shall be interest-free, save for in the event that the Equity Transfer Agreement is terminated in accordance with subparagraph (d) of the paragraph headed "**Termination**". In this case the Target Company shall repay the Loan together with interest at a rate of 6% per annum.

Information on the Purchaser

The Purchaser is a company incorporated in Hong Kong and is principally engaged in the business of investment holding. The Purchaser is wholly-owned by the Purchaser's Guarantors, in equal shares.

Information on the Company, the Vendor and the Target Company

The Company is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels and paper products, including environmentally friendly paper products.

The Vendor is a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the business of investment holding.

The Target Company is a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the business of printing of packaging materials and production of paper products. Its assets include, among other things, the Property.

Set out below is the unaudited net profit (before and after taxation) of the Target Company for the twelve months ended 31 March 2018 and 31 March 2019 and the six months ended 30 September 2019 respectively:

	For the twelve months ended 31 March 2018	**For the twelve months ended 31 March 2019**	**For the six months ended 30 September 2019**
	HK$'000	*HK$'000*	*HK$'000*
Net profit/(loss) before taxation	9,246	(31,482)	318
Net profit/(loss) after taxation	7,642	(32,188)	63

As at 30 September 2019, the unaudited total asset value and net asset value of the Target Company was approximately HK$150,644,000 and HK$64,915,000.

The significant decrease in profit for the twelve months ended 31 March 2019 was principally attributable to a significant decrease of sales to a relatively large and profitable customer of the Target Company in the second half of the financial year ended 31 March 2019; a sharp increase in the price of paper and other manufacturing materials during the peak season when compared to the previous financial year which impacted the profit margin of the Target Company; and a decrease in the unit price of the Target Company's products for certain customers. The return to profit for the six months ended 30 September 2019 was principally attributable to the decrease in the cost of paper as well as improvements to costs control, labour efficiency and decrease in rental expenses.

Reasons and Benefits of the Proposed Disposal

The Group is principally engaged in the business of the printing and manufacturing of packaging materials, labels and paper products, including environmental friendly paper products and has factories and plants in the Guangdong region including Guangzhou, Shaoguan and Shenzhen.

Given the enhancements to transportation links in and the intended development of the Guangdong-Hong Kong-Macau Greater Bay Area, the Group intends to consolidate and streamline its business and resources in the Guangdong region by centralising its machinery and resources in order to enhance the efficiency of its manufacturing lines and, in particular, to expand the Group's manufacturing plants and factories in Shaoguan. During the Interim Period, the existing business operations of the Target Company will be transferred to the Remaining Group and the Target Company will transfer or remove fixed assets of the Target Company on the Property to other factories belonging to the Group in the Guangdong Region and the Target Company's existing manufacturing lines and orders to the Group's other plants and factories.

Having considered the valuation of the Property, the current property market conditions in Shenzhen, and the increasing costs of and restrictions on manufacturing in Shenzhen, the Directors considers that the Proposed Disposal provides the Group with an opportune time to unlock the value of the Target Company and the Property, improve the cashflow of the Group as well as achieve its plans to consolidate and streamline its business in the Guangdong region.

The Target Company will use the Loan to pay off its debts and liabilities and to facilitate the transfer of assets of the Target Company back to the Group prior to the Completion. The Target Company does not intend to use the Loan other than for the purposes set out in this Circular. As part of the structure of the Proposed Disposal, it is intended that, subject to Completion having taken place, the Loan will not be repaid by the Target Company before Completion of the Proposed Disposal. Accordingly, the Loan will form part of the amount received by the Group for the Target Company to restructure its operations and to facilitate the Proposed Disposal.

As it is expected that the Target Company will be disposed of to the Purchaser free of assets and debts (except the Property and the Loan to be provided to the Target Company pursuant to the Loan Agreement), the Consideration in the amount of RMB319,200,000 (equivalent to approximately HK$353,833,000) and the terms of payment were determined after arm's length negotiations between the Vendor and the Purchaser taking into account (1) the calculated value of the Property (which includes the Undeveloped Property) as at 31 January 2020, under special assumptions and after deducting the land premium of RMB289,379,763 (equivalent to approximately HK$320,777,467), in the amount of approximately RMB455,320,000 (equivalent to approximately HK$504,722,000); and (2) the amount of the Loan in the amount of RMB136,800,000 (equivalent to approximately HK$151,643,000), which, subject to Completion having taken place, will remain as a liability of the Target Company at Completion. The purpose of the Loan is to fulfil certain Completion Conditions as stated in the section headed "**Interim Period and Completion Conditions**", and will accordingly be included as part of the consideration received by the Vendor. The land premium in the approximate amount of RMB289,379,763 will be payable by the Purchaser and as at the Latest Practicable Date, such land premium has not been paid. As the land premium in the approximate amount of RMB289,379,763 is payable to the relevant authorities in the PRC and not to the Vendor, the Vendor and the Purchaser considered that it was appropriate to exclude such land premium amount when negotiating the consideration payable for the Proposed Disposal. Accordingly, the Directors consider that the amount received by the Group for the Proposed Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Based on the valuation report prepared by the independent valuer, as at 31 January 2020, the market value of the Property (which includes the Undeveloped Property) in its existing state is approximately RMB99,500,000.

Due to the nature of the buildings and structures of the Property (completed industrial buildings and structures) and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the market value of the Property has therefore been valued by cost approach with reference to its depreciated replacement cost.

As disclosed in this Circular, it is expected that the Target Company will make applications in respect of the Property under the Shenzhen Urban Renewal, however, the Target Company does not currently have definitive plans as to the nature of the change of land use rights of the Property. Considering that the majority of the surrounding land parcels of several industrial projects had successful changed their land use rights to industrial use (innovation industry) through the Shenzhen Urban Renewal, the Company is of the opinion that the land use rights of the Property is more likely and reasonable to be changed to industrial use (innovation industry) rather than residential or commercial use in the same way. The calculated value of the Property was calculated on the basis that the land use rights of the Property would be changed to industrial use (innovation industry) and it would be developed to an industrial project with a total plot ratio accountable gross floor area of approximately 128,690.85 square metres (based on the requirement to transfer 15% of the land to the local government as land reserve and a plot ratio of 6.0 which is the suggested plot ratio according to the regulations) with a land premium of approximately RMB289,379,763 (equivalent to approximately HK$320,777,467). The land premium for the Property in the approximate amount of RMB289,379,763 (equivalent to approximately HK$320,777,467) was determined in accordance with the calculation rules issued by the relevant local government authority in Shenzhen with reference to the market value of the Property, the gross floor area and stipulated correction factors before and after the change of land use respectively.

For reference purpose only, on the basis that the Property will be developed to an industrial project and the land premium figure of approximately RMB289,379,763 (equivalent to approximately HK$320,777,467), the independent valuer is of the opinion that the calculated value of the Property (which includes the Undeveloped Property) under special assumptions as at 31 January 2020 is approximately RMB744,700,000 (equivalent to approximately HK$825,500,000). The special assumptions are that:

(a) The Property is on a clear and vacant site basis; and

(b) All relevant title certificates have been obtained according to the proposed change of land use and planning parameters provided by the Target Company under the Shenzhen Urban Renewal.

For the purpose of calculating the calculated value of the Property under the above special presumptions, the independent valuer adopted a comparison approach by making reference to comparable sales transactions (innovation industry use land parcels) as available in the market.

The terms of the Transaction Documents were determined after arm's length negotiations between the Parties and the Directors are of the view that the terms of the Proposed Disposal and the Transaction Documents (including the Consideration) are fair and reasonable, on normal commercial terms, and in the interest of the Company and the Shareholders as a whole.

Financial Effect of the Proposed Disposal

The unaudited consolidated total assets and total liabilities of the Group as at 30 September 2019 were approximately HK$1,002,605,000 and HK$537,950,000 respectively. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III of this Circular, assuming completion of the Proposed Disposal had taken place on 30 September 2019, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately HK$1,231,580,000 and HK$452,225,000 respectively.

The Proposed Disposal is expected to give rise to a non-recurring gain attributable to the Group of approximately HK$314,700,000 (exchange rate of RMB1 to HK$1.0993 as at 30 September 2019) with reference to the unaudited net asset value of the Target Company (adjusted by certain expected settlement or release of assets and liabilities as mentioned in the paragraph headed "**Interim Period and Completion Conditions**") as at 30 September 2019 (subject to adjustment and audit).

The exact amount of the gain on the Proposed Disposal to be recorded in the consolidated income statement of the Group is subject to adjustments as stated above and audit, and will be calculated based on the carrying value of the net assets of the Target Company as at Completion net of any incidental expenses and taxes and therefore may be varied from the figures provided above.

For the six months ended 30 September 2019, the Group recorded an unaudited consolidated profit of approximately HK$16,274,000. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III of this Circular, assuming completion of the Proposed Disposal had taken place on 1 April 2018, the unaudited pro forma consolidated profit of the Remaining Group for the year ended 31 March 2019 would be approximately HK$339,268,000.

Use of Proceeds

The cash proceeds from the Proposed Disposal, excluding the Loan amount, will amount to approximately HK$353,833,000.

It is currently intended that the cash proceeds from the Proposed Disposal will be used as follows:

Intended Use	Allocation of net proceeds
The consolidation of the Group's manufacturing plants and factories in Shaoguan and the expansion of those manufacturing plants and factories	Approximately RMB100,000,000 (equivalent to approximately HK$110,850,000)
Payment of professional fees arising from the Proposed Disposal	Approximately RMB4,822,000 (equivalent to approximately HK$5,346,000)
Payment of tax and related expenses arising from the Proposed Disposal	Approximately RMB45,828,000 (equivalent to approximately HK$50,800,000)
Payment of severance and relocation costs arising from the Proposed Disposal	Approximately RMB29,272,000 (equivalent to approximately HK$32,448,000)
Repayment of the Remaining Group's bank loans	Approximately HK$80,000,000
Upgrade of the Remaining Group's production plant and machinery and other property, plant and equipment	Approximately HK$50,000,000
As general working capital	Approximately HK$24,389,000

The allocation of the net proceeds in respect of the repayment of the Remaining Group's bank loans and the upgrade of the Remaining Group's production plant and machinery and other property, plant and equipment will be subject to change depending on the Remaining Group's actual repayment obligations and the actual needs of the Remaining Group's operations respectively.

As at 30 September 2019, the Group had a cash and cash equivalents balance of approximately HK$206,743,000 and unutilised banking facilities of approximately HK$43,753,000 but loans of approximately HK$160,593,000 and payables (including accruals and lease liabilities) of approximately HK$367,060,000. As such, the Group is required to maintain a sufficient reserve of cash and working capital in order to continue to operate its businesses and to allow a buffer for its cashflow given the uncertain economic outlook caused by macro-environmental factors such as the US-China trade war, the outbreak of the novel coronavirus in Asia, which may have an adverse effect on the Group's businesses and operations in the PRC in the future.

Listing Rules Implications

As one or more of the applicable percentage ratios in respect of the Proposed Disposal as calculated under Rule 14.07 of the Listing Rules exceeds 75%, the Proposed Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements.

3. THE SGM

The notice of the SGM is set out on pages SGM-1 and SGM-2 of this Circular. The form of proxy for use at the SGM is enclosed. Irrespective of whether you are able to attend the meeting, please complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

All Shareholders who have a material interest (which is different from that of all other Shareholders) in the Proposed Disposal and the transactions contemplated under the Transaction Documents, and their close associates, will be required to abstain from voting on the resolution to approve the Proposal Disposal and the transactions contemplated under the Transaction Documents at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or his or her or its associates have a material interest in the Proposed Disposal and therefore, no Shareholder is required to abstain from voting on the resolutions in connection with the transfer or is entitled to exercise control over the voting right in respect of his/her/its Shares.

4. RECOMMENDATION

The Proposed Disposal is not in the ordinary and usual course of business of the Company, however, as disclosed in the paragraph headed "**Reasons and Benefits of the Proposed Disposal**", the Directors consider that the Proposed Disposal provides the Group with an opportune time to unlock the value of the Target Company and the Property, improve the cashflow of the Group as well as achieve its plans to consolidate and streamline its business in the Guangdong region.

The Directors are of the opinion that the Proposed Disposal and the transactions contemplated under the Transaction Documents are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

5. GENERAL

Shareholders and potential investors of the Company should note that the Proposed Disposal is subject to the approval of the Shareholders and the Transaction Documents may be terminated in certain circumstances. Completion is also subject to the satisfaction of the Completion Conditions which may or may not proceed. Accordingly, there is no assurance that the Proposed Disposal will be completed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

6. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Circular.

