Placing, Public Offer and Preferential Offer

1010 Printing Group Limited
匯星印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock code : 1127

Sponsor

Investec

Joint Bookrunners and Joint Lead Managers

Investec

海通國際
HAITONG

*For identification purpose only

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

1010 PRINTING GROUP LIMITED
匯星印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING, PUBLIC OFFER AND PREFERENTIAL OFFER

Number of Offer Shares	**:**	**125,000,000 Shares (subject to reallocation)**
Number of Placing Shares	**:**	**99,964,164 Shares (subject to reallocation)**
Number of Public Offer Shares	**:**	**12,504,000 Shares (subject to reallocation)**
Number of Reserved Shares under the Preferential Offer	**:**	**12,531,836 Shares (subject to reallocation)**
Offer Price	**:**	**Not more than HK$0.90 per Offer Share (payable in full on application and subject to refund, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%) and not less than HK$0.70 per Offer Share**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1127**

Sponsor

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海通國際 HAITONG

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered and to be delivered to the Registrars of Companies and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of this prospectus, together with the related application forms, will also be filed with the Registrar of Companies in Bermuda as required under the Companies Act. The SFC, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the agreement between the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and the Company on or before Friday, 15 July 2011. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and the Company are unable to reach an agreement on the Offer Price by 9:00 p.m. (Hong Kong time) on Friday, 15 July 2011, the Share offer will not become unconditional and will lapse immediately. The Offer Price will fall within the Offer Price range stated in this prospectus unless otherwise announced, as explained below. Investors applying for the Offer Shares must pay the maximum Offer Price of HK$0.90 per Offer Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) may, with the consent of the Company, reduce the number of Offer Shares and/or the indicative maximum Offer Price at any time on or prior to the morning of the last day for lodging applications under the Public Offer and the Preferential Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.1010printing.com**. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Joint Lead Managers (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

* *For identification purpose only*

30 June 2011

The Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of this prospectus are identical to the electronic form prospectus which can be accessed and downloaded from the websites of the Company at **www.1010printing.com**, under the "Investor Relations>Prospectus" section, and the Stock Exchange at **www.hkexnews.hk**, under the "HKExnews>Listed Company Information>Latest Listed Company Information" section, respectively.

Members of the public who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 30 June 2011 until 12:00 noon on Friday, 15 July 2011 at the following locations:

1. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong;

2. any of the following addresses of the Sponsor and/or the Public Offer Underwriters:

   Investec Capital Asia Limited, 3609, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; or

   Haitong International Securities Company Limited, 25/F, New World Tower, 16-18 Queen's Road Central, Hong Kong; or

   Guosen Securities (HK) Capital Company Limited, Suite 2802 One Exchange Square, 8 Connaught Place, Central, Hong Kong; or

   Kingston Securities Limited, 2801, 28/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong; and

3. any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch Name	**Address**
Hong Kong Island:	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central, Hong Kong
Kowloon:	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui, Kowloon
New Territories:	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi, New Territories

During normal business hours from 9:00 a.m. on Thursday, 30 June 2011 until 12:00 noon on Friday, 15 July 2011, at least three copies of this printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in the section headed "How to apply for the Public Offer Shares and Reserved Shares – I. How to apply for the Public Offer Shares – 3. Where to collect this prospectus and Application Forms" in this prospectus.

The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Share Offer.

	2011[1]
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[4]	11:30 a.m. on Friday, 15 July
Application lists of the Public Offer open[2]	11:45 a.m. on Friday, 15 July
Latest time to lodge **WHITE, YELLOW** and **BLUE** Application Forms[2]	12:00 noon on Friday, 15 July
Latest time to give **electronic application instructions** to HKSCC via CCASS[3]	12:00 noon on Friday, 15 July
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)[4]	12:00 noon on Friday, 15 July
Application lists of the Public Offer close[2]	12:00 noon on Friday, 15 July
Price Determination Date[5]	Friday, 15 July
Announcement of: (i) the final Offer Price; (ii) an indication of the level of interest in the Placing; (iii) the results of applications of the Public Offer and the Preferential Offer; and (iv) the basis of allotment of the Public Offer Shares and the Reserved Shares and the number of Offer Shares, if any, reallocated between the Placing, the Public Offer and the Preferential Offer to be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), the website of the Company at **www.1010printing.com** and the website of the Stock Exchange at **www.hkexnews.hk**	on or before Friday, 22 July

	2011[1]
Results of allocation in the Public Offer and the Preferential Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares and Reserved Shares – III. Publication of results, despatch/collection of Share certificates and refunds of application monies" in this prospectus)	Friday, 22 July
Despatch of refund cheques and White Form e-Refund payment instructions in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications[(6) & (8)]	on or before Friday, 22 July
Despatch/collection of the Share certificates of the Offer Shares or deposit of certificates of the Offer Shares into CCASS in respect of wholly or partially successfully applications[(6), (7) & (8)]	on or before Friday, 22 July
Dealings in Shares on the Stock Exchange expected to commence on	Monday, 25 July

Notes:

(1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 15 July 2011, the application lists will not open on that day. Further information is set out in the paragraph headed "Effect of bad weather on the opening of the application lists" under each of the sub-sections headed "When may applications be made", in "I. How to apply for the Public Offer Shares" and "II. How to apply for the Reserved Shares" in the section headed "How to apply for the Public Offer Shares and Reserved Shares" in this prospectus. If the application lists do not open and close on Friday, 15 July 2011, the dates mentioned in this section headed "Expected timetable" may be affected. An announcement will be made by the Company in such event.

(3) Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed "How to apply for the Public Offer Shares and Reserved Shares – I. How to apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC" in this prospectus.

(4) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) The Price Determination Date is expected to be on or about Friday, 15 July 2011, and in any event no later than Friday, 22 July 2011. If, for any reason, the Offer Price is not agreed on or before Thursday, 21 July 2011, the Share Offer (including the Public Offer) will not proceed and will lapse.

(6) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and the Preferential Offer and also in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application. Refunds will be paid by e-Refund payment instruction

or a cheque crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first named applicant on your Application Form. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

(7) Share certificates for the Public Offer Shares and Reserved Shares will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the Listing Date, which is expected to be Monday, 25 July 2011. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Company will make an announcement as soon as possible.

(8) Applicants who have applied on WHITE application forms or through White Form eIPO service for 1,000,000 or more Public Offer Shares under the Public Offer and have indicated in their applications that they wish to collect any refund cheques and Share certificates in person, may do so from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 22 July 2011 or such other date as notified by the Company in the newspaper as the date of despatch/collection of Share certificates/refunded cheques/Refund payment instructions. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to the Hong Kong Share Registrar at the time of collection. Applicants who have applied on YELLOW application forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not elect to collect their Share certificates which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for YELLOW application form applications are the same as those for WHITE application form applicants. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Public Offer Shares and Reserved Shares – I. How to apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC" in this prospectus for details. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the paragraph headed "How to apply for the Public Offer Shares and Reserved Shares – III. Publication of results, despatch/collection of Share certificates and refunds of application monies" in this prospectus.

You should read carefully the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares and Reserved Shares" in this prospectus for details relating to the structure of the Share Offer and how to apply for the Public Offer Shares and the Reserved Shares.

This prospectus is being distributed in electronic format on CD-ROM to Qualifying Recruit Shareholders only. The CD-ROM may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. Neither the CD-ROM nor any of its contents constitutes a public offer of securities for sale in the United States and/or any jurisdiction other than Hong Kong. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Neither the CD-ROM, any of its contents, nor any copy of it may be taken or transmitted outside of Hong Kong or distributed or redistributed, directly or indirectly, outside of Hong Kong or to any resident thereof other than to the Qualifying Recruit Shareholders. By accepting the CD-ROM, Qualifying Recruit Shareholders are deemed to agree to be bound by the foregoing restrictions.

A **BLUE** Application From will be despatched to each Qualifying Recruit Shareholder with an Assured Entitlement together with an electronic copy of this prospectus on CD-ROM on or before Monday, 11 July 2011. Qualifying Recruit Shareholders may also collect printed copies of this prospectus from the receiving banks, details of which are set out in the section headed "How to apply for the Public Offer Shares and Reserved Shares — II. How to apply for the Reserved Shares" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Public Offer and the Preferential Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares and the Reserved Shares offered by this prospectus pursuant to the Public Offer and the Preferential Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any other security of the Company in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for the purposes of a public offering and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Public Offer and the Preferential Offer are made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms.

Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Joint Lead Managers, the Sponsor, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Share Offer.

CONTENTS

Page

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read such section carefully before you decide to invest in the Offer Shares.

OVERVIEW

The Group is principally engaged in the provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies. The Group's printed products comprise mainly of illustrated leisure and lifestyle books (including photography books, cookbooks and art books), educational text books and learning materials (including primary, secondary and tertiary level school books) and children's books. Sales to the Group's customers are principally conducted at its sales office in Hong Kong (with support from sales offices in Australia and the U.K.), whilst printing services are provided in the PRC through the engagement of an independent processing agent under a processing arrangement.

For each of the three years ended 31 December 2010, the Company produced approximately 30.6 million, 39.4 million and 48.8 million books. Set out below is the breakdown of the Group's book production and revenue by subject matter:

	For the year ended 31 December											
	2008				2009				2010			
	Revenue (HK$ million)	*% of the total sales*	*Books produced (million)*	*% of books produced*	*Revenue (HK$ million)*	*% of the total sales*	*Books produced (million)*	*% of books produced*	*Revenue (HK$ million)*	*% of the total sales*	*Books produced (million)*	*% of books produced*
Educational text books and materials	37.3	11.3	3.0	9.9	82.9	18.5	6.7	17.1	101.8	19.5	10.2	20.9
Children's books	39.4	11.9	11.7	38.2	43.1	9.7	10.0	25.3	43.7	8.4	12.0	24.6
Leisure and lifestyle books	254.5	76.8	15.9	51.9	321.3	71.8	22.7	57.6	376.5	72.1	26.6	54.5
Total	331.2	100.0	30.6	100.0	447.3	100.0	39.4	100.0	522.0	100.0	48.8	100.0

During the Track Record Period, the U.S. was the largest market of the Group, accounting for, on average, over 30% of the turnover of the Group. Set out below is the breakdown of the Group's book production by geographical areas:

	For year ended 31 December					
	2008		2009		2010	
Turnover	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
U.S.	101,172	30.5	150,758	33.7	149,169	28.6
Australia	92,977	28.1	122,699	27.4	127,211	24.4
U.K.	81,577	24.6	95,240	21.3	122,886	23.5
Hong Kong	18,672	5.6	10,788	2.4	19,082	3.7
Germany	15,894	4.8	25,669	5.8	39,238	7.5
New Zealand	9,212	2.8	11,685	2.6	22,771	4.4
Netherlands	8,207	2.5	8,630	1.9	13,201	2.5
Belgium	–	0.0	6,328	1.4	10,202	2.0
France	1,907	0.6	5,545	1.3	2,125	0.4
Others	1,622	0.5	10,001	2.2	16,104	3.0
	331,240	100.0	447,343	100.0	521,989	100.0

For each of the three years ended 31 December 2010, the Group recorded turnover of approximately HK$331.2 million, HK$447.3 million and HK$522.0 million respectively, representing a CAGR of 25.5%. Profit attributable to owners of the Company was approximately HK$15.1 million, HK$55.1 million and HK$61.7 million for each of the three years ended 31 December 2010, representing a CAGR of 102.1%.

The Group anticipates that expenses in relation to the Listing will be approximately HK$16 million. To the extent that the expenses of the Listing will be accounted for in the Group's profit and loss and as such, the Directors understand that such expenses may have an impact on the financial results of the Group for the year ending 31 December 2011.

In accordance with DIPN 21, profits from the sale of goods that are manufactured by a PRC entity under a processing arrangement (such as the Processing Agreement under which the Group conducts its printing business as described below) can be apportioned on a 50:50 basis and the chargeable profits so apportioned can be treated as non-taxable in Hong Kong.

During the Track Record Period, sales to the Group's five largest customers accounted for approximately HK$110.4 million, HK$141.2 million, and HK$142.3 million of Group revenue, representing approximately 33.3%, 31.6% and 27.3% of the total turnover of the Group, respectively. The following table sets out a summary of all the companies which featured as one of the Group's top five customers in one or all of the three years ended 31 December 2010.

Company	**Principal business activity**	**Years of relationship with the Group**
A	Independent publisher with sales offices in Australia and the U.K.	6
B	Printing broker firm based in the U.S.	4
C	Publisher of non-fiction books and a wholly-owned subsidiary of a U.S.-listed book retailer	4
D	Publisher of educational text books and reference materials in Australia and New Zealand and a subsidiary of a U.S.-based publisher of print and digital information services to the educational sector	6
E	U.K.-based publisher and member of a U.K.-listed publishing group	4
F	Australian publishing group which is the subsidiary of a U.K.-listed international media business covering education, business information and consumer publishing	6

Production of printed products is carried out by the Processing Partner under the Processing Agreement at the Processing Facility in Boluo County, Huizhou City, Guangdong Province, the PRC. The annual capacity of the Group's offset printing machines by number of impressions for each of the three years ended 31 December 2010 and the expected annual capacity for the years ending 31 December 2011 and 2012 is set out in the following table:

(in millions of impressions per annum)	**2008**	**2009**	**2010**	**2011E**	**2012E**
Maximum printing capacity (without plate changes) *(Note 1)*	779.5	1,009.2	1,152.7	1,239.2	1,341.6
Maximum printing capacity (with plate changes) *(Note 2)*	597.2	624.0	694.1	784.5	854.5
Actual printing output	361.6	629.9	653.1	N/A	N/A
Maximum printing capacity (without plate changes) – utilisation rate	46.4%	62.4%	56.7%	N/A	N/A
Maximum printing capacity (with plate changes) – utilisation rate	60.5%	101.0% *(Note 3)*	94.1%	N/A	N/A

Notes:

1. The maximum printing capacity (without plate changes) is calculated on the basis of total number of impressions per machine per hour at 16 hours per day and 322 working days per annum

2. The maximum printing capacity (with plate changes) is calculated on the basis of the total number of impressions per machine per hour at 16 hours per day and 322 working days per annum taking into account the downtime caused by changing plates, being approximately 15 minutes per set of plates (four pieces of plates) and 15 sets of plates per day.

3. The maximum printing capacity utilisation rate (with plate changes) exceeds 100% as the maximum printing capacity is based on output assumptions to provide an illustration of the Group's typical capacity. In some situations, as in 2009, the machines may have been operating at more than 16 hours per day or more than 322 days per annum.

The maximum annual printing capacity (without plate changes) is an optimal rate of output and is calculated based on the number of printing machines in the Processing Facility, the rate of impression for each printing machine as specified by the manufacturer, assuming that the machines are operating at maximum efficiency at all times (without any downtime in operation for plate changes, ink refills or need for maintenance) and the operating period of each printing machine in each working day and number of working days in each year.

The maximum printing capacity (with plate changes) is based on the optimal printing capacity less the time in which machines may be idle due principally to plate changes, refill of ink cartons, and repair and maintenance works. Whilst the maximum printing capacity (without plate changes) illustrates the ideal rate of output as specified by the machine manufacturers, the maximum printing capacity (with plate changes) offers a more accurate indication of the Processing Facility's actual capacity based on the usual course of printing activities and requirements.

Pursuant to the terms of the Processing Agreement, the Group places printing orders with the Processing Partner who then manufactures such orders at the Processing Facility and delivers the products to the Group in consideration for a processing fee. The Group is responsible for the provision of, among others, machinery, raw materials, technical know-how and training, whilst the Processing Partner is principally responsible for providing the manufacturing plant, ancillary facilities, labour force and carrying out print production. In accordance with the Processing Agreement, which requires approval by certain relevant PRC authorities, all of the printed products manufactured at the Processing Facility are required to be exported out of the PRC. The term of the Processing Agreement is 10 years commencing from 7 March 2005 until 7 March 2015.

The Group has obtained the relevant licences and certifications relating to its business and operations:

Licence/Certification	Issuing organisation	Date of issue	Date of expiry
FSC-STD-40-004(V2-0) Chain of Custody	FSC	2 December 2008	28 November 2012
ISO 9001:2008	BSI Management Systems	19 March 2009	15 March 2012
ISO 14001:2004	BSI Management Systems	19 March 2009	15 March 2012
OHSAS 18001:2007	BSI Management Systems	19 March 2009	15 March 2012

In addition, the Processing Facility has also obtained the following licences and certifications in relation to its operations:

Licence/Certification	Issuing organisation	Date of issue	Date of expiry
印刷經營許可証 (Printing Licence)	廣東省新聞出版局 (Administration of Press and Publication of Guangdong Province)	1 January 2010	31 December 2013
營業執照 (Certificate of business registration)	博羅縣工商行政管理局 (Boluo Administration for Industry and Commerce)	8 June 2005	20 April 2014
廣州省對外來料加工特准營業証 (Guangdong Province Special Licence for Processing with Materials Prepared)	博羅縣工商行政管理局 (Boluo Administration for Industry and Commerce)	8 June 2005	20 April 2014
FSC-STD-40-004(V2-0) Chain of Custody	FSC	12 January 2009	12 November 2012
ISO 9001:2008	BSI Management Systems	19 March 2009	15 March 2012
ISO 14001:2004	BSI Management Systems	19 March 2009	15 March 2012
OHSAS 18001:2007	BSI Management Systems	19 March 2009	15 March 2012
ICTI Code of Business Practices (2009 Version)	ICTI CARE Process	24 October 2010	23 October 2011

In accordance with the recognition of the processing arrangement under the Processing Agreement, the Group is not required to obtain a PRC printing licence as printing is conducted by the Processing Partner. As further advised by the PRC Legal Advisers, the Printing Licence obtained by the Processing Facility only enables it to print such materials for the export market and is not entitled under such licence to distribute such printed materials within the PRC.

For each of the three years ended 31 December 2010, the processing fees payable to the Processing Partner amounted to approximately HK$26.5 million, HK$33.9 million and HK$42.7 million, respectively, representing approximately 10.0%, 10.1% and 10.2% of the direct operating costs of the Group for the respective years.

The Group's principal raw material is paper. For each of the three years ended 31 December 2010, the Group's five largest suppliers accounted for approximately 43.1%, 32.4% and 39.7%, respectively, of the Group's total purchases. The following table sets out a summary of all the companies which featured as one of the Group's top five suppliers in one or all of the three years ended 31 December 2010:

Company	**Principal business activity**	**Years of relationship with the Group**
A	Hong Kong listed paper supplier engaged in the manufacturing, trading and marketing of paper products	6
B	Paper trader and subsidiary of a Hong Kong listed printing company	4
C	Hong Kong based paper agency and distribution company	2
D	Hong Kong based paper trading company	6
E	Hong Kong based paper manufacturing company	4
F	Hong Kong based paper trading company	5
G	Japan based supplier of printing machinery and materials	5
H	Hong Kong based printing services company providing subcontracting printing services	4

COMPETITIVE STRENGTHS

The Directors believe that the following are the key components to the success of the Group:

- long standing business relationships with its major customers, most of whom are reputable international book publishers, trade, professional and educational publishing conglomerates and print media companies. The Directors believe that the strength and depth of the relationships which the Group has built with its customers is a direct result of both its strong focus on customer and sales support and also its ability to manufacture and deliver high quality products in a consistent, timely and efficient manner. Such confidence and assurances in the quality and timeliness of its production offered by the Group enables it not only to retain such customer base but also increase business with its key customers;

- ensuring that the production process is maintained at a maximum possible efficiency from purchase to update of leading commercial printing systems. As at the Latest Practicable Date, the Group had installed leading commercial printing equipment in the Processing Facility which allows the Group to produce approximately 726.9 million impressions (with plate changes) per annum. The Directors consider that the Group's printing system is competitive, flexible and scalable to meet the changing requirements that may arise throughout the expansion of the business;

- development and operation of its in-house developed enterprise resource planning system, which integrates and centralises the information across the Group's entire operation from sales, production, purchasing, inventory, accounting and shipping in order to streamline the internal workflow and enhance the Group's scheduling and production capacity. It offers management key statistics on a real time basis which alerts the Group to any changes in the business and more importantly, to respond accordingly;

- accreditation of international standards of quality management. The Group has sought to ensure that its business and operations are fully compliant with all standards typically required or expected from its international customer base. As such the Group has sought to ensure that the Group and the Processing Facility are accredited with the ISO 9001:200; ISO, ISO 14001:2004 and FSC COC certifications; and

- the Group's senior management having extensive experience in the printing industry.

BUSINESS STRATEGIES

The long-term objective of the Group is to become a leading printing services provider to the export market and a PRC–focused book publishing broker and promoter. To this end, the management of the Company has developed a business strategy with the following key elements:

- increase production capacity and expand market share;

- expand customer base and strengthen sales and marketing force;

- gain traction with the Group's medium-sized publishing customers by offering e-book related products and value-added services; and

- explore and develop the PRC book publishing brokerage and promotion business.

The Group intends to explore and develop the book publishing brokerage and promotion business in the PRC. As a publishing broker and promoter, the Group will act as an intermediary for international book publishers and relevant licenced parties in the PRC. The Group will be responsible for co-ordinating the translation, printing and distribution of books in the PRC but shall not be engaged in any activity which may require specific licences or authorisations in the PRC. The business will be carried through the following activities and arrangements:

- acquisition of foreign language book titles from overseas publishers by a Hong Kong–based subsidiary of the Group or acquisition of overseas publisher(s) which own(s) stock of book titles;

- translation of foreign language book titles into Chinese which will be carried out in Hong Kong or the PRC;

- registration of copyrights of the Chinese version of foreign language books under the Group's name in the PRC and other applicable markets (depending on the progress of the business);

- introduction of Chinese versions of foreign language books to licensed PRC publisher(s) for the latter to publish in the PRC;

- utilisation of the Group's expertise in book printing to assist PRC publisher(s) to identify suitable book printers in the PRC; and

- organisation of marketing and promotion activities of book products.

In the course of developing such operation in the PRC, the Group will not operate as a publisher/printer/distributor of books and will only operate as a promoter or broker.