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

1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2017, 2018, AND 2019 AND SIX MONTHS ENDED 30 SEPTEMBER 2019

The financial information of the Group for each of the three years ended 31 March 2017, 31 March 2018 and 31 March 2019 and the six months ended 30 September 2019 is disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.hkstarlite.com) and can be accessed at the website address below:

For the annual report of the Company for the year ended 31 March 2017, please see: http://www.hkstarlite.com/Public/images/pdf/595df1686fcfc.pdf

For the annual report of the Company for the year ended 31 March 2018, please see: http://www.hkstarlite.com/Public/images/pdf/5b48298fae26b.pdf

For the annual report of the Company for the year ended 31 March 2019, please see: http://www.hkstarlite.com/Public/images/pdf/5d2d910d75b11.pdf

For the interim report of the Company for the six months ended 30 September 2019, please see: http://www.hkstarlite.com/Public/images/pdf/5de8ca38b7877.pdf

2. INDEBTEDNESS

As at 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had outstanding bank borrowings of approximately HK$136 million, comprising (i) revolving loans of approximately HK$30 million, (ii) import loans of approximately HK$4 million and (iii) term loans of approximately HK$102 million. The borrowings mentioned above were secured by certain land and buildings and certain financial assets at fair value through profit and loss of the Group; and were guaranteed by the Company and certain subsidiaries of the Company. As at 31 January 2020, the lease liabilities of the Group were approximately HK$4 million.

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities and normal trade payables, the Group did not have, as at 31 January 2020, any mortgages, charges, debentures, debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding borrowings or indebtedness in the nature of borrowings including term loans, bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase and finance lease commitments or other similar indebtedness, or any guarantees or other material contingent liabilities.

Save as disclosed in this section, the Directors confirm that they are not aware of any material adverse changes in the Group's indebtedness and contingent liabilities of the Group since 31 January 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Proposed Disposal, the financial resources available to the Group including internally generated funds and the assumptions that the banks will not accelerate repayments by exercising the repayment on demand clause; and the banking facilities to the Group will be renewed and extended covering at least the next 12 months from the date of publication of this Circular, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this Circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

With the recent trade and currency disputes between United States and China posing threat and uncertainty to the global economy, management expects the operating environment of the Remaining Group in the following few months to be tough and competitive. To cope with such challenging circumstances, the Remaining Group will invest in the infrastructure needed for future growth, including advanced technologies to capture new opportunities and streamline our operations.

Upon completion of the Proposed Disposal, the Remaining Group will continue to carry out is principal business of printing and manufacturing of packaging materials, labels and paper products, including environmental friendly paper products and has factories and plants in the Guangdong region. Accordingly, the Remaining Group intends to consolidate and streamline its business and resources in the Guangdong region by centralising its machinery and resources in order to enhance the efficiency of its manufacturing lines and, in particular, the Remaining Group intends to use the net proceeds from the Proposed Disposal to expand the Remaining Group's manufacturing plants and factories in Shaoguan. The existing business operations of the Target Company will be transferred to the Remaining Group and the fixed assets of the Target Company will be transferred to other factories belonging to the Remaining Group in the Guangdong Region. The Target Company's existing manufacturing lines and orders will also be transferred to the Remaining Group's other manufacturing plants and factories.

As disclosed in the paragraph headed "**Reasons and Benefits of the Proposed Disposal**", the Group intends to consolidate and streamline its business in the Guangdong region. As at the Latest Practicable Date, the Group has not entered into any agreements to dispose of any of its existing business or acquire any new assets or business but the Group will continue to explore any potential opportunities to consolidate and streamline its business.

Due to the outbreak of the coronavirus disease (COVID-19) and the introduction of various emergency public health measures by the public authorities in the PRC, including in the Guangdong region, the operation of the Remaining Group's manufacturing plants and factories in the Guangdong region was initially suspended but has resumed or is gradually resuming as at the Latest Practicable Date. Accordingly, although the Directors expect that the outbreak of COVID-19 will only have a temporary impact on the Remaining Group's operations, nevertheless it is likely to have an adverse effect on the financial results of the Remaining Group for the current financial year. The Remaining Group expects that its operations and the normal course of business will gradually be restored, subject to any further impact arising from COVID-19 or other external factors. The Directors will continue to monitor the development of the COVID-19 outbreak and assess the potential risks and impact that it may have on the Group's financial and trading prospects.

5. NO MATERIAL ADVERSE CHANGE

Save as disclosed herein, the Directors confirm that there are no material adverse changes in the financing or trading position of the Group since 31 March 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Pursuant to the terms of the Equity Transfer Agreement, the Company has the discretion to clear the assets and obligations of the Target Company save for the Loan, the Property and the land use rights of the Property, which will be retained by the Target Company upon Completion. During the Interim Period, the existing business operations of the Target Company including the sales orders will be transferred to the Remaining Group. Also, the Target Company will transfer its transferable assets (other than the Property) to the Remaining Group. The following management discussion and analysis of the Remaining Group is prepared based on the above basis.

For the year ended 31 March 2017

Operating Results

The Remaining Group recorded a loss of HK$6 million for the year ended 31 March 2017, compared to a profit attributable to owners of HK$72 million for the year ended 31 March 2016. Revenue was approximately HK$1,446 million, a decrease of 11% compared with the year ended 31 March 2016.

The setback in the Remaining Group's performance was mainly attributable to: (i) reduction in the quantity and pricing of orders by major customers in the face of weakened market sentiment amidst more intensified competition in the printing and packaging sector; (ii) contraction in the operational efficiency of the Remaining Group's eastern China operation as a result of management reshuffle and personnel changes; (iii) impairment provision for the equipment of the Remaining Group's Suzhou plant; and (iv) rising price of paper affected the Remaining Group's profit margins.

The Remaining Group's sales to the United States and Asian markets recorded a decline. With the exception of paper products and greeting cards, all major product categories of the Remaining Group posted weaker sales. Moreover, the Remaining Group encountered softer pricing of orders as customers took a more cautious stance in light of the sluggish retail sentiment.

On the operational side, the Remaining Group's eastern China operation experienced a management reshuffle and personnel changes which caused major interruption to the operational efficiency and sales results of the Suzhou plant. Nonetheless, following the strengthening actions taken by the new management team, the eastern China operation managed to narrow its loss for the full year compared to the loss it recorded in the first half.

Notwithstanding the setback in sales, the Remaining Group made progress in expanding its source of revenue during the year. Team Green, the Remaining Group's eco-friendly design products brand operating the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses, expanded its product lines and distribution network.

Internally, the Remaining Group is implementing lean management programme with full force to take advantage of the opportunities presented by the Chinese government's "Made in China 2025" plan. The Remaining Group is also preparing for Industry 4.0 (the fourth industrial revolution) by implementing Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES). Stringent control on capital expenditure and customer credit policy is adopted as a safeguard against risks.

Business Review and Prospects

Hong Kong/Mainland China Operations

Overview

Retail sales in major markets deteriorated in the second half of the financial year, with consumer prices further weakened. In light of this, customers from different sectors became more cautious, placing less orders at more rigid prices. At the same time, competition among printing and packaging companies further intensified. Under the circumstances, whilst the Remaining Group strived to maintain its market share and profitability, the Remaining Group suffered a decline in revenue with a loss attributable to owners incurred for the year ended 31 March 2017.

Another major factor affecting the Remaining Group's performance during the year was the management reshuffle and personnel changes in the Remaining Group's eastern China operation which coincided with the high single-digit rise in minimum wages taking place at the Suzhou plant in June 2016. As a result, the eastern China operation recorded lower sales, lower efficiency and higher production costs. Following the strengthening actions taken by the new management team, the performance of the Suzhou plant improved in the second half. Nevertheless, a significant loss was still incurred by the eastern China operation on a full year basis.

In addition, the price of paper increased during the year. This coupled with the lower pricing of orders led to a reduction in the Remaining Group's profit margins.

Against these challenges, the Remaining Group has been taking measures to increase sales and profitability. Internally, the Remaining Group is implementing Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES) to further integrate its manufacturing, purchasing, sales, and accounting functions. Ongoing lean management programme, comprising the streamlining of workflow, intelligent automation and value stream mapping, are extended to more subsidiaries to increase operational efficiency and reduce the wastage of resources. Financial and cash flow management systems are being strengthened to ensure resources are properly allocated, in particular those on capital investment and customer credit control.

Spearheading the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses, Team Green, the Remaining Group's eco-friendly design products brand, has broadened its variety of products and expanded its distribution network during the year, with more selling points developed in Japan, Hong Kong, ASEAN, China, Europe and the United States. Team Green is also utilizing its design capability to provide ODM services to major enterprises with hit movie icons.

Qianhai Larsemann Intelligence System (Shenzhen) Limited, a newly-formed subsidiary, is developing the intelligent automation business. The subsidiary researches, designs and develops custom-made machinery and automated equipment primarily for the Remaining Group's internal use currently with the potential of selling them to external parties.

Taking a long-term view, the management has adopted the strategy of "Innovation, Unconventional View, Embrace Change and Move Forward" by expanding its source of revenue across and beyond the "Five Major Blocks", namely: (i) proprietary products with confidentiality undertakings; (ii) packaging including luxury packaging and specialty printing; (iii) children's books and greeting cards; (iv) the ODM and OBM businesses; and (v) intelligent automation. The Remaining Group will prioritize the allocation of resources to these five blocks based on their growth potential and the management is hopeful that such long-term strategy will benefit the Remaining Group's sustainable growth.

Southern China Operation

The Remaining Group's southern China operation recorded a significant decline in profit for the year ended 31 March 2017. Paper products and greeting cards generated more sales marked by an increase in orders for children's books. However, sales of the printing and packaging division dropped with orders from the toys and technology sectors declining. Sales of packaging and luxury boxes decreased as retail sales weakened. The profit margins of the southern China operation were also reduced as customers pressed for lower prices for orders due to sluggish market sentiment, while more intensified competition in the printing and packaging industry put pressure on pricing.

Against this setback, Team Green, the Remaining Group's eco-friendly design products brand, recorded a growth in sales during the year. It has expanded its product range, covering 3D paper puzzles and 3D wooden puzzles, winning the Hong Kong Smart Gifts Design Awards contest with two of its Jigzle© Wooden Puzzles. Team Green has also collaborated with world-famous brands providing them OEM and ODM services and is actively building up its profile by attending shows and exhibitions. Internet sales of the Team Green products are launched through GreenTaNet.com, the Remaining Group's e-business platform, and other online stores.

Qianhai Larsemann Intelligence System (Shenzhen) Limited, the newly-formed subsidiary spearheading the intelligent automation business, has also made progress by strengthening cooperation with scientific research institutions and universities in Mainland China and overseas, on areas ranging from semi-automation to full automation, paving the way for the Remaining Group's development of production service centers catering for the consumer market.

Moving forward, the southern China operation will apply intelligent automation and value stream mapping to increase its cost efficiency. It will actively develop other sectors besides the toys industry to expand its clientele. These sectors include the food, cosmetics and information technology sectors to which the Remaining Group is expanding its luxury packaging business.

Eastern China Operation

The eastern China operation recorded less sales and a significant loss during the year under review, as the management reshuffle with personnel changes adversely affected its sales and marketing as well as operational efficiency. Strong competition among printing and packaging companies in the Yangtze River Delta and high labour costs also had a negative impact on the eastern China operation.

Sales dropped across all divisions of the eastern China operation during the year. Specialty printing reported the highest sales decline, followed by the printing and packaging division and the greeting cards business.

Nonetheless, following the strengthening actions taken by the new management team, the performance of the Suzhou plant improved in the second half of the year. Moving forward, the eastern China operation will continue to target multinational customers and established Chinese enterprises and enlarge its clientele in growth sectors to reinforce its leading position and enhance its profitability.

Southeast Asia Operation

The southeast Asia operation recorded a decline both in revenue and profit during the year under review. The setback was due to realignment of product range by major clients, strong competition in the printing and packaging industry across the region, and the depreciation of Singapore dollar and Malaysian ringgit against the United States dollar.

To improve its performance, the southeast Asia operation will utilize the Remaining Group's intelligent automation technology to increase its competitive advantages. Moreover, it will strive to expand its sales and customer base. Such efforts include further penetration in markets such as Australia, New Zealand and ASEAN countries, and exploring the feasibility of developing the ODM and OBM businesses.

Liquidity and financial resources

The Remaining Group's sources of funding include cash generated from the Remaining Group's operations and banking facilities provided to the Remaining Group by banks mainly in Hong Kong and Mainland China. As at 31 March 2017, the Remaining Group's cash and bank balances and short-term bank deposits amounted to approximately HK$264 million.

During the financial year ended 31 March 2017, the interest expense of the Remaining Group amounted to approximately HK$8 million compared to approximately HK$10 million recorded for the year ended 31 March 2016.

As at 31 March 2017, the Remaining Group had a working capital surplus of approximately HK$243 million compared to a working capital surplus of approximately HK$222 million as at 31 March 2016. The Remaining Group was in net cash position as at 31 March 2017 and 31 March 2016. The Remaining Group's gearing ratio as at 31 March 2017 was 37% (2016: 38%), based on short-term and long-term bank borrowings, bill payables and shareholders' funds of approximately HK$508 million.

As at 31 March 2017, approximately 94% (2016: 91%) of the Remaining Group's borrowings were denominated in HK$ and RMB while the remaining were mainly denominated in United States Dollars and Malaysia ringgit. The Remaining Group's borrowings are mainly in HK$ or RMB to finance investments in the PRC. At present, the management does not expect that there will be any significant foreign exchange risk associated with the Remaining Group's borrowings and the Remaining Group did not use any financial instruments to hedge its foreign exchange risk arising from the Remaining Group's borrowings during the year. All bank borrowings of the Remaining Group carried interest at a variable rate.