INFORMATION ON THE RECRUIT GROUP AND ITS RELATIONSHIP WITH THE GROUP

The Group was established in 2005 by Recruit, a company listed on the Stock Exchange (stock code: 550) which is principally engaged in the advertising media business (including recruitment magazine advertising and inflight magazine advertising), printing business and investment trading. As at the Latest Practicable Date, the Company was indirectly owned as to 79.97% by Recruit. However, the Group's business operates independently of and does not rely on the Recruit Group. In addition, both the Company and Recruit have entered into the Non-competition Deed for the purpose of restricting business competition with each other under certain circumstances. Further information on the businesses of the Recruit Group is set out in the section headed "Relationship with Controlling Shareholders".

REASONS FOR AND BENEFITS FROM THE SPIN-OFF OF THE COMPANY FROM THE RECRUIT GROUP

As set out in the announcements and shareholders circulars of Recruit dated 30 June 2011, the Recruit Group has concluded that the Group's business has grown to a scale which merits a separate listing and that such listing will be beneficial to the Group for the following reasons:

- enhancing the operational and financial transparency of the Group and providing investors, financiers and market rating agencies with greater clarity on its business so that they are able to appraise the strategies, functional exposure, risks and returns of the printing business separately from the Recruit Group;

- allowing the business of the Group to grow with more focused development and strategic planning outside of the Recruit Group's operations;

- providing a separate fund raising platform to enable the Group to raise the capital required to finance its future expansion without reliance on its intermediate holding company;

- consolidating the financial results of the Group, allowing the Group to continue to benefit from any potential upside of the printing business; and

- offering an equity based incentive program (such as a stock option or share award scheme) to its employees that correlates directly to the performance of the Group's printing business.

Whilst the Group has operated largely independently of the Recruit Group, during the Track Record Period, the Group has shared certain management personnel and costs and expenses with its parent company. Following the Listing, Recruit's holding in the Company is expected to be reduced to approximately 59.98% of the enlarged issued share capital and all shared costs and expenses will cease. Furthermore and save as disclosed in this prospectus, the Board believes that the Group will be able to operate independently of the Recruit Group as a result of the following:

- Financial independence – the Company will have its own independent internal control and accounting systems, accounting and finance department, treasury function for cash receipts and payments and access to third party financing. Furthermore, all financial support and corporate guarantees provided to the Group by Recruit will be terminated or released after Listing;

- Independence of boards and management – save for Mr. Lau Chuk Kin, who shall be an executive director of both the Company and Recruit, both boards and management will operate independently of each other;

- Clear delineation of business – the Recruit Group will focus on the advertising media business, specifically recruitment magazine advertising and inflight magazine advertising and investment trading and will not engage in the printing services business on which the Group is focused;

- Non-competition undertakings – each of the Group and the Recruit Group shall provide undertakings to each other that they shall not compete with each other on their respective businesses; and

- Directors' interests – each of the Directors has confirmed that they do not have any interests in any business which competes or is likely to compete with the Group.

THE PREFERENTIAL OFFER

In order to enable holders of Recruit Shares to participate in the Share Offer on a preferential basis as to allocation only, Qualifying Recruit Shareholders are being invited to apply for an aggregate of 12,531,836 Reserved Shares (representing approximately 10.0% of Shares initially available under the Share Offer) in the Preferential Offer. Each Qualifying Recruit Shareholder is entitled to apply on the basis of Assured Entitlement for 236 Reserved Shares for every 6,000 Recruit Shares (one board lot of Recruit Shares) held by it as of 4:30 p.m. on the Record Date. The Reserved Shares are being offered out of the Offer Shares and are not subject to the clawback mechanism as described in the section headed "Structure and conditions of the Share Offer – The Public Offer".

Qualifying Recruit Shareholders should note that Assured Entitlements to Reserved Shares may not represent a multiple of a full board lot of 4,000 Shares. Further, the Reserved Shares allocated to the Qualifying Recruit Shareholders will be rounded down to the closest whole number if required, and that dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

USE OF PROCEEDS

Based on the Offer Price of HK$0.80 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), the net proceeds of the Share Offer are expected to be approximately HK$84 million after deducting the underwriting fees and commissions and estimated expenses payable by the Group in relation to the Share Offer.

The Directors intend to use the net proceeds for the following purposes:

- approximately HK$41 million (being approximately 48.8% of net proceeds) for the purchase of new machinery and equipment, including, among others, machinery to increase the Group's year-on-year maximum printing capacity (with plate changes) by approximately 13.0% and 8.9% for the years ending 31 December 2011 and 2012, respectively, as summarised earlier in this section and further detailed in the section headed "Business – Business Strategy";

- approximately HK$30 million (being approximately 35.7% of net proceeds) for the development of the PRC book publishing brokerage and promotion business. As a publishing broker and promoter, the Group will act as an intermediary for international book publishers and relevant licenced parties in the PRC. The Group will be responsible for co-ordinating the translation, printing and distribution of books in the PRC but shall not be engaged in any activities which may require specific licences or authorisations in the PRC. While the existing plan of the Group is to utilise approximately 35.7% of the net proceeds for the book publishing brokerage and promotion business in the PRC, investors should be aware that the Group's ability to execute such business plan may depend on the Group's ability to identify suitable PRC publishing partners that possess the requisite licences and rights to carry out the publishing business in the PRC. For more details on the Group's plans, please refer to the section headed "Business – Business Strategy" of this prospectus;

- approximately HK$5 million (being approximately 6.0% of net proceeds) for the development of the Group's electronic book conversion services; and

- the remaining amount will be used for funding working capital and general corporate purposes.

If the Offer Price is fixed at HK$0.90, being the high end of the stated Offer Price range, the net proceeds will be increased by HK$12.5 million. The Directors currently intend to use such additional proceeds for the development of the PRC book publishing brokerage and promotion business.

If the Offer Price is fixed at HK$0.70, being the low end of the stated Offer Price range, the net proceeds will be decreased by HK$12.5 million. The Directors currently intend to reduce the proceeds used for the development of the PRC book publishing brokerage and promotion business.

SUMMARY OF FINANCIAL INFORMATION

The following table is a summary of the combined results of the Group for each of the three years ended 31 December 2010 which have been extracted from, and should be read in conjunction with, the Accountants' Report.

The summary historical combined financial information set forth below should be read in conjunction with the combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with HKFRS, together with the accompanying notes. The summary historical combined statements of comprehensive income for the years ended 31 December 2008, 2009 and 2010 and the summary historical combined statements of financial position as of 31 December 2008, 2009 and 2010 set forth below are derived from the Group's combined financial statements that have been audited by BDO Limited and included in the Accountants' Report.

Combined Statements of Comprehensive Income

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	331,240	447,343	521,989
Direct operating costs	(264,339)	(336,125)	(419,538)
Gross profit	66,901	111,218	102,451
Other income	15,022	16,918	29,504
Selling and distribution costs	(42,232)	(41,807)	(46,885)
Administrative expenses	(14,905)	(17,727)	(13,865)
Other expenses	(209)	(1,917)	(546)
Finance costs	(8,515)	(6,551)	(4,272)
Profit before income tax	16,062	60,134	66,387
Income tax expense	(1,126)	(5,230)	(4,731)
Profit for the year	14,936	54,904	61,656
Other comprehensive income, including reclassification adjustments			
Exchange loss on translation of financial statements of foreign operations	(443)	(294)	(182)
Other comprehensive income for the year, including reclassification adjustments and net of tax	(443)	(294)	(182)
Total comprehensive income for the year	14,493	54,610	61,474
Profit for the year attributable to:			
Owners of the Company	15,105	55,131	61,677
Non-controlling interests	(169)	(227)	(21)
	14,936	54,904	61,656
Total comprehensive income attributable to:			
Owners of the Company	14,777	54,858	61,495
Non-controlling interests	(284)	(248)	(21)
	14,493	54,610	61,474

Combined Statements of Financial Position

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	135,230	166,113	199,517
Current assets			
Inventories	51,304	41,477	59,905
Trade and other receivables	117,777	168,134	211,336
Financial assets at fair value through profit or loss	570	–	–
Amounts due from fellow subsidiaries	830	648	688
Cash and cash equivalents	36,451	38,558	16,134
	206,932	248,817	288,063
Current liabilities			
Trade and other payables	33,630	71,492	66,865
Financial liabilities at fair value through profit or loss	–	2,360	5,174
Bank borrowings	49,500	54,328	83,316
Finance lease liabilities	4,365	4,358	7,003
Amounts due to intermediate holding company	179,231	150,859	1,509
Amounts due to fellow subsidiaries	–	720	940
Provision for taxation	220	84	1,744
	266,946	284,201	166,551
Net current assets/(liabilities)	(60,014)	(35,384)	121,512
Total assets less current liabilities	75,216	130,729	321,029
Non-current liabilities			
Finance lease liabilities	5,513	1,103	12,814
Deferred tax liabilities	2,400	7,628	10,747
	7,913	8,731	23,561
Net assets	67,303	121,998	297,468

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
EQUITY			
Share capital	33,000	33,000	81,000
Reserves	34,154	89,012	216,503
Equity attributable to owners of the Company	67,154	122,012	297,503
Non-controlling interests	149	(14)	(35)
Total equity	67,303	121,998	297,468

RESULTS OF OPERATIONS

The Group's revenue is generated almost entirely from the sale of book printing services. Books printed by the Group are exported to a wide range of markets in the world, however, the majority of the Group's revenues are generated from three key countries, the U.S., Australia and the U.K. For each of the three years ended 31 December 2010, sales to these three countries accounted for approximately 83.2%, 82.4% and 76.5% of the Group's revenue. The Group's cumulative sales to the U.S., Australia and the U.K. have grown at a CAGR of approximately 20.3% during the Track Record Period, whilst cumulative sales to other countries have grown at a CAGR of approximately 48.7% during the same period. The growth in revenue during the Track Record Period was mainly attributable to the growth in sales orders. Other income, which is composed principally of sales of recyclable materials such as paper and zinc plates, grew from approximately HK$15.0 million in 2008 to approximately HK$29.5 million in 2010, principally due to the growth in sales orders which in turn increased the volume of recyclable materials used, as well as an increase in the price of such materials.

In each of the three years ended 31 December 2010, gross profit margin was approximately 20.2%, 24.9% and 19.6%. The fluctuation in gross profit margin during the Track Record Period was principally due to fluctuations in foreign exchange receipts. As the Group's customers are internationally based, the Group's sales are denominated in a number of major international currencies. As such, the growth in gross profit margin in 2009 was principally due to the appreciation of the Australian dollar against the Hong Kong dollar whilst the return of the gross profit margin in 2010 to a level comparable to that of 2008 was a result of less significant appreciation of the Australian dollar against the Hong Kong dollar.

The Group recorded net current liabilities of approximately HK$60.0 million and HK$35.4 million as at 31 December 2008 and 31 December 2009, respectively. The net current liabilities positions were principally attributed to the utilisation of bank borrowings and amounts due to intermediate holding company to finance business operations and capital expenditure for the respective financial periods. For details, please refer to the section "Financial information" in this prospectus.

The Directors have confirmed that as at 31 December 2010, the Group was at a net current asset position of approximately HK$121.5 million as a result of capitalisation exercise in respect of the issue of new shares of 1010 Group. On 7 April 2010, 480,000,000 ordinary shares of 1010 Group of HK$0.10 each were issued at HK$0.30 per share to two existing shareholders of 1010 Group. 407,273,000 ordinary shares were subscribed by Recruit (BVI), the immediate holding company of 1010 Group and the proceeds of HK$122,182,000 were settled through its current accounts with Recruit. The remaining 72,727,000 ordinary shares were subscribed for by Mr. Chen Huang Zhi, one of the minority shareholders of 1010 Group and the proceeds of HK$21,818,000 were received in cash.