Charge on assets

As at 31 March 2017, certain assets of the Remaining Group with an aggregate book carrying value of approximately HK$11 million (31 March 2016: HK$29 million) were pledged to secure the banking facilities of the Remaining Group.

Exchange rate exposure

All the Remaining Group's assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars, Chinese Renminbi, Malaysian ringgit, Singapore dollars or Euro. The exchange rate of US dollars/Hong Kong dollars is relatively stable due to the current peg system in Hong Kong. The Renminbi denominated sales revenue helps to set off the Remaining Group's commitments of Renminbi-denominated operating expenses in Mainland China, accordingly reducing Renminbi exchange rate exposure. Transaction values involving Euro were primarily related to the Remaining Group's purchase of machinery.

Human resources development

Currently the Remaining Group has approximately 4,000 employees. The Remaining Group maintains good relationships with its employees, providing them with competitive packages, incentive schemes as well as various training programmes. The Remaining Group has maintained a Share Option Scheme under which share options can be granted to certain employees (including executive directors and non-executive director of the Company (excluding independent non-executive directors)) as incentive for their contribution to the Group. The Remaining Group provides various training and development programmes to staff on an ongoing basis. The Remaining Group will explore the possibility of launching other special training programmes with universities in Mainland China and education institutions abroad to enhance its staff quality.

Contingent Liabilities

As at 31 March 2017, the Remaining Group did not have any contingent liabilities (2016: nil).

For the year ended 31 March 2018

Operating Results

For the year ended 31 March 2018, the Remaining Group's revenue increased by 6% to approximately HK$1,533 million. A loss of HK$52 million was recorded by the Remaining Group, which was notably higher than the loss of HK$6 million incurred in year ended 31 March 2017.

The lower than expected growth in revenue was due to intense competition in the printing and packaging industry as well as the Remaining Group's strategic move to reduce exposure to the sectors with unfavourable pricing.

The Remaining Group's profit margin was adversely affected by the drastically rising price of paper and the higher labour costs in the PRC. An increase in outsourcing costs incurred by the Remaining Group's Shaoguan plant to meet customers' delivery schedules, together with the slower than expected recovery of the Suzhou plant, brought further pressure on the Remaining Group's profitability.

Notwithstanding the unsatisfactory results, the Remaining Group made progress during the year in expanding Team Green, the Remaining Group's eco-friendly design products brand operating the original design manufacturing (ODM) and original brand manufacturing (OBM) businesses. This innovation driven subsidiary is seeking to further develop the education sector in Hong Kong and the PRC while introducing new features and technology to its products.

On the operational side, the Remaining Group's subsidiary Qianhai Larsemann Intelligence System (Shenzhen) Limited is actively developing automated equipment to facilitate the Remaining Group in improving its productivity and reducing its reliance on labour. By transforming itself to embrace Industry 4.0 (the fourth industrial revolution), embedding intelligent automation and data exchanges in its operations, the Remaining Group is striving for higher cost competitiveness and market adaptability to gain long term sustainable performance. In the meantime, the Remaining Group is exploring means to consolidate its PRC plants to increase their overall operational efficiency.

Business Review and Prospects

Hong Kong/Mainland China Operations

Overview

During the year under review, competition in the printing and packaging industry further intensified. Many competitors aggressively reduced their price to gain market share. The situation was aggravated as customers adopted a more rigid stance on the pricing of orders due to prevailing uncertainties in major markets.

Under the circumstances, the Remaining Group had to absorb most of the additional costs in production with little room to pass such costs on to customers. The most notable increase was seen in paper, a major component in the Remaining Group's production, whose price soared drastically by double digits during the year. Moreover, the minimum wages at the Remaining Group's Guangzhou and Suzhou plants rose by single digit with effect from April 2017 and July 2017, respectively.

The slackened performance of some of the Remaining Group's manufacturing plants aggravated the Remaining Group's profitability. Late deliveries and backlog of orders were seen in the Shaoguan plant, which resulted in higher outsourcing costs and airfreight charges being incurred to meet delivery schedules. The recovery pace of the Suzhou plant was slower than expected and stockpiling of orders and relatively higher labour costs affected the profit margins.

On the sales front, the Remaining Group revised its sales strategy by reducing exposure to the industries with unfavourable pricing while expanding sales to high growth sectors. This had a temporary pull back effect on the Remaining Group's revenue growth, but the management believes the strategy is beneficial to the Remaining Group's long-term development.

During the year, children's books and greeting cards recorded an increase in sales. More orders were secured from the technology sector while sales to the toys industry declined. Traditional packaging saw a decrease in orders due to unhealthy competition.

Team Green, the Remaining Group's eco-friendly design products brand, has teamed up with Insight Editions, an international company known for lavishly illustrated books on arts, entertainment and history to launch new products. Named IncrediBuilds, the newly launched 3D wooden puzzle collection comprises do-it-yourself, customizable, freestanding models. Team Green is also integrating new features and new technology into its products.

Qianhai Larsemann Intelligence System (Shenzhen) Limited, the subsidiary specializing in intelligent automation, has developed more than 100 smart machines primarily for the Remaining Group's internal use with the potential of selling them to third parties. The management is hopeful that the use of intelligent automation would help enhance the operational efficiency of the Remaining Group's manufacturing plants and reduce their reliance on labour.

Adopting a long term view, the management believes the Remaining Group is on the right track to generate sustainable growth in sales and profit. Solid action is being taken to enhance the Remaining Group's customer mix as well as manufacturing model as the Remaining Group steps up to embrace Industry 4.0. As part of this endeavour, the Remaining Group is exploring means to consolidate its PRC plants to increase their overall operational efficiency. The Remaining Group is also tightening the management control of the Shaoguan plant and Suzhou operation to improve their performance.

Southern China Operation

The Remaining Group's southern China operation recorded a loss for the year ended 31 March 2018. The higher price of paper and higher wages could not be fully recovered from customers. Moreover, the Shaoguan plant experienced a slackening of operational efficiency which resulted in higher outsourcing costs and airfreight charges being incurred.

Team Green, the Remaining Group's eco-friendly design products brand, expanded its product range during the year, both on its own as well as through collaborations with brands of hit movie icons to create product series. Its product lines cover 3D paper puzzles and 3D wooden puzzles, including the latest IncrediBuilds collection. The team is seeking to further develop the education sector in Hong Kong and the PRC while introducing new features and new technology to its products. It received the Corporate Remaining Group Merit Award of Hong Kong Smart Design Award 2017 from The Hong Kong Exporter's Association, and attended the Hong Kong Gifts & Premium Fair held by the Trade Development Council in late April 2018.

Qianhai Larsemann Intelligence System (Shenzhen) Limited, the Remaining Group's subsidiary spearheading the intelligent automation business, continued to work with scientific research institutions and universities in Mainland China and overseas, on areas ranging from semi-automation to full automation, paving the way for the Remaining Group's business development of intelligent automation machines catering for the consumer market.

Moving forward, the southern China operation will take measures to increase its operational efficiency, including the further implementation of Enterprise Resource Planning (ERP) and Manufacturing Execution Systems (MES) to integrate the manufacturing, purchasing, sales, and accounting functions. It will continue to expand its clientele and reduce exposure to the unfavourable pricing sectors.

Eastern China Operation

The eastern China operation recorded a higher loss during the year under review. Its turnaround pace was slower than expected as the strengthening actions taken by the new management team took more time to show results. The incurrence of foreign exchange loss due to sudden exchange fluctuation of Renminbi against US dollars and the extra costs in reworking particular orders at sales destination due to quality issues put additional pressure on the operation's profit margins.

The printing and packaging business saw an increase in revenue. However, sales of specialty printing significantly dropped due to intense market competition, while orders for greeting cards levelled. Growth in domestic business was recorded as international brands improved their sales to China.

Looking forward, cost efficiency remain a major challenge confronting the eastern China operation. The eastern China operation aims to enlarge its clientele in growth sectors, targeting multinational customers and established Chinese enterprises, while strengthening its production and management to resume profit.

Southeast Asia Operation

The southeast Asia operation recorded a decline in profit during the year under review. With strong competition in the printing and packaging industry across the region, and the rising price of paper, the profit margin of the southeast Asia operation was affected.

The southeast Asia operation is utilizing the Remaining Group's intelligent automation technology to increase its competitive advantages. It seeks to increase penetration in markets such as Australia, New Zealand and ASEAN countries, while actively exploring the feasibility of developing the ODM and OBM businesses.

Liquidity and financial resources

The Remaining Group's sources of funding include cash generated from the Remaining Group's operations and banking facilities provided to the Remaining Group by banks mainly in Hong Kong and Mainland China. As at 31 March 2018, the Remaining Group's cash and bank balances and short-term bank deposits amounted to approximately HK$329 million.

During the financial year ended 31 March 2018, the interest expense of the Remaining Group amounted to approximately HK$8 million compared to approximately HK$8 million recorded for the year ended 31 March 2017.

As at 31 March 2018, the Remaining Group had a working capital surplus of approximately HK$244 million compared to a working capital surplus of approximately HK$243 million as at 31 March 2017. The Remaining Group was in net cash position as at 31 March 2018 and 31 March 2017. The Remaining Group's gearing ratio as at 31 March 2018 was 50% (2017: 37%), based on short-term and long-term bank borrowings, bill payables and shareholders' funds of approximately HK$501 million (2017: HK$508 million).

As at 31 March 2018, approximately 99% (2017: 94%) of the Remaining Group's borrowings were denominated in HK$ and RMB while the remaining were mainly denominated in United States Dollars (2017: United States Dollars and Malaysian ringgit). The Remaining Group's borrowings are mainly in HK$ or RMB for operation in the PRC. At present, the management does not expect that there will be any significant foreign exchange risk associated with the Remaining Group's borrowings and the Remaining Group did not use any financial instruments to hedge its foreign exchange risk arising from the Remaining Group's borrowings during the year. All bank borrowings of the Remaining Group carried interest at a variable rate.

Charge on assets

As at 31 March 2018, certain assets of the Remaining Group with an aggregate book carrying value of approximately HK$10 million (31 March 2017: HK$11 million) were pledged to secure the banking facilities of the Remaining Group.

Exchange rate exposure

All the Remaining Group's assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars, Chinese Renminbi, Malaysian ringgit, Singapore dollars or Euro. The exchange rate of US dollars/Hong Kong dollars is relatively stable due to the current peg system in Hong Kong. The Renminbi-denominated sales revenue helps to set off the Remaining Group's commitments of Renminbi-denominated operating expenses in Mainland China, accordingly reducing Renminbi exchange rate exposure. Transaction values involving Euro were primarily related to the Remaining Group's purchase of machinery.

Human resources development

Currently the Remaining Group has approximately 3,500 employees. The Remaining Group maintains good relationships with its employees, providing them with competitive packages, incentive schemes as well as various training programmes. The Remaining Group has maintained a Share Option Scheme under which share options can be granted to certain employees (including executive directors and non-executive director of the Company (excluding independent non-executive directors)) as incentive for their contribution to the Remaining Group. The Remaining Group provides various training and development programmes to staff on an ongoing basis. The Remaining Group will explore the possibility of launching other special training programmes with universities in Mainland China and education institutions abroad to enhance its staff quality.

Contingent Liabilities

As at 31 March 2018, the Remaining Group did not have any contingent liabilities (2017: nil).

For the year ended 31 March 2019

Operating Results

For the year ended 31 March 2019, the Remaining Group's revenue decreased by 7% to approximately HK$1,431 million. A loss of approximately HK$36 million was recorded, compared to a loss of approximately HK$52 million for the year ended 31 March 2018.

Adverse market conditions hampered the Remaining Group's performance during the year under review. First and foremost was the cutback of customers' orders and pricing amidst the escalating trade war between the United States and the PRC.

As the competition among printing and packaging companies intensified, the Remaining Group had little room to pass the higher price of paper and labor costs on to customers, which affected the Remaining Group's profit margins.

The Remaining Group continued with its strategic move to reduce sales to industries with unfavourable pricing while seeking to expand sales to high growth sectors. This had a temporary pull back effect on the Remaining Group's revenue given the weak market sentiment.

The Remaining Group's southern China operation saw a decrease in sales but reduced its loss. Whilst the eastern China operation posted a lower loss, its turnaround was hindered by customers' cutback of orders and pricing. The south east Asian operation experienced a loss due to stronger competition in the printing and packaging industry in the region.

Facing a highly challenging environment, the Remaining Group is exploring means to consolidate its plants and offices. Moreover, the Remaining Group is developing automated equipment through its subsidiary Qianhai Larsemann Intelligence System (Shenzhen) Limited to help increase its operational efficiency and reduce the reliance on labour.

Business Review and Prospects

Hong Kong/Mainland China Operations

Overview

During the year under review, market sentiment in major economies was adversely affected by the escalating trade war between the United States and the PRC. Customers generally adopted a more rigid stance on the pricing of orders while cutting back the quantities in view of the higher tariffs and growing uncertainties. This resulted in more intense competition among printing and packaging companies in the PRC and Asia.