DIVIDEND POLICY

For the three years ended 31 December 2010, the dividends declared by the Group to Recruit and minority shareholders of subsidiaries amounted to HK$4.3 million, HK$nil and HK$30.0 million, respectively. Subsequent to the year ended 31 December 2010, the Group also declared a dividend of HK$20.0 million. As at the Latest Practicable Date, all outstanding dividends payable had been fully settled.

The amount of dividend declared by the Board in the future will depend upon the Group's: (a) overall results of operation; (b) financial position; (c) capital requirements; (d) shareholders' interests; (e) future prospects; and (f) other factors that the Board deems relevant. The Board has not determined any target dividend payout rate after Listing. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Companies Act, including, among others, the approval of the Shareholders.

RISK FACTORS

Risks relating to the business of the Group

- Reliance on major customers
- Reliance on the U.S., Australian and the U.K. markets
- Reliance on the Processing Agreement and the Processing Facility
- Reliance on the Processing Partner
- Major disruptions, damage or destruction to the Group's equipment and machineries and/or the Processing Facility
- Reliance on sub-contractors
- Reliance on key personnel
- Foreign exchange exposure
- Reliance on major suppliers
- Fluctuations in raw materials prices

- Seasonal fluctuations in turnover
- Ability to sustain gross margin, operating profit margin and net profit margin
- Quality and safety standards and labour laws of the PRC in respect of the Processing Facility
- Environmental protection laws and regulations
- Regulatory licences and permits
- Net current liabilities as at 31 December 2008 and 2009
- Net cash outflow in operating activities as at 31 December 2008
- Working capital management
- Hong Kong taxation
- PRC taxation
- Ability to achieve business objectives for future growth
- No previous experience in book publishing brokerage and promotion business in the PRC

Risks relating to the printing industry

- Competition
- Technological developments in the printing industry
- New forms of information dissemination
- Lack of growth in the consumer market or general market downturn

Risks relating to the PRC

- Political considerations of Hong Kong
- Currency peg system in Hong Kong
- Economic, political and social considerations
- Appreciation of or fluctuations in foreign currencies relevant to the Group
- Changes and uncertainties in the PRC legal system
- PRC labour costs
- Outbreak of a contagious or epidemic disease

Risks relating to the Share Offer

- There has been no prior public market for Shares in the Company
- The trading volume and market price of the Shares in the Company may be volatile
- The Company's share price may be affected if additional Shares are issued by the Company and/or sold by the Controlling Shareholders
- The Company's historical dividend policy is not indicative of its future dividend policy
- Additional funding may be required for future growth
- Industry statistics contained in this prospectus may not be accurate
- Reliance on any information contained in press articles or other media regarding the Group and the Share Offer
- There is a possibility that forward-looking statements contained in this prospectus may not materialise

SHARE OFFER STATISTICS

	Based on an Offer Price of HK$0.70 per Offer Share	**Based on an Offer Price of HK$0.90 per Offer Share**
Market capitalisation *(Note 1)*	HK$350 million	HK$450 million
Unaudited pro forma adjusted net tangible asset value per Share *(Note 2)*	HK$0.74	HK$0.79
Historical price/earnings multiple on pro forma fully diluted basis *(Note 3)*	5.7 times	7.3 times

Notes:

1. The calculation of market capitalisation is based on a total of 500,000,000 Shares expected to be in issue immediately after completion of the Share Offer but without taking into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

2. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after having made the adjustments set out in Appendix I to this prospectus and on the basis of a total of 500,000,000 Shares in issue immediately after completion of the Share Offer but without taking into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

3. The calculation of historical price/earnings multiple on a pro forma fully diluted basis is based on the fully diluted earnings per Share of approximately HK$0.1234 for the financial year ended 31 December 2010 at the respective Offer Prices of HK$0.70 and HK$0.90 and based on the assumption set out in note 1 above.

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

"1010 Group"	1010 Group Limited, a wholly-owned subsidiary of the Company
"1010 PIL"	1010 Printing International Limited, a wholly-owned subsidiary of the Company
"Accountants' Report"	the accountants' report on the Group for the three years ended 31 December 2010 prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE, YELLOW, GREEN** and **BLUE** application form(s), or, where the context so requires, any of them
"associates"	has the meaning ascribed to it under the Listing Rules
"Assured Entitlement(s)"	the entitlement of a Qualifying Recruit Shareholder to apply for Reserved Shares under the Preferential Offer on the basis of 236 Reserved Shares for every whole multiple of 6,000 Recruit Shares (one board lot of Recruit Shares) held by such Qualifying Recruit Shareholder as at 4:30 p.m. on the Record Date
"BLUE Application Form"	the form of application for the Reserved Shares for use by the Qualifying Recruit Shareholder under the Preferential Offer
"BMI Appraisals"	BMI Appraisals Limited
"Board"	the board of Directors
"Business Agent"	博羅縣對外加工裝配服務公司(Boluo County Foreign Subcontracting Service Company), an Independent Third Party
"Business Day(s)"	any day(s) (excluding Saturdays, Sundays and public holidays) on which licensed banks in Hong Kong are generally open for normal banking business to the public
"BVI"	the British Virgin Islands
"Bye-Laws"	the bye-laws of the Company adopted on 23 June 2011 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"CAGR"	the compound annual growth rate

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
"CCASS Custodian Participant(s)"	person(s) admitted to participate in CCASS as custodian participant(s)
"CCASS Internet System"	the website operated by HKSCC to enable CCASS Investor Participants and, upon authorisation by a CCASS Clearing Participant or a CCASS Custodian Participant, stock segregated account statement recipients of that CCASS Clearing Participant or CCASS Custodian Participant to access CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time
"CCASS Investor Participant(s)"	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual or a corporation
"CCASS Participant(s)"	CCASS Clearing Participant(s), CCASS Custodian Participant(s), or CCASS Investor Participant(s)
"CCASS Phone System"	the interactive voice response system operated by HKSCC for enabling CCASS Investor Participants and, upon authorisation by a CCASS Clearing Participant or a CCASS Custodian Participant, statement recipients of that CCASS Clearing Participant or CCASS Custodian Participant to access CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time
"Companies Act"	the Companies Act 1981 of Bermuda as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	1010 Printing Group Limited (匯星印刷集團有限公司), an exempted company incorporated under the laws of Bermuda with limited liability on 9 March 2011
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Recruit and Recruit (BVI)

"DIPN 21"	Departmental Interpretation and Practice Note No. 21 issued by the IRD
"Director(s)"	the director(s) of the Company
"GREEN Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company or their predecessors (as the case may be)
"Haitong"	Haitong International Securities Company Limited, a corporation licensed to carry on type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities under the SFO and an Independent Third Party
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected persons (within the meaning of the Listing Rules) of any directors, chief executives or substantial shareholders of the Group, its subsidiaries or any of their respective associates
"Investec" or "Sponsor"	Investec Capital Asia Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor in connection with the Share Offer and an Independent Third Party
"IRD"	Inland Revenue Department of Hong Kong

"Joint Bookrunners" or "Joint Lead Managers"	Investec and Haitong
"Latest Practicable Date"	24 June 2011, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
"Listing"	the listing of Shares on the Main Board by way of the Share Offer
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Monday, 25 July 2011, on which dealings of the Shares on the Stock Exchange commence
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Stock Exchange
"Memorandum"	the memorandum of association of the Company, as amended from time to time
"Non-competition Deed"	the deed of non-competition undertaking dated 29 June 2011 entered into between the Company and Recruit
"Offer Price"	the Hong Kong dollar price per Offer Share (exclusive of 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee) of not more than HK$0.90 and expected to be not less than HK$0.70 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, such price is to be agreed between the Company and the Joint Bookrunners and Joint Lead Managers (for themselves and on behalf of the Underwriters) at or before the Price Determination Date
"Offer Shares"	the Public Offer Shares, the Placing Shares and the Reserved Shares
"Placing"	the conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and private investors, details of which are described in the section headed "Structure and conditions of the Share Offer" in this prospectus

"Placing Shares"	the 99,964,164 new Shares initially being offered by the Company for subscription under the Placing, subject to reallocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriter(s) of the Placing which are expected to enter into the Placing Underwriting Agreement
"Placing Underwriting Agreement"	the conditional placing underwriting agreement relating to the Placing to be entered into on or about the Price Determination Date by, among others, the Lead Managers, the Placing Underwriters, the Company and the Controlling Shareholders, as further described in the section headed "Underwriting – Underwriting arrangements and expenses – Placing" in this prospectus
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus, excludes Hong Kong, Macau and Taiwan
"PRC Legal Advisers"	Zhong Lun Law Firm, the legal advisers of the Company as to PRC law in connection with the Listing
"Preferential Offer"	the preferential offer to Qualifying Recruit Shareholders for subscription for the Reserved Shares on an assured basis at the Offer Price on and subject to the terms and conditions stated herein and in the BLUE Application Form
"Price Determination Date"	the date, expected to be on or before Friday, 15 July 2011, and no later than Thursday, 21 July 2011 (or such other time and date as may be agreed between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters)), on which the Offer Price is fixed
"Printing Licence"	the Print Operation Permission (印刷經營許可證) issued by the Guangdong Province News and Press Bureau (廣東省新聞出版局)
"Processing Agreement"	the processing agreement dated 7 March 2005 entered into between 1010 PIL, the Processing Partner and the Business Agent in relation to the processing arrangement for manufacturing of printed products, details of which are set out in the section headed "Business – Processing Arrangement" in this prospectus, and all supplements and amendments thereto from time to time

"Processing Facility"	博羅縣園洲匯星印刷廠 (Boluo County Yuanzhou 1010 Printing Factory), a production facility situated at Xianan Industrial Area, Nangang Road, Yuanzhou Town, Boluo County, Huizhou City, Guangdong Province, the PRC, owned by the Processing Partner which is used for manufacturing of printed products for the Group and operating under the Processing Agreement
"Processing Partner"	博羅縣園洲鎮下南實業發展公司 (Boluo County Yuanzhou Town Xianan Industrial Development Company), an Independent Third Party
"Public Offer"	the offer of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the related Application Forms
"Public Offer Shares"	the 12,504,000 new Shares initially offered by the Company for subscription at the Offer Price under the Public Offer (subject to reallocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus)
"Public Offer Underwriter(s)"	the underwriter(s) of the Public Offer listed in the paragraph headed "Public Offer Underwriters" under the section headed "Underwriting" in this prospectus
"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 29 June 2011 relating to the Public Offer and entered into by, among others, the Joint Lead Managers, the Public Offer Underwriters, the Company and the Controlling Shareholders, as further described in the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer" in this prospectus
"Qualifying Recruit Shareholders"	registered holders of Recruit Shares, whose shareholders' names appear on the register of members of Recruit as holding 26 or more Recruit Shares as at 4:30 p.m. on the Record Date
"Record Date"	5 July 2011 being the record date for ascertaining the Assured Entitlements
"Recruit"	Recruit Holdings Limited, a company continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 550), and a Controlling Shareholder
"Recruit (BVI)"	Recruit (BVI) Limited, a company incorporated in the BVI with limited liability and a directly wholly owned subsidiary of Recruit and a Controlling Shareholder