Under the circumstances, the Remaining Group had to absorb most of the additional costs in production with little room to pass them on to customers. Such additional costs included the rising price of paper, which rose by single digit during the year, as well as the minimum wages at the Remaining Group's Guangzhou, and Suzhou plants which rose by single digits.

The southern China operation narrowed its loss with a decrease in revenue. Of its two plants, the Shaoguan plant made a turnaround to profit as the issue of late deliveries and backlog of orders were resolved, while the Guangzhou plant posted a higher profit by expanding sales to the growth industries.

The eastern China operation incurred a smaller loss but the extent of improvement was restrained by the adverse business environment. The south east Asian operation recorded a loss and lower revenue; its effort to increase exposure to the luxury packaging sector was hindered by stronger competition among printing and packaging companies in the region.

In terms of sales category, a significant decline in orders from the technology sector was recorded as the Remaining Group reduced exposure to industries with unfavourable pricing. Orders from the toys sector softened due to intensified competition. On the other hand, luxury packaging and children's books saw an increase in revenue while greeting cards posted a decline.

The Remaining Group is taking measures to enhance its manufacturing model and customer mix. Over the years, Qianhai Larsemann Intelligence System (Shenzhen) Limited has developed the Automatic Rigid Box Production Line, one of the biggest machines ever designed, manufactured, and assembled by the Remaining Group. Other automated equipment it developed during the year included the Robot Static-vision System Pasted Board Line, the Greeting Card Flexible Manufacture Machine and the Intelligence Equipment Data Collection System.

Southern China Operation

The southern China operation narrowed its loss during the year under review. Its revenue was lower than the previous year, with a decrease in orders from the toys and technology sectors, and an increase in sales to the cosmetics sector.

Team Green (JIGZLE®), the Remaining Group's eco-friendly design products brand, has expanded its sales and distribution network in the PRC, with two stores being opened in Shanghai and Suzhou. Team Green (JIGZLE®) received three awards in the Hong Kong Smart Design Award 2019 from The Hong Kong Exporters' Association, and attended the Hong Kong Gifts & Premium Fair held by The Hong Kong Trade Development Council in late April 2019.

Eastern China Operation

The eastern China operation recorded a smaller loss during the year under review. Its extent of improvement was restrained by customers' more rigid stance on pricing and intensified competition among printers in the Yangtze River Delta. The prevailing high price of paper and rise in wages also put pressure on its bottom line.

In terms of sales category, sales of specialty printing dropped significantly due to intense market competition; orders for greeting cards also declined. Domestic sales remained stable notwithstanding the weakened sentiment in the PRC market.

The eastern China operation is vigorously implementing lean management and automation to increase its cost efficiency. It strives to target multinational customers and established Chinese enterprises and enlarge its clientele in growth sectors.

Southeast Asia Operation

The southeast Asia operation recorded a loss during the year with a decline in revenue. Due to more intense competition in the printing and packaging industry across the region, and the rising price of paper, the performance of the south east Asian operation was adversely affected. Its effort to expand sales in luxury packaging was held back by the cautious stance of customers in the high-end sector given the uncertain market sentiment.

Some companies might consider switching their production orders from the PRC to other Asian countries in view of the trade war between the United States and the PRC, which hopefully may provide business opportunities for the south east Asian operation.

In August 2018, Starlite Printers (Far East) Pte Ltd won two awards, namely, the Singapore Packaging Star Award and the Asia Star Award 2017 presented by the Singapore Manufacturing Federation.

Liquidity and financial resources

The Remaining Group's sources of funding include cash generated from the Remaining Group's operations and banking facilities provided to the Remaining Group by banks mainly in Hong Kong and Mainland China. As at 31 March 2019, the Remaining Group's cash and bank balances and short term bank deposits amounted to approximately HK$266 million.

During the financial year ended 31 March 2019, the interest expense of the Remaining Group amounted to approximately HK$11 million compared to approximately HK$8 million recorded for the year ended 31 March 2018.

As at 31 March 2019, the Remaining Group had a working capital surplus of approximately HK$97 million compared to a working capital surplus of approximately HK$244 million as at 31 March 2018. The Remaining Group was in net cash position as at 31 March 2019 and 31 March 2018. The Remaining Group's gearing ratio as at 31 March 2019 was 49% (2018: 50%), based on short-term and long-term bank borrowings, bill payables and shareholders' funds of approximately HK$438 million (2018: HK$501 million).

As at 31 March 2019, approximately 96% (2018: 99%) of the Remaining Group's borrowings were denominated in HK$ and RMB while the remaining were mainly denominated in United States Dollars (2018: United States Dollars). The Remaining Group's borrowings are mainly in HK$ or RMB for operation in the PRC. At present, the management does not expect that there will be any significant foreign exchange risk associated with the Remaining Group's borrowings and the Remaining Group did not use any financial instruments to hedge its foreign exchange risk arising from the Remaining Group's borrowings during the year. All bank borrowings of the Remaining Group carried interest at a variable rate.

Charge on assets

As at 31 March 2019, certain assets of the Remaining Group with an aggregate book carrying value of approximately HK$32 million (31 March 2018: HK$10 million) were pledged to secure the banking facilities of the Remaining Group.

Exchange rate exposure

All the Remaining Group's assets, liabilities and transactions are denominated in Hong Kong dollars, US dollars, Chinese Renminbi, Malaysian ringgit, Singapore dollars or Euro. The exchange rate of US dollars/Hong Kong dollars is relatively stable due to the current peg system in Hong Kong. The Renminbi-denominated sales revenue helps to set off the Remaining Group's commitments of Renminbi-denominated operating expenses in Mainland China, accordingly reducing Renminbi exchange rate exposure.

Human resources development

Currently the Remaining Group has approximately 3,000 employees. The Remaining Group maintains good relationships with its employees, providing them with competitive packages, incentive schemes as well as various training programmes. The Remaining Group has maintained a Share Option Scheme under which share options can be granted to certain employees (including executive directors and non-executive directors of the Company (excluding independent non-executive directors)) as incentive for their contribution to the Remaining Group. The Remaining Group provides various training and development programmes to staff on an ongoing basis. The Remaining Group will explore the possibility of launching other special training programmes with universities in Mainland China and education institutions abroad to enhance its staff quality.

Contingent Liabilities

As at 31 March 2019, the Remaining Group did not have any contingent liabilities (2018: nil).

For the six months ended 30 September 2019

Operating Results

The Remaining Group posted a profit of approximately HK$17 million for the six months ended 30 September 2019, compared to loss of approximately HK$7 million for the six months ended 30 September 2018, achieving economic benefits against market trends. The Remaining Group recorded about HK$695 million in revenue, 17% lower than that of the same period in 2018.

There are three main reasons for the Remaining Group's turnaround: (i) a comprehensive implementation of lean production, in particular 5S, value chains and automation have all played their roles in broadening revenue sources and reduce expenditures of the Remaining Group; (ii) encouraging management to work closely with frontline workers to help the latter to understand costs, keep abreast of market trends closely and foster closer relationships with customers; (iii) the combined effect of reduction in China's value-added tax and five mandatory insurance funds and the housing fund, with the depreciation of Renminbi.

Our three plants in China attained good results in suppressing costs. As a result, Guangzhou plant and Shaoguan plant maintained profitability. Similarly, Suzhou plant also recorded a turnaround, but certain key customers postponed some of their orders due to sluggish markets, affecting the business recovery in our eastern China region.

The cost of paper in ASEAN region increased continuously, and could not be passed on to customers timely, which led to widening of losses in our operations in Singapore and Malaysia.

US-China trade conflicts continued, which adversely affected sentiments of consumers in the global market, and lackluster traditional markets further strengthened our determination to expand markets in China. Despite that a company as big as our Remaining Group in terms of size always attract criticism and competitors, we firmly believe that with our quality and integrity, the market will eventually welcome Starlite.

The Remaining Group adopted versatile measures to revitalize our resources integration mechanism in face of a fast-changing and complex environment. For instance, we increased the investment in our original brand Team Green, accelerated the automation and intellectual process of Larsemann, and information system optimization will be undertaken in no time. To complement the healthy development of the Company, the Remaining Group will make the best use of all the resources available and will deploy all its efforts.

Business Review and Prospects

Hong Kong/Mainland China Operations

Overview

During the period under review, the trade war between China and the United States, the Brexit impasse of the United Kingdom and the slowdown of the global economic growth as a consequence of years of quantitative easing monetary policy led to depressing consumer sentiment and confidence in major economies. Unnerved by negative factors such as uncertainty in world trade tariffs and unstable foreign currency rates, customers generally tend to adopt a conservative ordering policy. To cope with the challenge of an increasingly severe environment, the Remaining Group continued to optimize marketing policy while strengthening coordination with quality customer and investing in the development of customers of high potential. In consequence, the Remaining Group saw a short-term slowdown in revenue growth but still maintained a considerable profit margin.

At the same time, the Remaining Group successfully kept operational costs under effective control by proactively integrating resources and production capacity of all plants, continuously optimizing operational process and strengthening material sourcing and inventory management. During the period, costs of main raw materials dropped while labour costs were kept under control due to automation, refined improvement and implementation of Amoeba management practice and so forth.

The Shaoguan plant, which recorded a modest profit, reformed management to resolve order backlog issues so that transportation costs fell sharply. The Guangzhou plant maintained competitiveness with sustained increase in staff efficiency. Overall, profitability of the southern China operation improved even its revenue fell.

The eastern China operation also recorded a modest profit. Some customers from the technology sector delayed their projects due to market conditions, affecting the region's operation plan. The Southeast Asia operation recorded a slight increase in loss and its marginal profit was affected because of fierce competition in the packaging and printing market in the region and rise in paper costs.

Facing an uncertain external environment, the Remaining Group actively adopted measures to enhance customer relationship management and optimized plants' assets deployment, in addition to continuously promoting automation to assist all of its plants to raise efficiency and reduce reliance on manpower.

Southern China Operation

For the six months ended 30 September 2019, the Remaining Group's southern China operation posted a slight increase in profit. Given the China-US trade conflict and European geopolitical situation, many customers became cautious about the economic outlook, and subsequently orders from some markets, such as children books, greeting cards and traditional packaging, shrank slightly. In face of short-term economic turbulence, the two plants in southern China implemented various effective cost reduction measures which encompassed centralized procurement, development of new materials, vitalizing supply chain resources, optimization of advanced automation process, streamlining organization structure and integration of functional departments. The Amoeba management concept introduced in late 2018 contributed towards raising the team's overall digitalized management level. The southern China operation has revitalized assets efficiency through resources consolidation.

The Remaining Group's eco-friendly innovative brand JIGZLE® recorded an increase in sales in the first six months of the year with development of new product lines and expansion of sales network. Two outlets opened in Shanghai. The team also participated in trade shows to further explore new business opportunities and enhance brand promotion such as Taobao Creation 2019, Hangzhou Cultural and Creative Industry Expo, CBME China Pregnancy and Infant Exhibition, LIFESTYLE EXPO TOKYO, China Commodity Fair (Russia) and etc.

Eastern China Operation

During the period, the revenue of the eastern China operation dropped but still managed to record profit. External tense economic situation and growing downward pressure on China's economy led to rising risk aversion sentiment among customers who resorted to a more prudential sales strategy, thus exerting pressure on the eastern China operation's business growth. Revenue from special packaging and printing business dropped because of negative marketing sentiments, while the business of greeting cards and domestic sales remained steady.

The management team in the region strives to streamline operation not only to proactively expand domestic markets to capitalize on the opportunities of the rapidly growing consumables packaging market in recent years but also to reduce consumption and enhance efficiency through merging jobs with functions and strengthening the sourcing process. It is set to develop as a key printing and innovation base in the Yangtze River Delta.

During the period, the innovative production base of the Remaining Group's own brand JIGZLE® officially commenced operation to provide full support to the brand's business expansion in Greater China.

Southeast Asia Operation

The southeast Asia operation recorded an increase in revenue but an increase in loss during the period. Receiving strong support in the form of transfer of technology, equipment and process from four factories in China, the Remaining Group's factories in this region effectively reduced labour and outsourcing costs, but the surge in raw material costs in the region imposed a negative impact on the profitability of the Remaining Group's southeast Asian operation.

US-China trade war resulted that a number of customers relocated their production lines from China to other regions in Asia. A number of internationally renowned customers assessed the possibility of taking orders originally earmarked for Greater China to the Remaining Group's plant in southeast Asia, which was determined to expand production capacity and increase use of automated equipment to meet customers' growing demand. The management anticipated the southeast Asia operation would become the Remaining Group's new growth engine.