"Recruit Group"	Recruit and its subsidiaries but for the avoidance of doubt, excluding the Group upon completion of the Listing
"Recruit Shares"	ordinary shares of nominal value HK$0.20 each in the share capital of Recruit
"Reorganisation"	the corporate reorganisation which the Group underwent prior to the issue of this prospectus, details of which are described under the paragraph headed "A. Further information about the Company – 4. Corporate reorganisation" in Appendix V to this prospectus
"Reserved Shares"	the 12,531,836 new Shares being offered pursuant to the Preferential Offer, representing approximately 10.0% of the Shares initially available under the Share Offer, subject to re-allocation to the Placing as described in the section headed "Structure and conditions of the Share Offer – The Preferential Offer" in this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Offer"	the Placing, the Public Offer and the Preferential Offer
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meanings ascribed to it in section 2 of the Companies Ordinance
"substantial shareholder(s)"	has the meanings ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three financial years ended 31 December 2010

"U.K." or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"White Form eIPO"	the application for Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO **(www.eipo.com.hk)**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"A$", "AUD" or "Australian dollar(s)"	Australian dollar(s), the lawful currency of Australia
"€", "EUR" or "Euro(s)"	Euro(s), the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty on the Functioning of the European Union (signed on 13 December 2007)
"HK$", "HKD" or "Hong Kong dollar(s)" and "HK cent(s)"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"NZ$", "NZD" or "New Zealand dollar(s)"	New Zealand dollar(s), the lawful currency of New Zealand
"£", "GBP" or "Pound(s) Sterling"	Pound(s) sterling, the lawful currency of the U.K.
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"US$", "USD" or "US dollar(s)"	United States dollar(s), the lawful currency of the U.S.
"sq.ft."	square feet
"sq.m."	square metre
"%"	per cent.

In this prospectus, if there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only.

In this prospectus, unless otherwise specified, conversion of Australian dollars, Euros, New Zealand dollars, Pounds Sterling, Renminbi, or US dollars have been translated into HK$ at an exchange rate of A$0.12 to HK$1.00, €0.09 to HK$1.00, NZ$0.16 to HK$1.00, £0.08 to HK$1.00, RMB0.84 to HK$1.00 and US$1.00 to HK$7.78. No representation is made that any amount in Australian dollars, Euros, New Zealand dollars, Pounds Sterling, Renminbi, or US dollars can be or could have been converted into HK dollars at the relevant dates at the above rates or at any other rates at all.

All figures are converted (where relevant) for the purposes of this prospectus from square metres to square feet at 1 square metre = 10.7639 square feet.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary contains certain definitions and other terms used in this prospectus in connection with the Group and its business. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.

"blue print"	a single-colour photographic proof exposed from negatives prior to plate making used to evaluate pagination and location of page elements, such as text, photos, and other illustrations
"casing-in"	the operation of gluing the endpapers of a book to the case and inserting the sewn and trimmed text pages into the cover
"computer-to-plate"	an imaging technology by which an image created by computer software is output directly to a printing plate
"die-cutting"	the process through which plastic or paper sheets are cut into pieces according to users' requirements through hydraulic or mechanical presses
"e-book"	electronic book, book-length publication in electronic format consisting of text, images or combination of both and readable on electronic reading platforms
"embossing"	a process through which three-dimensional images or designs are created on paper or other ductile materials, and is typically accomplished with a combination of heat and pressure on the paper
"endpapers"	a strong paper designed to secure the body of a book into its case
"ERP system"	enterprise resource planning system, a software-packaged system which integrates several data sources and processes of an organisation into a single unified system
"flocking"	the process of applying very short, dyed fibers of rayon, cotton, wool, or other natural or synthetic material to an adhesive-coated surface to impart a velvet- or velour-like texture to a surface
"four-colour printing"	the printing of process colour by means of colour separations corresponding to the four process colours: cyan, magenta, yellow, and black. Combinations of overprinted dots of these four colours are what create the wide range of colours discernible to the human eye that can be reproduced

“FSC/CoC”	Forest Stewardship Council – chain of custody, a standard providing information on the source of wood or other forest-based material used in a product, issued by Forest Stewardship Council, an independent non-profit organisation established to promote responsible management to the world’s forests
“gilding”	in binding and finishing, a form of edge treatment in which gold or other metallic leaf is applied to the edges of a book
“graining”	in binding and finishing, the production of an artificial or exaggerated grain pattern in a cover or other binding material, commonly by embossing
“hole-punching”	in binding and finishing, the act of punching holes in press sheets, signatures, books, etc., so as to facilitate mechanical binding, commonly in ring binders or post binders
“impression”	one impression equals one press sheet passing once through a printing unit
“index cutting”	in binding and finishing, a semi-circular hole cut in the front edge of a book or other publication, allowing the book to be opened at a particular location
“ISO”	acronym for a series of quality management and quality assurance standards published by the International Organisation for Standardisation, a non-governmental organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“laminating”	the process through which paper and laminating materials (such as aluminium foil, metallised or holographic film) are bonded together
“offset printing”	a widely used printing technique where the inked image is transferred (or offset) from a plate first to a rubber blanket, then to the printing surface, which offers consistent high image quality and speedy production of printing plates
“OHSAS”	Occupational Health and Safety Assessment Specification is an internationally recognised assessment specification for occupational health and safety management systems. OHSAS aims to promote a safe and healthy working environment by providing a framework that allows the organisations to consistently identify and control their health and safety risks, reduce the potential for accidents, aid legislative compliance and improve overall performance

"ozalid"	the monochrome proof image which is usually blue in colour. The images to be printed are separated into four colours, namely cyan, magenta, yellow and black. Each of the individual colour image is exposed onto a piece of film, which are then overlapped and exposed to develop a monochrome blue image on a piece of light-sensitive coated white paper
"printing plate"	a plate used in printing processes which may be made of metal, plastic, rubber or other materials. The image is put on the printing plate through photomechanical, photochemical or laser processes
"publishing broker"	intermediary firm arranging print and bind production solutions for publishers requiring book production and manufacturing services through the engagement of third party print and production services providers and "publishing brokerage" should be construed accordingly
"signature"	any single press sheet on which multiple pages have been imposed which, when folded and cut, forms a group of pages
"stamp plate and die-cut mould production"	the production of plates or moulds used in finishing operations to press an image into a surface or substrate, such as book covers
"wire-O binding"	a method of loose-leaf binding whereby a continuing double loop of wire runs through punched slots along the binding side of a booklet

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding the Group's future financial position, the Group's strategy, plans, objectives, goals and targets, future developments in the markets where the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "would" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Group's control, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the Group's actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- Future development, trends and conditions in the Group's industry;
- The Group's business prospects;
- The competitive markets for the Group's business and the actions and development of the Group's competitors;
- Financial condition and performance;
- General political and economic conditions;
- Expansion, consolidation or other trends in the Group's industry;
- The Group's dividend policy;
- Exchange rate fluctuations and developing legal system, in each case pertaining to Hong Kong and the industry and markets in which the Group operates;
- Regulations and restrictions;
- Changes to the Group's expansion plans and use of capital expenditures;
- Macroeconomic measures taken by the Hong Kong government to manage economic growth; and
- Realising the benefits of the Group's business plan and strategies.

The Company believes that the sources of information that contained such forward-looking statements are appropriate sources for such statements and has taken reasonable care in extracting and reproducing such information and assumptions. The Company has no reason to believe that information and assumptions contained in such forward-looking statements is false or misleading or that any fact has been omitted that would render such forward-looking statements false or misleading in any material respect. The information and assumptions contained in the forward-looking statements have not been independently verified by the Company, the Controlling Shareholders, the Sponsor, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which forward-looking statement are made.

Additional factors that could cause actual performance or achievements of the Group to differ materially include, but are not limited to those discussed under the section headed "Risk factors" and elsewhere in this prospectus. The Company cautions you not to place undue reliance on these forward-looking statements which reflect the view of the Group's management only as of the date of this prospectus. The Group undertakes no obligation to update or revise any forward-looking statements at the Latest Practicable Date, where as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

In evaluating an investment in the Offer Shares, potential investors should consider carefully all of the information contained in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company.

RISKS RELATING TO THE BUSINESS OF THE GROUP

Reliance on major customers

For each of the three years ended 31 December 2010, the five largest customers of the Group accounted for approximately 33.3%, 31.6%, and 27.3% respectively of the Group's turnover. The results of the Group will be affected by its ability to continue to obtain orders from its major customers, their financial conditions and the success of their books and products. The Group has not entered into any long term contracts with any of its customers and consequently, most of the Group's customers may cancel, reduce or defer purchase orders at will. Accordingly, the volume of customers' purchase orders and product mix may vary significantly from period to period. There is no assurance that major customers of the Group will continue to place orders with the Group, or that their future orders will be at a comparable level or on similar terms to orders in prior years. Should any of the major customers cease to place orders with the Group or reduce their order size and the Group is unable to obtain other orders at a comparable level, the Group's business and profitability could be adversely affected.

Reliance on the U.S., Australia and the U.K. markets

For each of the three years ended 31 December 2010, the Group's aggregate sales in the U.S., Australia and the U.K. amounted to approximately HK$275.7 million, HK$368.7 million, and HK$399.3 million respectively, representing approximately 83.2%, 82.4% and 76.5% of the Group's turnover. The Directors anticipate that the provision of printing services to such international markets will continue to represent a significant portion of the Group's turnover in the near future. In the event that there are any adverse changes in the political, economic or social conditions, foreign trade or monetary policies, or legal or regulatory requirements or taxation or tariff regime in any one of these markets, the Group's performance and profitability may be adversely and materially affected.

Reliance on the Processing Agreement and the Processing Facility

During the Track Record Period, book production by the Group was principally carried out by the Processing Partner at the Processing Facility under the Processing Agreement, details of which are set out in the section headed "Business – Processing arrangement" of this prospectus.

The Group has made considerable investments in the equipment and machinery installed at the Processing Facility as well as investments in the training of the workers engaged by the Processing Partner. As at the Latest Practicable Date, the Directors had not identified any alternative print processing service providers which are comparable to the Processing Partner or the Processing Facility and are of the view that the ability to identify alternative print processing service providers and to transfer and install the Group's equipment and machinery at new facilities and train a new workforce would cause considerable disruption to the Group's operations. As such, in the event that the Processing Partner fails to renew the Processing Agreement and the Group finds itself unable to identify other print processing service providers and make similar arrangements, the business, turnover and profitability of the Group may be adversely affected. In addition, any changes in the relevant PRC laws and regulations in respect of the

Processing Agreement may impact the operation mode of the Production Facility and may also affect the Group's performance.

Given that the Processing Facility is responsible for the Group's entire production, the operation and profitability of the Group could be adversely and materially affected if the counterparties to the Processing Agreement are in breach of the Processing Agreement, or otherwise the use or operation of the Processing Facility by the Group is prohibited or restricted for any reason, or there are any changes in the relevant PRC laws and regulations which may adversely affect the operation of the Processing Facility.

In addition, the term of the Processing Agreement will expire on 7 March 2015. In the event that the Processing Agreement is not renewed upon expiry or the Group is unable to enter into a new processing agreement for the use and operation of another processing factory with comparable production capacity to the Processing Facility, the Group's production capacity, operation and profitability would be adversely affected.