Prospects

In the World Economic Outlook report released in October 2019, the International Monetary Fund (IMF) reduced for a fifth time its projection of global economic growth rate from 3.2% as of July to only 3%, attributable to the extensive slow growth among major economies as a result of trade conflicts, which will be the weakest global economic growth rate in this decade. IMF also adjusted its projection of the global economic growth rate for 2020 downwards from 3.5% to 3.4%. The management is proactively undertaking numerous measures to seek sources of revenue while cutting expenses and encourage collaboration between both the management and the frontline workers in light of global economic slowdown and uncertain economic recovery. The Remaining Group will further consolidate the functions of different business units and enhance customer services. In addition, resources of all plants were consolidated to revitalize the Remaining Group's assets portfolio to raise overall operation efficiency.

Liquidity and financial resources

The Remaining Group's sources of funding include cash generated from the Remaining Group's operations and banking facilities provided to the Remaining Group by banks mainly in Hong Kong and Mainland China. As at 30 September 2019, the Remaining Group's cash and bank balances and short-term bank deposits amounted to approximately HK$207 million.

During the six months ended 30 September 2019, the interest expense of the Remaining Group amounted to approximately HK$4.8 million compared to approximately HK$5.3 million recorded in the same period of 2018.

As at 30 September 2019, the Remaining Group had a working capital surplus of approximately HK$137 million compared to a working capital surplus of approximately HK$227 million as at 30 September 2018. The Remaining Group's gearing ratio as at 30 September 2019 was 37% (2018: 53%). The Remaining Group will continue to adopt prudent policies to maintain a healthy financial position.

As at 30 September 2019, approximately 96% of the Remaining Group's borrowings were denominated in HK$ and RMB while the remaining were mainly denominated in United States Dollars. The Remaining Group's borrowings are mainly in HK$ or RMB for operation in the PRC. At present, the management does not expect that there will be any significant foreign exchange risk associated with the Remaining Group's borrowings and the Remaining Group did not use any financial instruments to hedge its foreign exchange risk arising from the Remaining Group's borrowings during the year. All bank borrowings of the Remaining Group carried interest at a variable rate.

Charge on assets

As at 30 September 2019, certain assets of the Remaining Group with an aggregate book carrying value of approximately HK$23 million (30 September 2018: HK$23 million) were pledged to secure the banking facilities of the Remaining Group.

Exchange rate exposure

All the Remaining Group's assets, liabilities and transactions are denominated either in Hong Kong dollars, US dollars, Chinese Renminbi, Malaysian Ringgit, Singapore dollars or Euro. The exchange rate of US dollars/Hong Kong dollars is relatively stable due to the current peg system in Hong Kong. On the other hand, the existing Renminbi denominated sales revenue helps to reduce the Remaining Group's commitments of Renminbi-denominated operating expenses in China. Transaction values involving Euro were primarily related to the Remaining Group's purchase of machinery.

Human resources development

Currently the Remaining Group has approximately 3,600 employees. The Remaining Group maintains good relations with its employees, providing them competitive packages and incentive schemes as well as various training programmes. The Remaining Group has maintained a share option scheme under which share options can be granted to certain employees including executive directors and non-executive directors of the Company (excluding independent non-executive directors) as incentive for their contribution to the Remaining Group. The Remaining Group provides various training and development programmes to staff on an ongoing basis. The Remaining Group will explore the possibility of launching other special training programmes with universities in Mainland China and education institutions abroad to further enhance its staff quality.

Contingent Liabilities

As at 30 September 2019, the Remaining Group did not have any contingent liabilities (30 September 2018: nil).

Set out below are the historical financial information which comprise the unaudited statements of financial position of Starlite Printers (Shenzhen) Co., Ltd. (the "**Target Company**") as of 31 March 2017, 2018 and 2019 and 30 September 2019, the unaudited statements of comprehensive income, the unaudited statements of changes in equity and the unaudited statements of cash flows of the Target Company for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2018 and 30 September 2019, and explanatory notes (the "**Historical Financial Information**").

The Historical Financial Information has been prepared on the basis set out in Note 2, and has also been prepared in accordance with the accounting policies adopted by the Starlite Holdings Limited (the "**Company**") as set out in the published annual report and interim report of the Company and paragraph 68(2)(a)(i)(A) of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Historical Financial Information is prepared by the Directors solely for the purpose of inclusion in this Circular in connection with the Proposed Disposal. The Company's reporting accountant, PricewaterhouseCoopers was engaged to review the Historical Financial Information of the Target Company set out on pages II-2 to II-11 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and with reference to Practice Note 750, "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by HKICPA. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion. The reporting accountant has issued an unmodified review report.

A. UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited				
	For the years ended 31 March			For the 6 months ended 30 September	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	389,761	411,381	340,077	201,913	153,540
Cost of sales	(320,490)	(330,415)	(315,760)	(191,489)	(127,388)
Gross profit	69,271	80,966	24,317	10,424	26,152
Other gains/(losses) — net	4,156	(2,088)	2,767	531	424
Selling and distribution costs	(10,672)	(10,936)	(8,223)	(5,019)	(3,480)
General and administrative expenses	(52,085)	(58,750)	(50,519)	(27,518)	(22,804)
Reversal of loss allowance of financial assets	—	—	114	103	—
Operating profit/(loss)	10,670	9,192	(31,544)	(21,479)	292
Finance income	60	54	62	34	26
Total comprehensive profit/(loss) before income tax	10,730	9,246	(31,482)	(21,445)	318
Income tax expenses	(3,637)	(1,604)	(706)	—	(255)
Total comprehensive profit/(loss)	7,093	7,642	(32,188)	(21,445)	63

B. UNAUDITED STATEMENTS OF FINANCIAL POSITION

		Unaudited			
		As at			
		31 March 2017	31 March 2018	31 March 2019	30 September 2019
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Land use rights	3	2,903	2,800	2,697	—
Property, plant and equipment	4	96,156	86,343	77,025	72,041
Right-of-use assets	5	—	—	—	2,646
Prepayment for non-current assets		884	1,309	587	686
Deferred tax assets		1,535	1,225	810	555
Long term bank deposits		—	1,312	—	—
		101,478	92,989	81,119	75,928
Current assets					
Inventories		32,668	29,212	18,955	15,701
Trade receivables		2,909	3,568	7,038	4,628
Prepayments and deposits		11,571	13,023	9,546	8,616
Amounts due from the related companies		93,237	91,215	95,846	23,983
Bank deposits with maturity over 3 months from date of deposits		—	—	1,226	—
Cash and cash equivalents		30,552	34,594	33,904	21,788
		170,937	171,612	166,515	74,716
Total assets		272,415	264,601	247,634	150,644
Share capital		62,400	62,400	62,400	62,400
Reserves		26,998	34,640	2,452	2,515
Total equity		89,398	97,040	64,852	64,915
LIABILITIES					
Non-current liabilities					
Deferred revenue		1,249	1,152	861	710
Current liabilities					
Trade payables		15,588	16,478	17,879	15,808
Accruals		56,583	62,388	63,869	63,022
Amounts due to the related companies		103,545	80,486	93,685	4
Current income tax liabilities		5,844	6,827	6,273	5,982
Deferred revenue		208	230	215	203
		181,768	166,409	181,921	85,019
Total liabilities		183,017	167,561	182,782	85,729
Total equity and liabilities		272,415	264,601	247,634	150,644

C. UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Unaudited			
	Attributable to owners of the Target Company			
	Share capital	**Statutory reserve**	**Retained earnings/ (accumulated losses)**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 31 March 2016 and at 1 April 2016	62,400	5,288	14,617	82,305
Comprehensive income				
Total comprehensive income for the year	—	—	7,093	7,093
Transfer to statutory reserve	—	871	(871)	—
Balances at 31 March 2017	62,400	6,159	20,839	89,398
Balances at 1 April 2017	62,400	6,159	20,839	89,398
Comprehensive income				
Total comprehensive income for the year	—	—	7,642	7,642
Transfer to statutory reserve	—	940	(940)	—
Balances at 31 March 2018	62,400	7,099	27,541	97,040
Balances at 1 April 2018	62,400	7,099	27,541	97,040
Comprehensive loss				
Total comprehensive loss for the year	—	—	(32,188)	(32,188)
Balances at 31 March 2019	62,400	7,099	(4,647)	64,852
Balances at 1 April 2018	62,400	7,099	27,541	97,040
Comprehensive loss				
Total comprehensive loss for the period	—	—	(21,445)	(21,445)
Balances at 30 September 2018	62,400	7,099	6,096	75,595
Balances at 1 April 2019	62,400	7,099	(4,647)	64,852
Comprehensive income				
Total comprehensive income for the period	—	—	63	63
Balances at 30 September 2019	62,400	7,099	(4,584)	64,915

D. UNAUDITED STATEMENTS OF CASH FLOWS

	Unaudited				
	For the years ended 31 March			For the 6 months ended 30 September	
	2017	**2018**	**2019**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities					
Profit/(loss) before income tax	10,730	9,246	(31,482)	(21,445)	318
Adjustments for:					
Interest income	(60)	(54)	(62)	(34)	(26)
Depreciation of property, plant and equipment	13,408	12,347	12,553	6,390	6,103
Amortisation of land use rights	103	103	103	51	—
Depreciation of right-of-use assets	—	—	—	—	51
Write-back of provision for impairment of trade receivables	(117)	(671)	—	—	—
Reversal of loss allowance of financial assets	—	—	(114)	(103)	—
Write back of provision for inventory obsolescence	(3,533)	(613)	(1,500)	—	(2,000)
(Gain)/loss on disposal of property, plant and equipment	(1,470)	2,317	399	249	128
	19,061	22,675	(20,103)	(14,892)	4,574
Change in working capital					
Inventories	(2,039)	4,069	11,757	6,689	5,254
Trade receivables	3,592	12	(3,356)	(8,250)	2,410
Prepayment and deposits	(421)	(1,452)	3,477	(215)	930
Trade payables	(1,572)	890	1,401	11,427	(2,071)
Accruals and other payables	10,985	5,805	1,481	11,638	(847)
Deferred revenue	(311)	(75)	(306)	(227)	(163)
Balance with the related companies	(15,680)	(21,037)	8,568	(17,205)	(21,818)
Cash generated from/(used in) operations	13,615	10,887	2,919	(11,035)	(11,731)

D. UNAUDITED STATEMENTS OF CASH FLOWS (CONTINUED)

	Unaudited				
	For the years ended 31 March			For the 6 months ended 30 September	
	2017	2018	2019	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash generated from/(used in) operations	13,615	10,887	2,919	(11,035)	(11,731)
PRC tax paid	(855)	(311)	(845)	(857)	(291)
Net cash generated from/(used in) operating activities	12,760	10,576	2,074	(11,892)	(12,022)
Cash flows from investing activities					
Purchase of property, plant and equipment	(13,725)	(8,086)	(4,195)	(3,455)	(1,464)
Proceeds from disposal of property, plant and equipment	9,789	2,810	1,283	1,003	118
Decrease in bank deposits with maturity over 3 months from the date of deposit	—	—	86	—	1,226
(Increase)/decrease in long-term bank deposits	—	(1,312)	—	106	—
Interest received	60	54	62	34	26
Net cash used in investing activities	(3,876)	(6,534)	(2,764)	(2,312)	(94)
Net increase/(decrease) in cash and cash equivalents	8,884	4,042	(690)	(14,204)	(12,116)
Cash and cash equivalents at the beginning of the year/period	21,668	30,552	34,594	34,594	33,904
Cash and cash equivalents at the end of the year/period	30,552	34,594	33,904	20,390	21,788

NOTES TO THE UNAUDITED HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

1. GENERAL INFORMATION

Starlite Holdings Limited (the "**Company**") is an investment holding company and its subsidiaries (together "**the Group**") are principally engaged in the printing and manufacturing of packaging materials, labels and paper products, including environmentally friendly paper products.

On 21 February 2020, Starlite Printers (China) Limited (the "**Vendor**"), an indirect wholly owned subsidiary of the Company, entered into an Equity Transfer Agreement (the "**Agreement**") with Alps Enterprises Limited (the "**Purchaser**") for the disposal of the entire equity interest of Starlite Printers (Shenzhen) Co., Ltd. (the "**Target Company**") at a consideration of approximately RMB319 million (the "**Proposed Disposal**"). Upon the completion of the Proposed Disposal, the entire interest of the Target Company will be transferred to the Purchaser.

The Target Company, a limited liability company established in the People's Republic of China (the "**PRC**"), is principally engaged in printing of packaging materials and production of paper products, which was established on 13 July 1992. The address of its registered office is in Industrial District No. 2, Xi Xiang Subdistrict, Bao An Qu, Shenzhen, PRC.

This Historical Financial Information is presented in Hong Kong Dollar ("**HK$**") unless otherwise stated.

2. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and is prepared by the Directors solely for the purposes of inclusion in this Circular. It does not contain sufficient information to constitute a complete set of financial statements as described in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and should be read in connection with the published annual report and interim report of the Company for the year ended 31 March 2019 and period ended 30 September 2019, respectively.

As at 31 March 2017 and 31 March 2019, and 30 September 2019, the current liabilities of the Target Company exceeded its current assets by HK$10,831,000, HK$15,406,000 and HK$10,303,000 respectively. The net current liabilities indicated the existence of uncertainties, which may cast significant doubt on the abilities of the Target Company to continue as a going concern. Therefore, the Target Company may not be able to discharge its liabilities in normal operations. However, the Company has undertaken to provide continued financial support in the years/period to enable the Target Company to meet its liabilities when they fall due. Accordingly, the Historical Financial Information has been prepared by the Directors of the Company on a going concern basis.