Reliance on the Processing Partner

The Processing Facility used in the Group's printing operations is provided by the Processing Partner pursuant to the terms of the Processing Agreement. Based on a review of the relevant certificates applicable to the land on which the Processing Facility is situated, the PRC Legal Advisers are of the view that the Processing Partner is able to contribute clean use of rights of the factory and other affiliated facilities to the Processing Facility under the Processing Agreement.

Although the Processing Partner has provided the factory buildings, according to the Processing Agreement, and according to a statement issued by the land bureau of Boluo County on 3 May 2011, the land occupied by the Processing Facility is free from title defects, no assurance can be given by the Group that the piece of land on which the Processing Facility is situated is free from hidden title defects or that the Processing Partner has not violated any conditions regarding its land use rights. (As advised by the PRC Legal Advisers, the land bureau of Boluo County is the competent authority to issue such statements regarding the legal status of land use rights.) If for any reason, the Processing Partner is not able to continue to provide the Processing Facility for the Group, the Group may need to seek alternative printing facilities which may result in interruption in its printing operation and if so, the Group's printing business turnover and profitability may be adversely affected.

Under the Processing Agreement, the Processing Partner's obligations include, among others, ensuring that the Processing Facility is held responsible for the processing of book products, providing water and electricity facilities, labour and management personnel for processing and production of the products, and assisting the Group to carry out the import and export procedures. Details of the obligations of the Processing Partner are set out in the section headed "Business – Processing arrangement – Processing Agreement" of this prospectus. Any breach by the Processing Partner of its obligations under the Processing Agreement could have a material adverse effect on the Group's business. Further, in the event that the Processing Partner takes any action that is contrary to the Group's instructions, requests, policies or objectives, or becomes unable or unwilling to fulfil its obligations under the processing arrangement, or encounters financial or any other difficulties, the operation of the Group would be adversely affected.

Major disruptions, damage or destruction to the Group's equipment and machineries and/or the Processing Facility

The Group's operations are heavily dependent upon the Processing Facility and the use of the Group's equipment and machineries maintained at the Processing Facility which are specialised and necessary for its production. The Group's printing machinery will succumb to breakdown and depreciation. There is no assurance that the Group will not require periodic machinery replacement or that replacements will be readily available. The Group may also require maintenance services of its machineries from external vendors which may or may not provide timely maintenance services. Under such circumstances, the Group's financial resources will need to be employed or diverted to the servicing and replacement of machinery, and its business, financial position and results of operations may be materially and adversely affected.

In addition, significant unscheduled downtime at the Processing Facility due to equipment breakdowns, power failures, weather conditions, fire or explosion or other natural disasters could cause disruptions in the Group's operations or cause delays in its production delivery schedules. The Group's current insurance coverage may not be sufficient to cover all of the Group's potential losses due to an explosion or fire. If the Processing Facility were to be damaged or cease operations, including as a result of an explosion, fire or disruptions, it would temporarily reduce the Group's manufacturing capacity and affect its ability to provide products to customers, which could adversely affect sales, business, financial condition and results of operation.

Reliance on sub-contractors

During the Track Record Period, when the production capacity of the Processing Facility at any given period has been almost fully utilised, or when certain production steps cannot be processed within the Processing Facility, the Group may sub-contract certain parts of the production to other sub-contractors who are Independent Third Parties. For each of the three years ended 31 December 2010, fees payable to sub-contractors amounted to approximately, HK$25.8 million, HK$10.3 million and HK$22.1 million, respectively. As confirmed by the Directors, the percentage of sales contributed by sub-contractors engaged to conduct printing on behalf of the Group due to over capacity at the Processing Facility, was approximately 1.5%, 0.9% and 2.9% for each of the three years ended 31 December 2010, respectively. During the Track Record Period, sub-contracting charges had a range of 3.1% to 9.8% when represented as a percentage to the Group's direct operating costs. Details of the mechanisms and current and future policies surrounding sub-contracting arrangements are set out in the section headed "Business – Processing arrangement – Sub-contracting" of this prospectus. In the event that the Group is unable to secure a suitable sub-contractor when required, or if sub-contractors overcharge in their sub-contracting fees, the production process and/or financial position of the Company may be adversely affected. Further, although the Directors consider that the Group has sufficient and effective mechanisms in place to monitor the performance of its sub-contractors to ensure timely delivery and the quality of the products produced, the sub-contractors may nevertheless be late in completing production and/or producing products with unsatisfactory quality. In such event, the operation and profitability of the Group would be adversely affected.

Reliance on key personnel

The success of the Group is, to a significant extent, attributable to the customer relationships, experience and expertise of Mr. Yang Sze Chen, Peter and Mr. Lau Chuk Kin and other executive Directors and the senior management of the Group. Should Mr. Yang, Mr. Lau or any of the executive Directors and the senior management of the Group cease to serve the Group and the Group is unable to find any suitable personnel for replacement, the business and profitability of the Group could be adversely affected.

The Directors, senior management members and key personnel possess substantial experience in business management and operations and in-depth industry knowledge and understanding and have made significant contributions to the development of the Group. To a certain extent, the Group's daily operation depends upon the performance of its senior management and key personnel. In the event that the Group loses the services of any of its senior management and key personnel and fails to attract and retain suitable and competent replacements, the operations and performance of the Group could be materially and adversely affected.

Foreign exchange exposure

The Group's reporting currency is Hong Kong dollars but its sales are denominated in a mixture of currencies, primarily Australian dollars, Euros, Pound Sterling and US dollars in the proportion of approximately 19.0%, 0.5%, 10.7% and 54.7%, respectively, for the year ended 31 December 2008, 20.5%, 8.9%, 7.5% and 53.0%, respectively, for the year ended 31 December 2009, and 17.9%, 12.8%, 5.5% and 53.1%, respectively, for the year ended 31 December 2010. In addition, the Group's costs and expenses are mainly denominated in US dollars, Hong Kong dollars and Renminbi. Foreign currencies are converted into Hong Kong dollars as a reporting currency for the purpose of preparing the Group's financial statements.

The value of Renminbi is subject to changes of the PRC government's policies and, to a large extent, depends on the PRC's domestic and international economic and political developments, as well as supply and demand in the PRC market. In recent years, driven by the economic growth of the PRC economy, the Renminbi has appreciated against the US dollar. Any fluctuation in the exchange rate of the Renminbi may affect the results of the Group's operations or financial performance.

As a result of the foreign exchange conversion, for each of the three years ended 31 December 2010, the Group recorded foreign exchange loss in the amount of approximately HK$7.2 million, foreign exchange gains of approximately HK$9.7 million and HK$9.6 million, respectively.

From time to time the Group enters into foreign currency exchange contracts to hedge its currency risk. In the event that a material fluctuation in exchange rate is noted, the Group will strive to use US dollars for sales transactions, however, the Group has no control on whether its customers will accept US dollars as the contract currency. The Group cannot predict the future exchange rate fluctuations and in the event of any significant change in the exchange rate of any of these currencies, the Group's financial condition or results of operations could be affected.

Reliance on major suppliers

For each of the three years ended 31 December 2010, purchases by the Group from the top five suppliers amounted to approximately 43.1%, 32.4% and 39.7% of the Group's total purchases, respectively. During the same period, the largest single supplier, accounted for approximately 15.9%, 11.4% and 12.5% of the Group's total purchases, respectively. The principal raw materials used in the Group's business is paper and it manages its inventory of paper in accordance with its production schedules as well as the anticipated price of paper. In order to maintain its inventory of paper at an adequate and cost effective level, the Group typically procures paper upon customer requests for paper reservations or indents and/or receipt of production orders from its customers or in anticipation of significant price increases. In the event that the Group is unable to source paper or there is a shortage of supply or any dispute arises between the Group and its suppliers, the Group may not be able to procure paper from an alternative supplier in a timely manner and at competitive prices or at all. As such, the Group may not be able to fulfil its obligations to its customers in an efficient and timely manner and its reputation, business and results of operations may be adversely affected.

Fluctuations in raw materials prices

The principal raw material used in the Group's business is paper. During the Track Record Period, the cost of paper amounted to approximately HK$122.9 million, HK$163.8 million and HK$213.5 million, respectively, representing approximately 46.5%, 48.7% and 50.9% of the Group's total direct operating costs, respectively. As paper is a commodity, the Group is vulnerable to the risk of rising paper prices, which is determined by supply and demand conditions in the global and PRC markets. Furthermore, the price of paper may be affected by additional factors including, among others, weather conditions, tree harvest conditions, the policies of the PRC government and market competition. Should there be any significant increases in the prices of paper, and if the Group is unable to pass on such increases in costs to its customers, the Group's business and profitability would be adversely affected.

Seasonal fluctuations in turnover

Demand for the Group's printing services is subject to certain seasonal fluctuations. The peak season for the Group is typically in the second half of the year as books are produced and shipped overseas before the start of the new school year and before the Christmas period. In general, the Group experiences a peak in sales between June to September as well as in December. The first and larger peak is a result of publishers preparing books for Christmas sales, whilst the second peak in December is a result of the preparation of book sales for the new school year as well as Mother's Day celebration. For each of the three years ended 31 December 2010, the Group's turnover was approximately HK$331.2 million, HK$447.3 million and HK$522.0 million, respectively. For the same period, the Group's turnover in the five months of June to September and December, being the pre-Christmas and pre-school peak periods, accounted for approximately 51.9%, 56.4% and 51.7% of the Group's annual turnover, respectively. This seasonal fluctuation may affect the Group's production costs and the utilisation rate of the production facilities in the Processing Facility. The results of the Group for the peak months of each calendar year may not be taken as an indication of its performance for the entire calendar year. Hence, prospective investors should be aware of this seasonal fluctuation when making any comparison of the Group's results of operation.

In addition, the Group's results may be affected by unforeseen circumstances, such as production interruptions. Due to these fluctuations, comparisons of sales and operating results of the different periods within a single year, or between same periods in different financial years, are not necessarily meaningful and should not be relied on as indicators of performance of the Group.

Ability to sustain gross profit margin, operating profit margin and net profit margin

During the Track Record Period, the Group reported gross profit margin of approximately 20.2%, 24.9% and 19.6% respectively; operating profit margin of approximately 7.4%, 14.9% and 13.5% respectively; and net profit margin of approximately 4.6%, 12.3% and 11.8% respectively. Given that the printing business remains competitive as publishing customers continue to face challenges posed by e-books and the consolidation of conventional physical bookstores and compounded with increases in labour costs in the PRC, particularly in the Pearl River Delta, there is no assurance that the Group will be able to maintain gross profit margin or operating profit margin or net profit margin at a similar level as the Track Record Period.

Quality and safety standards and labour laws of the PRC in respect of the Processing Facility

The Processing Facility and the Processing Partner are subject to a number of production safety and quality and labour rules and regulations of the PRC including, among others, the Product Quality Law, the Interim Measures on the Administration of Quality Supervision of Printed Books and Periodicals, the Production Safety Law, the PRC Labour Law and the PRC Labour Contract Law.

According to the undertakings of the Group and the Processing Facility, there have been no material breaches by the Processing Facility in respect of PRC quality and safety standards and labour laws during the Track Record Period. Furthermore, the local labour authority has confirmed that the Processing Facility has not been in any material breach of labour laws since its establishment. Under current PRC laws and regulations, the penalties imposed on persons found to be in material breach of quality and safety standards could include: (i) fines of up to RMB200,000 (or five times any illegal gains in income from such breaches); (ii) orders to cease production or revocation of business licence; or (iii) criminal charges if such material breach causes material damages to any third parties. Persons found to be in material breach of labour laws may be ordered to compensate its staff/employees for all financial losses caused by such material breach. In the event that the Processing Partner or the Processing Facility are found to be in material breach of such PRC quality and safety standards or labour laws, although the Group would not be legally liable for any penalty or compensation imposed upon the Processing Partner or the Processing Facility, such penalty or compensation may prevent them from performing their responsibilities under the Processing Agreement and the business and operations of the Group may be adversely affected.

As advised by the PRC Legal Advisers in the event that the Processing Partner is found to be in breach or non-compliance of any rules and regulations in respect of the quality and production safety and labour laws, the Processing Partner shall be primarily responsible for the civil or administrative liabilities or any other claims relating to such breaches or non-compliance. In accordance with PRC laws, as neither the Processing Partner nor the Processing Facility are members of the Group and they are independent third parties of the Company, the Group shall not be held legally liable for the individual or personal liabilities of the Processing Partner or the Processing Facility, nor for ensuring that the Processing Facility meets all requisite health and safety regulations and labour laws to which they may be subject. However, in the opinion of the Directors, in order to prevent any material disruption to the Group's business, the Group may consider providing financial support to the Processing Partner and/or the Processing Facility in the event that neither has the sufficient financial resources to settle claims for non-compliance of the PRC laws. As such, whilst the legal liability for any breaches or non-compliance of any quality and production safety and labour laws may rest with the Processing Partner and/or the Processing Facility, the economic costs for such breaches and/or remedies may be born by the Group which would adversely impact the Group's business and profitability.

During the Track Record Period and in accordance with the Processing Agreement, the Processing Partner has been responsible for the provision of the Processing Facility as well as obtaining all licences, approvals and permits in respect of the facilities in the PRC. The Processing Facility is subject to rigorous safety standards and routine safety inspections. As advised by the PRC Legal Advisers, according to all company documents filed at the local State Administration for Industry and Commerce, there are no records to indicate that the Processing Facility has failed to comply with or been in breach of any production safety laws during the Track Record Period. However, there can be no assurance that any preventive measures taken or which may be taken by the Processing Facility, the Processing Partner or the Group will be sufficient to prevent any industrial accidents in the future. The failure to comply with quality and production safety laws and labour laws may cause potential industrial accidents leading to significant property loss and personal harm which may disrupt the Group's operations, subject it to claims and lawsuits, and adversely affect its profitability, relations with customers, suppliers, employees and regulatory authorities. Moreover, under PRC law, the Processing Facility is required to comply with certain safety regulations. The PRC government may strengthen safety regulations in the future, and the Processing Partner or the Group may be required to dedicate substantial financial and other resources to comply with these regulations.

As further advised by the PRC Legal Advisers based on the disclosure and the undertaking of the Processing Partner and the Processing Facility, neither the Processing Partner nor the Processing Facility has failed to comply with or been in breach of any labour laws during the Track Record Period. However, if the PRC government determines that the Group, the Processing Partner and/or the Processing Facility's operations are in breach of any labour laws, the Group could be subject to significant fines or be required to invest additional capital to carry out the necessary improvements to meet such standards, which could cause it to be less profitable or have less resources available to invest in the future expansion of its operations. In addition, should the Group's operations result in non-compliance with the labour laws of the PRC, the Group could be subject to additional fines, penalties and lawsuits, which could increase its costs significantly and could potentially harm its business reputation, resulting in consumers being less inclined to utilise the Group's printing services, thereby materially and adversely affecting its business, financial condition and results of operations.

Environmental protection laws and regulations

The operation of the Processing Facility generates by-products including wastewater and chemical waste, and is therefore subject to a variety of national and local PRC environmental laws and regulations. These environmental laws and regulations are set out in the section headed "Regulations" of this prospectus.

As advised by the PRC Legal Advisers, the Processing Facility is generally in compliance with all local environmental protection laws. Notwithstanding the Processing Facility's efforts to comply with applicable environmental laws and regulations, there is no assurance that the Processing Facility will at all times be in full compliance with all of the environmental requirements that apply to its operations. Any failure, or any claim that the Processing Facility has failed to comply with or breached environmental laws and regulations could cause the Processing Facility to be liable for any civil or administrative liabilities or any other claims relating to environmental protection issues under the applicable laws and regulations regarding environmental protection.

The Processing Facility's breaches of or non-compliance with the environmental laws and regulations may cause delays to the production and impact on the public image of the Group. The Group may furthermore be required to offer financial support to the Processing Facility in order to comply with or rectify any such breaches or non-compliance. In the opinion of the Directors, in order to prevent any material disruption to the Group's business, the Group may need to provide financial support to the Processing Facility in the event that the later has neither sufficient financial resources to rectify the breaches or non-compliance nor to settle the relevant claims. As such, whilst the legal liability for any breaches or non-compliance of any environmental regulation may rest with the Processing Facility, the economic costs for such breaches and/or remedies may be born by the Group which would adversely impact the Group's business and profitability.

Furthermore, environmental laws and regulations may become more stringent in the future, stricter interpretations of existing laws may occur or enforcement may be increased in the PRC. Any change in the regulatory framework to which the Processing Facility is subject, could result in increased actual costs and liabilities for which the Processing Facility have not provided. The Group's financial position may be materially and adversely affected if the Processing Facility is penalised for violations of environmental laws and regulations in the future and does not have sufficient financial resources to comply with such laws and regulations.

Regulatory licences and permits

The carrying on of printing business and operations in the PRC requires the Processing Facility to obtain certain licences and permits from the relevant authorities. Details of the licences obtained by the Group are set out in the section headed "Business – Licences and certifications" of this prospectus. In respect of the Group's printing business, the Processing Facility is required to obtain, among others, a Printing Licence which is generally renewable at the end of its validity in accordance with the relevant regulatory provisions. The existing Printing Licence granted in respect of the Processing Facility by the Guangdong Province News and Press Bureau (廣東省新聞出版局) will expire on 31 December 2013. As confirmed by Directors, the Processing Facility has never failed to renew the Printing Licence nor has it experienced any problems or failure with its application for the renewal of the Printing Licence during the Track Record Period. Although the Directors and the PRC Legal Advisers are of the view that there are no material legal obstacles which might prevent the renewal or extension of the Printing Licence in respect of the Processing Facility, there is no assurance that such Printing Licence will be renewed upon its expiry or will be renewed under the same scope. Further, the Processing Facility is required to carry on their printing operations within the scope of such Printing Licence. If the Processing Facility does not carry on printing operations within the scope of the Printing Licence, the Processing Facility may be fined and penalised by the relevant authorities. Should the Processing Facility fail to obtain or renew these licences or permits or should any of them be revoked or suspended, the Group would be required to make alternative arrangements. There is no assurance that any new arrangements with an alternative processing partner or production facility would be entered into on comparable terms and as such the Group's business and financial performance would be adversely affected.

Net current liabilities as at 31 December 2008 and 2009

The Group recorded net current liabilities of approximately HK$60.0 million as at 31 December 2008, which was mainly due to an increase in current liabilities of approximately HK$137.2 million as compared to the position as at 31 December 2007. Such net current liability position was primarily driven by (i) the increase in amounts due to intermediate holding company, upon which the Group (being a member of the Recruit Group) was reliant in order to finance its daily operation; and (ii) bank borrowings to support the Group's capital expenditure on new machinery and equipment and increase production capacity.

The Group also recorded net current liabilities of approximately HK$35.4 million as at 31 December 2009 which was principally attributed to the remaining amounts due to intermediate holding company, a slight increase in bank borrowings and an increase in trade and other payables.

As at 31 December 2010, the Group was at a net current asset position as a result of a capitalisation exercise in respect of the issue of new shares of 1010 Group. On 7 April 2010, 480,000,000 ordinary shares of 1010 Group of HK$0.10 each were issued at HK$0.30 per share to two existing shareholders of 1010 Group. 407,273,000 ordinary shares were subscribed by Recruit (BVI), the immediate holding company of 1010 Group and the proceeds of HK$122,182,000 were settled through its current accounts with Recruit. The remaining 72,727,000 ordinary shares were subscribed by Mr. Chen Huang Zhi, one of the minority shareholders of 1010 Group and the proceeds of HK$21,818,000 were received by cash. However, the Group will continue utilising banking facilities to fund its operations and business expansion. In the event that there is any failure to generate current assets to the extent that the aggregate amount of the current assets on any given day exceeds the aggregate current liabilities on the same day, the Group will continue to record net current liabilities. For further details please refer to the section headed "Financial information" in this prospectus.

Net cash outflow in operating activities as at 31 December 2008

For the year ended 31 December 2008, net cash outflow in operating activities amounted to approximately HK$20.0 million, which was mainly attributable to the operating profit before changes in working capital of approximately HK$36.9 million being deducted by the increases in trade and other receivables and inventories of approximately HK$35.0 million and HK$18.7 million, respectively.

The Group generally offers credit terms to customers ranging from 45 to 180 days from the date of invoice. In certain situations, pending the approval of the Group's credit insurers, assessment of the customer's financial position, payment history of the customers, frequency of transactions and with the authority of the chief executive officer, the Group may offer extensions of credits periods by an extra 30 to 60 days. On the other hand, the Group is generally granted credit terms from its suppliers ranging from nil to 90 days. Given the differences in the timing of credit periods granted to certain customers and suppliers, the Group may record net cash outflow in operating activities at certain points of time if the Group is required to make certain purchases to suppliers but the payments from customers have not been settled yet. For further details, please refer to the section headed "Financial information" in this prospectus.

Working capital management

The Group generally offers credit terms to customers ranging from 45 to 180 days, following the date of invoice of the products. In certain situations, pending the approval of the Group's credit insurers, assessment of the customer's financial position, payment history of the customers, frequency of transactions and with the authority of the chief executive officer, the Group may offer extensions of credit periods by an extra 30 to 60 days. There is no assurance that the Group's customers will meet their payment obligations on time or in full or that the Group's average trade receivables turnover days will not increase. Any failure on the part of the Group's customers to settle or settle on time the amounts due may adversely affect the Group's financial performance and operating cash flows, which could have a material adverse effect on the Group's business and results of operations.

The Group's gross trade receivables amounted to approximately HK$93.3 million, HK$163.0 million and HK$189.7 million for each of the three years ended 31 December 2010. There is no assurance that the Group is able to collect any or all of the debts successfully. As at 31 December 2008, 2009 and 2010, the Group's provision for impairment of receivables amounted to approximately HK$0.2 million, HK$2.1 million and HK$1.1 million, respectively. In addition, the Group is generally granted credit terms from its suppliers ranging from 0 to 90 days. Given the differences in timing of credit periods granted to certain customers and the Group's suppliers, the Group may be exposed to strains on its working capital which could have a material adverse effect on the Group's operations and financial condition.