The Historical Financial Information has been prepared in accordance with the accounting policies adopted by the Company as set out in the published annual report and interim report of the Company for the year ended 31 March 2019 and period ended 30 September 2019, respectively.

3. LAND USE RIGHTS

	Unaudited Total
	HK$'000
At 31 March 2017	
Opening net book amount	3,006
Amortisation	(103)
Closing net book amount	2,903
At 31 March 2017	
Cost	5,490
Accumulated amortisation	(2,587)
Net book amount	2,903
At 31 March 2018	
Opening net book amount	2,903
Amortisation	(103)
Closing net book amount	2,800
At 31 March 2018	
Cost	5,490
Accumulated amortisation	(2,690)
Net book amount	2,800
At 31 March 2019	
Opening net book amount	2,800
Amortisation	(103)
Closing net book amount	2,697
At 31 March 2019	
Cost	5,490
Accumulated amortisation	(2,793)
Net book amount	2,697
At 30 September 2019	
Opening net book amount	2,697
Change in accounting policy	(2,697)
Closing net book amount	—

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited				
	Buildings	Plant and machinery	Motor vehicles	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2016					
Cost	66,944	111,155	3,383	15,441	196,923
Accumulated depreciation	(31,871)	(45,971)	(2,408)	(12,121)	(92,371)
Net book amount	35,073	65,184	975	3,320	104,552
Year ended 31 March 2017					
Opening net book amount	35,073	65,184	975	3,320	104,552
Additions	2,828	9,019	465	1,019	13,331
Depreciation	(3,342)	(9,025)	(231)	(810)	(13,408)
Disposals	—	(7,903)	(20)	(396)	(8,319)
Closing net book amount	34,559	57,275	1,189	3,133	96,156
At 31 March 2017					
Cost	69,772	107,540	3,650	15,345	196,307
Accumulated depreciation	(35,213)	(50,265)	(2,461)	(12,212)	(100,151)
Net book amount	34,559	57,275	1,189	3,133	96,156
Year ended 31 March 2018					
Opening net book amount	34,559	57,275	1,189	3,133	96,156
Additions	453	5,911	584	713	7,661
Depreciation	(2,410)	(8,866)	(330)	(741)	(12,347)
Disposals	(2,548)	(2,421)	(97)	(61)	(5,127)
Closing net book amount	30,054	51,899	1,346	3,044	86,343
At 31 March 2018					
Cost	67,677	110,378	3,270	15,486	196,811
Accumulated depreciation	(37,623)	(58,479)	(1,924)	(12,442)	(110,468)
Net book amount	30,054	51,899	1,346	3,044	86,343

			Unaudited		
	Buildings	**Plant and machinery**	**Motor vehicles**	**Furniture and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2019					
Opening net book amount	30,054	51,899	1,346	3,044	86,343
Additions	1,048	2,227	—	1,642	4,917
Depreciation	(2,375)	(9,030)	(326)	(822)	(12,553)
Disposals	—	(1,449)	(2)	(231)	(1,682)
Closing net book amount	28,727	43,647	1,018	3,633	77,025
At 31 March 2019					
Cost	66,070	104,975	3,249	15,207	189,501
Accumulated depreciation	(37,343)	(61,328)	(2,231)	(11,574)	(112,476)
Net book amount	28,727	43,647	1,018	3,633	77,025
Period ended 30 September 2019					
Opening net book amount	28,727	43,647	1,018	3,633	77,025
Additions	—	1,321	—	44	1,365
Depreciation	(1,128)	(4,409)	(147)	(419)	(6,103)
Disposals	—	(143)	(78)	(25)	(246)
Closing net book amount	27,599	40,416	793	3,233	72,041
At 30 September 2019					
Cost	66,068	104,989	2,874	15,000	188,931
Accumulated depreciation	(38,469)	(64,573)	(2,081)	(11,767)	(116,890)
Net book amount	27,599	40,416	793	3,233	72,041

5. RIGHT-OF-USE ASSETS

	Unaudited Total *HK$'000*
At 30 September 2019	
Change in accounting policy	2,697
Depreciation	(51)
Closing net book amount	2,646

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma financial information of the Remaining Group (the "**Unaudited Pro Forma Financial Information**") which have been prepared by the directors in accordance with paragraph 4.29 of the Listing Rules and on the basis as set out in the accompanying notes below to illustrate:

(a) the financial position of the Remaining Group as at 30 September 2019 as if the Proposed Disposal had been completed on 30 September 2019; and

(b) the financial performance and cash flows of the Remaining Group for the year ended 31 March 2019 as if the Proposed Disposal had been completed on 1 April 2018.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 30 September 2019 or at any future date had the Proposed Disposal been completed on 30 September 2019, or the financial performance and cash flows of the Remaining Group for the year ended 31 March 2019 or for any future period had the Proposed Disposal been completed on 1 April 2018.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2019 which has been extracted from the published interim report of the Company for the six months ended 30 September 2019 and the Unaudited Historical Financial Information of the Target Company as set out in Appendix II to this Circular after giving effect to the pro forma adjustments relating to the Proposed Disposal as explained in the accompanying notes, as if the Proposed Disposal had been completed on 30 September 2019.

The unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2019 are prepared based on the audited consolidated financial statements of the Group for the year ended 31 March 2019 as extracted from the published 2019 annual report of the Company and the Unaudited Historical Financial Information of the Target Company as set out in Appendix II to this Circular after giving effect to the pro forma adjustments relating to the Proposed Disposal as explained in the accompanying notes, as if the Proposed Disposal had been completed on 1 April 2018.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	Unaudited consolidated statement of financial position of the Group as at 30 September 2019			Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(a)	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	*Note 3*	
ASSETS							
Non-current assets							
Property, plant and equipment	309,845	(72,041)	41,653	—	—	—	279,457
Right-of-use assets	23,666	(2,646)	—	—	—	—	21,020
Prepayments of non-current assets	3,855	(686)	686	—	—	—	3,855
Deferred income tax assets	2,652	(555)	—	—	—	—	2,097
Financial assets at fair value through other comprehensive income	1,746	—	—	—	—	—	1,746
Financial assets at fair value through profit or loss	13,332	—	—	—	—	—	13,332
	355,096	(75,928)	42,339	—	—	—	321,507
Current assets							
Inventories	118,951	(15,701)	15,701	—	—	—	118,951
Trade and bill receivables	299,881	(4,628)	4,628	—	—	—	299,881
Prepayments and deposits	21,733	(8,616)	8,181	—	—	—	21,298
Amounts due from the Remaining Group	—	(23,983)	(92,637)	—	116,620	—	—
Bank deposits with maturity over 3 months from date of deposits	201	—	—	—	—	—	201
Cash and cash equivalents	206,743	(21,788)	21,788	(84,812)	—	347,811	469,742
	647,509	(74,716)	(42,339)	(84,812)	116,620	347,811	910,073
Total assets	1,002,605	(150,644)	—	(84,812)	116,620	347,811	1,231,580

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group (Continued)

	Unaudited consolidated statement of financial position of the Group as at 30 September 2019			Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 September 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(a)	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	*Note 3*	
Equity							
Equity attributable to the owners of the Company							
Share Capital	52,514	—	—	—	—	—	52,514
Reserves	412,141	—	—	—	—	314,700	726,841
Parent's net investment	—	(64,915)	—	(84,812)	116,616	33,111	—
Total Equity	464,655	(64,915)	—	(84,812)	116,616	347,811	779,355
Liabilities							
Non-current liabilities							
Borrowings	19,881	—	—	—	—	—	19,881
Deferred revenue	710	(710)	—	—	—	—	—
Deferred income tax liabilities	5,400	—	—	—	—	—	5,400
Lease liabilities	1,233	—	—	—	—	—	1,233
	27,224	(710)	—	—	—	—	26,514
Current liabilities							
Trade and bill payables	161,512	(15,808)	—	—	—	—	145,704
Contract liabilities	3,984	—	—	—	—	—	3,984
Current income tax liabilities	29,562	(5,982)	—	—	—	—	23,580
Borrowings	140,712	—	—	—	—	—	140,712
Amounts due to the Remaining Group	—	(4)	—	—	4	—	—
Lease liabilities	3,268	—	—	—	—	—	3,268
Accruals and other payables	171,485	(63,022)	—	—	—	—	108,463
Deferred revenue	203	(203)	—	—	—	—	—
	510,726	(85,019)	—	—	4	—	425,711
Total liabilities	537,950	(85,729)	—	—	4	—	452,225
Total equity and liabilities	1,002,605	(150,644)	—	(84,812)	116,620	347,811	1,231,580

Unaudited Pro Forma Consolidated Income Statement of the Remaining Group

	Audited consolidated income statement of the Group for the year ended 31 March 2019		Pro forma adjustments		Unaudited pro forma consolidated income statement of the Remaining Group for the year ended 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(b)	*Note 4(a)*	*Note 4(b)*	*Note 4(c)*	
Revenue	1,430,998	(340,077)	340,077	—	1,430,998
Cost of sales	(1,183,088)	315,760	(313,385)	—	(1,180,713)
Gross profit	247,910	(24,317)	26,692	—	250,285
Other gains/(losses) — net	2,510	(2,767)	2,160	375,322	377,225
Selling and distribution costs	(81,488)	8,223	(8,223)	—	(81,488)
General and administrative expenses	(177,653)	50,519	(50,416)	—	(177,550)
Net impairment losses on financial assets	(5,785)	(114)	114	—	(5,785)
Operating (loss)/profit	(14,506)	31,544	(29,673)	375,322	362,687
Finance income	721	(62)	62	—	721
Finance costs	(10,563)	—	—	—	(10,563)
Finance costs — net	(9,842)	(62)	62	—	(9,842)
(Loss)/profit before income tax	(24,348)	31,482	(29,611)	375,322	352,845
Income tax expense	(13,577)	706	(706)	—	(13,577)
(Loss)/profit for the year attributable to the owners of the Company	(37,925)	32,188	(30,317)	375,322	339,268

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2019		Pro forma adjustments		Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(b)	*Note 4(a)*	*Note 4(b)*	*Note 4(c)*	
(Loss)/profit for the year	(37,925)	32,188	(30,317)	375,322	339,268
Other comprehensive loss:					
Items that may be reclassified to profit or loss:					
Currency translation differences	(26,387)	—	—	—	(26,387)
Items that will not be reclassified to profit or loss:					
Increase in fair value of equity investments at fair value through other comprehensive income	115	—	—	—	115
Other comprehensive loss for the year, net of tax	(26,272)	—	—	—	(26,272)
Total comprehensive (loss)/income for the year attributable to the owners of the Company	(64,197)	32,188	(30,317)	375,322	312,996

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2019		Pro forma adjustments		Unaudited pro forma consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(b)	*Note 4(a)*	*Note 4(b)*	*Note 4(c)*	
Cashflow from operating activities					
Cash generated from/(used in) operations	51,515	(2,919)	3,225	—	51,821
Interest paid	(10,563)	—	—	—	(10,563)
Hong Kong profits tax paid	(1,844)	—	—	—	(1,844)
Overseas income tax paid	(4,475)	845	(845)	—	(4,475)
Hong Kong profits tax refunded	2,068	—	—	—	2,068
Net cash generated from/(used in) operating activities	36,701	(2,074)	2,380	—	37,007
Cash flows from investing activities					
Purchases of property, plant and equipment	(55,294)	4,195	(4,195)	—	(55,294)
Proceeds from disposals of property, plant and equipment	317	(1,283)	6	—	(960)
Decrease in long-term bank deposit	1,312	—	—	—	1,312
Net proceeds from disposals of Target Company	—	—	—	412,212	412,212
Increase in short-term bank deposits with maturity over 3 months from the date of deposits	(785)	(86)	86	—	(785)
Interest received	721	(62)	62	—	721
Net cash (used in)/generated from investing activities	(53,729)	2,764	(4,041)	412,212	357,206
Cash flows from financing activities					
Proceeds from long-term bank loans	50,000	—	—	—	50,000
Repayments of long-term bank loans	(96,762)	—	—	—	(96,762)
Proceeds from short-term bank loans	126,119	—	—	—	126,119
Repayments of short-term bank loans	(113,084)	—	—	—	(113,084)
Net cash used in financing activities	(33,727)	—	—	—	(33,727)
Net (decrease)/increase in cash and cash equivalents	(50,755)	690	(1,661)	412,212	360,486
Cash and cash equivalents at the beginning of the year	314,233	—	—	—	314,233
Exchange losses on cash and cash equivalents	(13,496)	—	—	—	(13,496)
Cash and cash equivalents at the end of the year	249,982	690	(1,661)	412,212	661,223

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

1. (a) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2019 as set out in the published interim report of the Company for the six months ended 30 September 2019.

   (b) The amounts are extracted from the audited consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2019 as set out in the published annual report of the Company for the year ended 31 March 2019.

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Proposed Disposal had taken place on 30 September 2019 and for the purpose of this unaudited pro forma financial information, the estimated consideration and the estimated transaction costs are translated at the closing rate as at 30 September 2019 of RMB1 to HK$1.0993:

   (a) The adjustment represents exclusion of carrying amounts of assets and liabilities of the Target Company as at 30 September 2019, assuming the Proposed Disposal had taken place on 30 September 2019. The assets and liabilities of the Target Company are extracted from the unaudited statement of financial position of the Target Company as set forth in Appendix II to this Circular.

   (b) As stipulated in the Equity Transfer Agreement, the Remaining Group entitles the right to transfer or dispose of the assets of the Target Company at its discretion.

   The adjustment represents the impact of assets transferred between the Target Company and the Remaining Group, assuming it had taken place on 30 September 2019 and is based on the carrying amounts as recorded in the statement of financial position as at 30 September 2019 of the Target Company. Details of the assets being transferred are as follows:

	HK$'000
Assets transferred to the Remaining Group	
Property, plant and equipment	41,653
Trade receivables	4,628
Prepayments and deposits	8,181
Prepayments for non-current assets *(Note i)*	686
Inventories	15,701
Cash and cash equivalents	21,788
Amount due from the Remaining Group	92,637

   Note (i)

   The balance represents prepayment of property, plant and equipment.

(c) The amounts of all debts and liabilities to external third parties will be settled by the Target Company prior to the completion of the Proposed Disposal, details are as follows:

	HK$'000
Trade payables	15,808
Current income tax liabilities	5,982
Accruals and other payables	63,022
	84,812

(d) The adjustment represents the waiver of the amounts due from the Remaining Group by the Target Company prior to the Completion of the Proposed Disposal.

3. The following pro forma adjustments represent the estimated gain on Proposed Disposal assuming the Proposed Disposal had taken place on 30 September 2019:

	Note	*HK$'000*
Loan from owner of the Purchaser contemplated under the Loan Agreement		150,379
Consideration as stated in the Equity Transfer Agreement		350,885
Total estimated consideration for the Proposed Disposal	(i)	501,264
Less:		
Estimated transaction costs attributable to the Proposed Disposal	(ii)	(5,335)
Estimated tax and related expenses in connection with the Proposed Disposal	(iii)	(50,377)
Estimated severance payment and relocation expenses of plant and machineries attributable to the Proposed Disposal	(iv)	(97,741)
Estimated cash proceeds on the Proposed Disposal		347,811
Less:		
Carrying value of the remaining assets of the Target Company assuming the Proposed Disposal had been completed on 30 September 2019	(v)	(29,513)
Write-off of assets and liabilities of the Target Company assuming the Proposed Disposal had been completed on 30 September 2019	(vi)	(3,598)
		(33,111)
		314,700

Notes:

(i) Pursuant to the Equity Transfer Agreement, the consideration of the Proposed Disposal amounting to RMB319 million (approximately HK$351 million), of which RMB63 million (approximately HK$70 million) will be settled by the Purchaser upon the satisfaction of the conditions as stipulated in the Equity Transfer Agreement, including but not limited to the approval of this Proposed Disposal by the Company's shareholders and regulatory bodies.

The remaining consideration amounting to RMB256 million (approximately HK$281 million) will be settled by the Purchaser upon the completion of, among others, the relocation process of the Target Company. The relocation process includes the layoff or relocation of the employees, the relocation of plant and machineries, the collection of receivables and the settlement of the liabilities of the Target Company.

Pursuant to the Loan Agreement, the loan to the Target Company amounted to RMB137 million (approximately HK$150 million) will be received from the owner of the Purchaser. The loan to the Target Company is interest-free and repayable by the Target Company 24 months after the date of receipt of the loan. The loan will be utilised to settle the debts and liabilities of the Target Company prior to the Completion of the Proposed Disposal. The Target Company is the borrower of the loan and the Remaining Group would not assume the obligations to repay the loan.

(ii) The estimated transaction costs attributed to the Proposed Disposal represent costs and expenses directly incurred for the Proposed Disposal amounting to HK$5,335,000 and will be borne by the Remaining Group.

(iii) The estimated tax and related expenses in connection with the Proposed Disposal in respect of the transfer of the equity interest in the Target Company will be borne by the Remaining Group. The amount is estimated to be HK$50,377,000.

(iv) Pursuant to the terms of the Equity Transfer Agreement, the Target Company shall:

- Terminate all labour relationship between the Target Company and its employees, and shall settle all wages and related fees arising from the termination.

- Vacate the factory and accordingly, the plant and equipment will be relocated to the Remaining Group.

The Directors of the Target Company estimated severance payment and relation expenses to be incurred in this connection will be approximately HK$84,375,000 and HK$13,366,000 respectively.

The Directors of the Target Company assessed the severance payment and relocation expenses of plant and machineries in accordance with Hong Kong Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets, as if the relocation process had been taken place on 30 September 2019. As the termination of employees and relocation of its plant and equipment have not been completed at the date of this Unaudited Pro Forma Financial Information, the severance payment and relocation expenses of plant and machineries are subject to change, and the changes may be materially different from those currently presented in the Unaudited Pro Forma Financial Information.

(v) Pursuant to the terms of the Equity Transfer Agreement, the amount represents the net book value of land and building and other property, plant and equipment, amounting to approximately HK$29,513,000, which are required to be retained in the Target Company at the completion of the Proposed Disposal.

(vi) The adjustment represents the write off of assets and liabilities of the Target Company which are not transferred to the Remaining Group, settled or required to be remained in the Target Company at the Completion of the Proposed Disposal.

4. The following pro forma adjustments have been made to the unaudited pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows, assuming the Proposed Disposal had been completed on 1 April 2018, the estimated consideration and the estimated transaction costs are translated at the closing rate as at 1 April 2018 of RMB1 to HK$1.2497:

(a) The adjustment represents the exclusion of operating results and cash flows of the Target Company for the year ended 31 March 2019, assuming the Proposed Disposal had been completed on 1 April 2018, which is extracted from the Unaudited Historical Financial Information of the Target Company set out in Appendix II to this Circular;

(b) The adjustment represents (i) the inclusion of results and cash flows of the Target Company as if the business operation had been retained by the Remaining Group, assuming the Proposed Disposal had been completed on 1 April 2018. Cost of sales, general and administrative expenses, and the corresponding cash flows are adjusted accordingly; and (ii) the amounts of other gains/(losses) — net and the corresponding cash flows are adjusted to eliminate the inter-company transactions between the Target Company and the Remaining Group. The Directors expect to generate similar amount of revenue and incur similar amount of operating expenses and corresponding cash flows as the business operation of the Target Company is expected to be shifted to the Remaining Group with no significant disruption. This adjustment is expected to have a continuing effect on the Remaining Group.

(c) The adjustment represents the estimated gain on the Proposed Disposal assuming it had been completed on 1 April 2018, and is calculated as follow:

	Note	*HK$'000*
Loan from owner of the Purchaser contemplated under the Loan Agreement		170,957
Consideration as stated in the Equity Transfer Agreement		398,900
Total estimated consideration for the Proposed Disposal	(i)	569,857
Less:		
Estimated transaction costs attributable to the Proposed Disposal	(ii)	(5,505)
Estimated tax and related expenses in connection with the Proposed Disposal	(iii)	(57,271)
Estimated severance payment and relocation expenses of plant and machineries attributable to the Proposed Disposal	(iv)	(94,869)
Estimated cash proceeds on the Proposed Disposal		412,212
Less:		
Carrying value of the remaining assets of the Target Company assuming the Proposed Disposal had been completed on 1 April 2018	(v)	(31,109)
Write-off of assets and liabilities of the Target Company assuming the Proposed Disposal had been completed on 1 April 2018	(vi)	(5,781)
		(36,890)
		375,322

Notes:

(i) Pursuant to the Equity Transfer Agreement, the consideration of the Proposed Disposal amounted to RMB319 million (approximately HK$399 million), of which RMB63 million (approximately HK$79 million) will be settled by the Purchaser upon the approval procedures as stipulated in the Equity Transfer Agreement, including but not limited to the approval of this Proposed Disposal by the respective shareholders and regulatory bodies.

The remaining consideration amounted to RMB256 million (approximately HK$320 million) will be settled by the Purchaser upon the completion of, among others, the relocation process of the Target Company. The relocation process includes the layoff or relocation of the employees, the relocation of plant and machineries, the collection of receivables and the settlement of the liabilities of the Target Company.

Pursuant to the Loan Agreement, the loan to the Target Company amounted to RMB137 million (approximately HK$171 million) will be received from the owner of the Purchaser. The loan to the Target Company is interest-free and repayable by the Target Company 24 months after the date of receipt of the loan. The loan will be utilised to settle the debts and liabilities of the Target Company prior to the Completion of the Proposed Disposal. The Target Company is the borrower of the loan and the Remaining Group would not assume the obligations to repay the loan.

(ii) The estimated transaction costs attributed to the Proposed Disposal represents costs and expenses directly incurred for the Proposed Disposal amounting to HK$5,505,000 and will be borne by the Remaining Group and assumed to be settled by cash.

(iii) The estimated tax and related expenses in connection with the Proposed Disposal in respect of the transfer of the equity interest in the Target Company will be borne by the Remaining Group. The amount is estimated to be HK$57,271,000.

(iv) Pursuant to the terms of the Equity Transfer Agreement, the Target Company shall:

- Terminate all labour relationship between the Target Company and its employees, and shall settle all wages and related fees arising from the termination.

- Vacate the factory and accordingly, the plant and equipment will be relocated to the Remaining Group.

The Directors of the Target Company estimated severance payment and relocation expenses to be incurred in this connection will be approximately HK$79,674,000 and HK$15,195,000 respectively.

The Directors of the Target Company assessed the severance payment and relocation expenses of plant and machineries in accordance with Hong Kong Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets, as if the relocation process had been taken place on 1 April 2018. As the termination of employees and relocation of its plant and equipment have not been completed at the date of this Unaudited Pro Forma Financial Information, the severance payment and relocation expenses of plant and machineries are subject to change, and the changes may be materially different from those currently presented in the Unaudited Pro Forma Financial Information.

(v) Pursuant to the terms of the Equity Transfer Agreement, the amount represents the net book value of land and building and other property, plant and equipment, amounting approximately HK$31,109,000, which are required to be retained in the Target Company at the completion of the Proposed Disposal.

(vi) The adjustment represents the write off of assets and liabilities of the Target Company which are not transferred to the Remaining Group, settled or required to be remain in the Target Company at the Completion of the Proposed Disposal.

5. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position to reflect any trading results or other transactions of the Group entered subsequent to 30 September 2019. Similarly, no other adjustments have been made to the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income, and the unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions of the Group entered subsequent to 1 April 2018.

Since the carrying amount of net assets of the Target Company at the completion date may be different from the amounts in the Unaudited Pro Forma Financial Information of the Remaining Group, the final amounts of carrying amount of net assets of the Target Company and the estimated gain on the Proposed Disposal may be different from the amounts presented above.

2. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group as set out on pages III-1 to III-12, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Starlite Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Starlite Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") excluding Starlite Printers (Shenzhen) Co., Ltd. (the "**Target Company**") (collectively the "**Remaining Group**") by the Directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2019, the unaudited pro forma consolidated income statement for the year ended 31 March 2019, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 March 2019 and the unaudited pro forma statement of cash flows for the year ended 31 March 2019, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-12 of the Company's circular dated 13 March 2020, in connection with the proposed disposal of the Target Company (the "**Proposed Disposal**") by Starlite Printers (China) Limited (the "**Vendor**"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-12.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Proposed Disposal on the Group's financial position as at 30 September 2019 and the Group's financial performance and cash flows for the year ended 31 March 2019 as if the Proposed Disposal had taken place at 30 September 2019 and 1 April 2018 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's interim report for the six months ended 30 September 2019, on which no audit or review report has been published and the Group's annual report for the year ended 31 March 2019, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 30 September 2019, 31 March 2019 and 1 April 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 13 March 2020

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2020 of the property interest held by the Target Company.

仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road
Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

13 March 2020

The Board of Directors
Starlite Holdings Limited
3/F, Perfect Industrial Building
31 Tai Yau Street
San Po Kong, Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions of Starlite Holdings Limited (the "**Company**") to value the property interest held by Starlite Printers (Shenzhen) Co., Ltd. (星光印刷(深圳)有限公司, the "**Target Company**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interest as at 31 January 2020 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interest has therefore been valued by cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and the Target Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificates and other official plans related to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Tian Yuan Law Firm, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out in October 2019 by Ms. Diana Yang who has more than 2 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Target Company. We have also sought confirmation from the Company and the Target Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that there has been an epidemic due to a novel coronavirus causing much disruption to economic activities around the world and especially in China. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the report date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it causes volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property. Readers are reminded that we do not intend to provide an opinion of value as of any date after the valuation date in this report and are recommended to consult our latest opinion on the market for their real estate decisions.

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Notes: Eddie T. W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held and occupied by the Target Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2020 *RMB*
Starlite Southern China Development Centre located at the western side of Guangshen Highway Xixiang No. 2 Industrial Zone Bao'an District Shenzhen City Guangdong Province The PRC (星光華南發展中心)	The property is located at the western side of Guangshen Highway, Xixiang No. 2 Industrial Zone, Bao'an District. It is well-served by public transportation and community facilities. The surrounding environment comprises several industrial developments with street shops. The property comprises 3 parcels of land with a total site area of approximately 25,233.50 sq.m. and 4 buildings and various structures erected thereon which were completed in various stages between 1994 and 2002. As advised by the Company, the total current plot ratio accountable gross floor area of the land parcels of the property is approximately 45,916.89 sq.m. The buildings of the property have a total gross floor area of approximately 31,268.05 sq.m. and the details are set out as follows:	As at the valuation date, the property was occupied by the Target Company for production, staff dormitory, canteen and ancillary purposes.	99,500,000 **Calculated value* as at 31 January 2020** ***RMB*** 744,700,000

Usage	No. of Building	Gross Floor Area *(sq.m.)*
Factory	1	20,317.10
Office	1	3,239.90
Canteen	1	1,927.20
Dormitory	1	5,783.85
Total:	4	31,268.05

The structures mainly include plant area roads, guard houses and pump house.

The land use rights of the property have been granted for a term of 50 years expiring on 20 August 2042 for industrial use.

* Our valuation of the calculated value for reference purpose has been arrived by deducting the estimated land premium from the value of the property on a vacant and clear site basis after the proposed change of land use and planning parameters provided by the Company under "Shenzhen Urban Renewal".

Notes:

1. Pursuant to 20 Real Estate Title Certificates, 4 buildings of the property with a total gross floor area of approximately 31,268.05 sq.m are owned by the Target Company, an indirect wholly-owned subsidiary of the Company. The land use rights of 2 parcels of land with a total site area of approximately 21,415 sq.m. have been granted to the Target Company for a term of 50 years expiring on 20 August 2042 for industrial use. The details are set out as follows:

No.	Real Estate Title Certificate No.	Floor	Gross Floor Area *(sq.m.)*	Usage
1)	Shen Fang Di Zi Di No. 7220480	Level 1	684.40	Office
2)	Shen Fang Di Zi Di No. 7220482	Level 2	502.20	Office
3)	Shen Fang Di Zi Di No. 7220483	Level 3	684.40	Office
4)	Shen Fang Di Zi Di No. 7220485	Level 4	684.40	Office
5)	Shen Fang Di Zi Di No. 7220490	Level 5	684.50	Office
6)	Shen Fang Di Zi Di No. 7220492	Level 1	3,366.50	Factory
7)	Shen Fang Di Zi Di No. 7220491	Level 2	3,390.10	Factory
8)	Shen Fang Di Zi Di No. 7220486	Level 3	3,390.10	Factory
9)	Shen Fang Di Zi Di No. 7220484	Level 4	3,390.10	Factory
10)	Shen Fang Di Zi Di No. 7220481	Level 5	3,390.10	Factory
11)	Shen Fang Di Zi Di No. 7220479	Level 6	3,390.20	Factory
12)	Shen Fang Di Zi Di No. 5000145912	Level 1	1,039.80	Function Room
13)	Shen Fang Di Zi Di No. 5000145913	Level 2	948.81	Dormitory
14)	Shen Fang Di Zi Di No. 5000145914	Level 3	948.81	Dormitory
15)	Shen Fang Di Zi Di No. 5000145915	Level 4	948.81	Dormitory
16)	Shen Fang Di Zi Di No. 5000145916	Level 5	948.81	Dormitory
17)	Shen Fang Di Zi Di No. 5000145910	Level 6	948.81	Dormitory
18)	Shen Fang Di Zi Di No. 7220488	Level 1	703.80	Canteen
19)	Shen Fang Di Zi Di No. 7220487	Level 2	611.70	Canteen
20)	Shen Fang Di Zi Di No. 7220489	Level 3	611.70	Canteen
	Total:		**31,268.05**	

2. Pursuant to a Real Estate Title Certificate — Shen Fang Di Zi Di No. 7220857, the land use rights of the remaining parcel of land with a site area of approximately 3,818.50 sq.m. have been granted to the Target Company for a term of 50 years expiring on 20 August 2042 for industrial use.

3. According to the information provided by the Company, Starlite Southern China Development Centre will be applied for a change of land use rights under the "Shenzhen Urban Renewal". However, the Company does not currently have definitive plans as to the nature of the change of land use rights of the property. Considering that the majority of the surrounding land parcels of several industrial projects had successfully changed their land use rights to industrial use (innovation industry) through "Shenzhen Urban Renewal", the Company is of the opinion that the land use rights of the property is more likely and reasonable to be changed to industrial use (innovation industry) rather than residential or commercial use in the same way. As advised by the Company, on this basis, the land use rights of the property would be changed to industrial use (innovation industry) and it would be developed to an industrial project with a total plot ratio accountable gross floor area of approximately 128,690.85 sq.m. (based on the requirement to transfer 15% of the land to the local government as land reserve and a plot ratio of 6.0 which is the suggested plot ratio according to the regulations) subject to payment of a land premium of approximately RMB289,379,763 to the government.

For reference purpose only, according to the scenario of redevelopment to an industrial project and the land premium figure provided by the Company, we are of the opinion that the calculated value of the property on a clear and vacant site basis, assuming all relevant title certificates have been obtained according to the proposed change of land use and planning parameters provided by the Company under the "Shenzhen Urban Renewal" as at the valuation date is approximately RMB744,700,000.

4. Our valuation of the calculated value has been made on the following basis and analysis:

   a. All relevant title certificates have been obtained and the property could be freely transferred as a clear and vacant site;

   b. The proposed planning indicators, including but not limited to, the land use after conversion, plot ratio, and gross floor area have been approved by the relevant government planning authorities;

   c. The assessment of the premium according to the proposed change of land use and planning parameters is accurate, reasonable and consistent with the "Shenzhen Urban Renewal";

   d. Our valuation is based on the information provided by the Company and the Target Company and we reserve the right to revise our valuation if we are provided with more detailed information that may have significant impact on the valuation in the future; and

   e. We have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from RMB5,300 to RMB6,100 per sq.m. for industrial use (innovation industry). Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed accommodation value for the subject property.

5. We have been provided with legal opinions regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Target Company has legally obtained the Real Estate Title Certificates for the land parcels and buildings mentioned in note 1. Within the land use rights term, the Target Company legally owns the land use rights and the ownership rights, and is entitled to occupy, use, transfer, lease or otherwise dispose of such land parcels and buildings in accordance with relevant laws and regulations;

   b. The Target Company has legally obtained the Real Estate Title Certificate for the land parcel mentioned in note 2. The Target Company legally owns the land use rights, and is entitled to occupy, use, transfer, lease or otherwise dispose of such land parcel in accordance with relevant laws and regulations; and

   c. The property is not subject to any mortgage, other rights, sequestration or ownership dispute.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not or deceptive, and there are no other matters the omission of which would make any statement in this Circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been 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 pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors, were as follows:

1. Long positions in Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Total	Approximate % of shareholding
Mr. Lam Kwong Yu	Beneficial owner	193,915,477	—	—	193,915,477	36.93%
Ms. Yeung Chui	Beneficial owner and interest of controlled corporation	88,843,200	—	1,012,901 *(Note 1)*	89,856,101	17.11%
Mr. Tai Tzu Shi	Interest of spouse	—	18,000	—	18,000	0.003%
Mr. Cheung Chi Shing, Charles	Beneficial owner	300,000	—	—	300,000	0.06%
Mr. Poon Kwok Ching	Beneficial owner	118,000	—	—	118,000	0.02%

Note:

1. Dayspring Enterprises Limited held 1,012,901 shares in the Company. The entire issued share capital of the company is beneficially owned and controlled by Ms. Yeung Chui.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and 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 any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Capacity	Number of Shares held	Approximate % of issued Shares
Ms. Li Lin	Interest of spouse	193,915,477 *(Note 1)*	36.93%

Note:

1. Ms. Li Lin ("Ms. Li") is the spouse of Mr. Lam Kwong Yu ("Mr. Lam") (director and controlling shareholder of the Company), by virtue of SFO she is deemed to be interested in the shares held by Mr. Lam. The shares held by Mr. Lam and Ms. Li were the same block of shares.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

None of the Directors nor any of their respective close associates have any interests in businesses which compete or are likely to compete with the businesses of the Group.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company had any direct or indirect interest in any asset which had been, since 31 March 2019, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group. As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business) has been entered into by members of the Group within the two years preceding the date of this Circular and is or may be material:

(a) the sale and purchase agreement dated 18 July 2019 between Starlite Printers Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, and Benefit Development Limited in respect of the sale and purchase of Unit No. 2 on 5th Floor, Perfect Industrial Building, No. 31 Tai Yau Street, Kowloon, Hong Kong;

(b) the Equity Transfer Agreement;

(c) the Loan Agreement.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, the Group is not engaged in any material litigation or arbitration proceedings nor is any material litigation or claim pending or threatened against it.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this Circular or having given their opinion or advice which are contained in this Circular:

Name	Qualifications
PricewaterhouseCoopers	Certified Public Accounts
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Professional valuer
Tian Yuan Law Firm	PRC legal advisers

As at the Latest Practicable Date, none of the above experts had:

(a) any direct or indirect interest in any assets which have been, since 31 March 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter or report and the references to its name in the form and context in which it appears.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the possible adverse effect on the financial results of the Remaining Group for the current financial year arising from the outbreak of COVID-19 in the PRC (details of which are set out in the paragraph headed "**4. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP**" in Appendix I of this Circular), none of the Directors were aware of any material adverse change to the financial or trading position of the Group since 31 March 2019, being the date to which the latest published audited financial statements of the Company were made up.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of the Company at 3/F., Perfect Industrial Building 31 Tai Yau Street, Sanpokong, Kowloon, Hong Kong for a period of 14 days from the date of this Circular:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 March 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 September 2019;

(c) the unaudited financial information of the Target Company for the years ended 31 March 2017, 2018 and 2019 and for the six months ended 30 September 2019, the text of which is set out in Appendix II of this Circular;

(d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III of this Circular;

(e) the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix IV of this Circular;

(f) the material contracts referred to in the paragraph headed "7. Material Contracts" of this Appendix;

(g) the written consents referred to in the paragraph headed "9. Expert and Consent" of this Appendix; and

(h) this Circular.

12. MISCELLANEOUS

(a) The secretary of the Company is Mr. Poon Kwok Ching, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

(b) The head office and principal place of business of the Company in Hong Kong is at 3/F., Perfect Industrial Building 31 Tai Yau Street, Sanpokong, Kowloon, Hong Kong. The registered office of the Company is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

(c) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this Circular shall prevail over the Chinese text.

STARLITE

HOLDINGS LIMITED

星光集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 403)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**Meeting**") of Starlite Holdings Limited (the "**Company**") will be held at Pentahotel Hong Kong, Kowloon, Studio Room 3, 4/F., 19 Luk Hop Street, Sanpokong, Kowloon, Hong Kong on Wednesday, 8 April 2020 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the equity transfer agreement dated 21 February 2020 entered into between Starlite Printers (China) Limited, Starlite Printers (Shenzhen) Co., Ltd (星光印刷(深圳)有限公司), the Company, Alps Enterprises Limited, Mr. Chan King and Ms. Ng Ching Yi Lisa in relation to the sale and purchase of the entire equity interest in Starlite Printers (Shenzhen) Co., Ltd (星光印刷(深圳)有限公司); and the loan agreement dated 21 February 2020 entered into between Starlite Printers (China) Limited, Starlite Printers (Shenzhen) Co., Ltd (星光印刷(深圳)有限公司), the Company and Mr. Chan King (copies of both have been produced to the Meeting and initialled by the chairman of the Meeting for the purpose of identification) (together the "**Transaction Documents**") and the transactions contemplated thereunder (the "**Proposed Disposal**") be and is hereby approved, ratified and confirmed; and

* *For identification purpose only*

(b) any director(s) of the Company be and is hereby authorised for and on behalf of the Company to execute (including affixing the seal of the Company in accordance with the Memorandum of Association and Bye-Laws of the Company to) all such documents and do all such acts and things as he/she may in his/her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Proposed Disposal and the transactions contemplated under the Transaction Documents and all matters incidental or ancillary thereto."

By Order of the Board
Poon Kwok Ching
Executive Director and Company Secretary

Hong Kong, 13 March 2020

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified true copy thereof) must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjourned meeting thereof should they so wish.

3. The Register of Members of the Company will be closed from Monday, 6 April 2020 to Wednesday, 8 April 2020 (both dates inclusive) during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the meeting. In order to be entitled to attend and vote at the meeting, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 April 2020.

4. At the meeting, the chairman of the meeting will exercise his power under Bye-law 70 of the Memorandum of Association and Bye-Laws of the Company to put each of the above resolutions to the vote by way of a poll as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

5. If typhoon signal no.8 or above, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the websites of the Company at hkstarlite.com and the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled the Meeting.

6. Should there be any discrepancies between the English and the Chinese versions, the English version shall prevail.