Furthermore, bank borrowings have increased from approximately HK$49.5 million to approximately HK$83.3 million from 2008 to 2010. The Group recorded decreases in (i) net cash inflows from operating activities from approximately HK$86.0 million for the year ended 31 December 2009 to net cash inflows from operating activities of approximately HK$31.4 million for the year ended 31 December 2010; and (ii) cash and cash equivalent from approximately HK$38.6 million as at 31 December 2009 to approximately HK$16.1 million as at 31 December 2010. In order to sufficiently service such debt, the Group may be faced with further restrictions on its cash flow and consequently the Group's business operations, results and financial conditions may in turn be restricted.

Hong Kong taxation

During the Track Record Period, the Group conducted its printing business under the Processing Agreement. Pursuant to the DIPN 21 issued by the IRD is prepared to concede that, in cases where a Hong Kong manufacturing business enters into a processing arrangement with a PRC entity where the production processes are carried out at the processing factory situated in the PRC, profits from the sale of goods that were manufactured by such PRC entity can be apportioned on a 50:50 basis and the chargeable profits so apportioned can be treated as non-taxable in Hong Kong. As such the Directors consider that it is reasonable for the Group to adopt the DIPN 21 for the tax assessment of 1010 PIL and to claim for apportionment of profit during the Track Record Period.

During each of the three years ended 31 December 2010, Hong Kong profit tax payable by the Group amounted to HK$0.2 million, HK$0.1 and HK$1.7 million, respectively. During each of the three years ended 31 December 2010, tax expenses of the Group recognised as deferred tax charges amounted to approximately HK$0.9 million, HK$5.2 million and HK$3.1 million, respectively. As a result, the effective tax rates of the Group during the Track Record Period were approximately 7.0%, 8.7% and 7.1%, respectively. As the tax losses of the Group from previous years have been fully utilised, future assessable profits of the Group may not be offset and tax payable by the Group may increase.

In the event that the IRD considers that the Group's mode of manufacturing operations under the Processing Agreement is not within the scope of profits eligible for apportionment under the DIPN 21, or there are any changes in Hong Kong tax laws or its interpretation, the IRD might treat the Group's profits generated from the sale of goods processed under the Processing Agreement at the Processing Facility as profits derived from Hong Kong. If it did so and the Group failed to prove otherwise, 50% of the adjusted assessable profits of the Group which has previously been treated as non-taxable in Hong Kong would become taxable and would have an adverse impact on the Group's profitability. In this connection, the maximum taxes payable by the Group for the three financial years ended 31 December 2010 would be approximately HK$2.7 million, HK$11.8 million and HK$12.4 million, respectively.

PRC taxation

During the Track Record Period, the Group's principal operations were conducted through 1010 PIL, a wholly-owned subsidiary of the Company which is incorporated in Hong Kong. In accordance with the terms of the Processing Agreement, production of the Group's printed products is conducted by the Processing Partner in the PRC where the Processing Partner, through the Processing Facility, is responsible for all manufacturing, supervision, management and quality control works, while 1010 PIL provides around seven technical supporting staff to the Processing Facility in order to assist with technical training. At present, the Group's operations in the PRC through the arrangements under the Processing Agreement are not subject to PRC income tax.

In the event that 1010 PIL or any of the Group's companies are considered to be permanent PRC entities as a result of the arrangement under the Processing Agreement, or there are any changes in PRC tax laws or its interpretation, the PRC State Administration of Taxation or local tax authorities may treat the Group's profits generated from the sale of goods processed under the Processing Agreement at the Processing Facility as profit derived from their status as permanent PRC entities which may therefore be subject to PRC income tax. In this connection, the Group may be liable for additional taxation in the PRC which would have an adverse impact on the Group's profitability.

Ability to achieve business objectives for future growth

The Group intends to expand its existing business in accordance with the future plans as described in the section headed "Future plans and use of proceeds" in this prospectus. However, the future plans are based on circumstances currently known to the Directors and certain assumptions. There is no assurance that the Group can successfully implement its strategies or that its strategies, even if implemented, will result in the Group achieving its objectives. If the Group is not able to implement its strategies or achieve its objectives, the Group's business operations and financial performance may be adversely affected.

As further stated in the "Future plans and use of proceeds" in this prospectus, the Group intends to explore opportunities to develop a PRC book publishing brokerage and promotion business and publish Chinese language versions of foreign language book titles in the PRC together with local PRC publishers. All forms of media and the media industry in the PRC are tightly controlled by various departments within the PRC government including, amongst others, the General Administration of Press and Publication (中華人民共和國新聞出版總署), which is responsible for the regulation and distribution of news, print and internet publications in the PRC and for granting publication licences for periodicals and books.

In the event that the Group or any of its local PRC publishers is unable to obtain or maintain any relevant licence or approvals in respect of this intended book publishing brokerage and promotion business, the time, resources and investment in pursuing such opportunities may be in vain and the associated expenses may adversely affect the Group's profitability.

No previous experience in book publishing brokerage and promotion business in the PRC

The Group does not have any previous experience in the book publishing brokerage and promotion business in the PRC. The Group is uncertain as to whether the foreign language book titles which the Group intends to acquire, translate, register as copyrights in the PRC and introduce to PRC publishers for their distribution in the PRC may achieve the level of market acceptance that management expects or at all. Given the Group's lack of experience in the PRC's book publishing market, there can be no assurances that the Group will be able to identify the needs and preferences of customers and to offer titles and products that correspond to such needs and preferences. In addition, there can be no assurances that the book titles published in conjunction or partnership with any PRC book publisher will become commercially successful. In such circumstances, the Group's business, growth prospects, financial condition and results may be adversely affected.

RISKS RELATING TO THE PRINTING INDUSTRY

Competition

There is no specific market entry barrier for the printing business which the Group is engaged in and on the whole it is also not subject to any major restrictions for market entry. Competition may affect the Group's sales and the price of printing services, which will in turn affect the profitability of the business. As such, the Group is expected to face competition from existing and new players in the printing industry in the PRC and other countries in Asia. Competition from existing and new players may exert pressure on the price of the Group's printing products. The success of the Group depends on its ability to compete effectively against these competitors in terms of product quality, customer service, pricing, timely delivery, scale and capacity, and technical development expertise. There is no assurance that the Group will continue to compete successfully in the future, and if the Group fails to do so, its business and financial results would be adversely affected.

Technological developments in the printing industry

Constant refinements to offset printing presses and related machinery and the introduction of new technologies are continually improving the quality, productivity, safety, speed, reliability and energy efficiency within the printing industry. The ability to print faster and more cost effectively offers printing services providers a competitive edge. Technological improvements and increases in the level of automation, not only in the printing process but also in the pre- and post-press production stages, offers users cost savings on raw materials, time and labour and reduces human error while enhancing the quality of the product. During the Track Record Period, the Group has invested in leading printing presses and print production machinery that enables it to produce books as efficiently and economically as possible. However, in the event that the Group is not able to upgrade its technologies to meet customers' demands, its business and financial performance would be adversely affected.

New forms of information dissemination

With increased digitalisation of information, the narrowing of the digital divide and improved access to digital information, both the supply of and demand for electronic information will impact the demand for printed material and media. As the internet becomes more accessible and hardware, including among others, desktop computers, laptop computers, electronic readers, e-book readers, electronic notebooks and tablet form devices become more ubiquitous, the demand for physical "hardcopy" printed materials will be usurped by demand for "softcopy" content which is disseminated electronically. As consumer preferences and trends shift towards electronic media and platforms and the popularity and sales of products such as e-book readers and electronic tablet devices increase, the Group's customers, including trade, professional and educational publishers, may decide to transfer or increase distribution of their content on such digital mediums and reduce the usage of print media. In such event, the Group's business and financial performance would be adversely affected.

Lack of growth in the consumer market or general market downturn

The Group provides printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies. Products produced by the Group include high-value illustrated leisure and lifestyle books, educational text books and children's books. During periods of economic uncertainty, consumer consumption is typically scaled back, with certain non-essential products, such as books, suffering from reduced demand. Such falls in demand may in turn reduce the supply provided by such international book publishers, trade, professional and educational publishing conglomerates and print media companies and multinational corporations. When consumer sentiment remains conservative, there is no assurance that the Group's customers will continue to supply the market in its normal volumes. In addition, a reduction in the demand for the products and services of the Group due to increased competition, a general decline in the market or other factors could materially and adversely affect its operating results.

RISKS RELATING TO THE PRC

Political considerations of Hong Kong

As Hong Kong is a special administrative region of the PRC, the PRC government may, by its political and economic policies, exert profound influence on the foregoing aspects of Hong Kong. The PRC economy features a high degree of government involvement. During recent years, the PRC government has implemented various measures to guide the allocation of resources so as to narrow the gaps between economic developments in different regions in the country. Some of these measures benefit the overall PRC economy, but may have a negative effect on the Hong Kong economy. The Group cannot assure that the PRC government will not in the near future adopt any policy that will adversely affect the autonomy or the legal, political or economic conditions of Hong Kong and thereby materially and negatively influence its business.

Currency peg system in Hong Kong

Since 1983, Hong Kong dollars have been pegged to the US dollars at the rate of approximately HK$7.80 to US$1.00. Although the Hong Kong government has repeatedly reaffirmed its commitment to this pegging system, there is no assurance that this policy will not be changed in the near future. If the pegging system collapses and the Hong Kong dollars suffer devaluation, the Hong Kong dollars cost of the Group's foreign currency capital expenditures may increase. Furthermore, as the Group's revenues are denominated in Hong Kong dollars, a devaluation of the Hong Kong dollars would increase capital costs and the related depression costs to the Group, and increase the Group's Hong Kong dollars interest expense on indebtedness denominated in US dollars and other foreign currencies. This would in turn adversely affect the operation and profitability of the Group's business.

Economic, political and social considerations

A substantial part of the Group's assets are located in the PRC and substantial part of the Group's business operations are conducted in the PRC. Accordingly, the Group's results of operations, financial condition and prospects are subject to a significant degree to the economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including:

- political structure;
- degree of government involvement;
- pace of development;
- level and control of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For more than two decades, the PRC government has implemented economic reform measures emphasising on the utilisation of market forces in the development of the PRC economy. The Group cannot predict whether these changes in the PRC economic, political and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial condition or results of operations.

Appreciation of or fluctuations in foreign currencies relevant to the Group

Most of the Group's business transactions, assets and liabilities are principally denominated in Renminbi, Hong Kong dollars, US dollars, Australian dollars, Pound Sterling and Euros. The Group derives a substantial part of their revenue from the U.S., Australia and the U.K. in US dollars, Australian dollars and Pound Sterling respectively, whilst settling its purchases mainly in Hong Kong dollars, Renminbi or US dollars. Changes in the relevant exchange rates between these currencies may affect the Group's gross and net profit margins and could result in foreign exchange and operating losses. Since the Group's major customers are based in the U.S., Australia and the U.K, the Group may be subject to more severe foreign exchange risk as these economies have been subject to volatile fluctuations in recent years which may have an adverse effect on such currencies.

Furthermore, if the Renminbi fluctuates against any of these currencies, these fluctuations may result in exchange losses or gains or increases or reductions in the Group's revenue and debt after translation into Renminbi. Besides, the appreciation of Renminbi may lead to increase of the Group's costs, which may in turn affect the Group's competitiveness against overseas printing companies. To the extent that the Company needs to convert the proceeds of the Share Offer and future financing into the Renminbi for its operation, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount the Company would receive from the conversion.

The Group cannot predict the impact of future foreign exchange rate fluctuations on its financial position or results of operations. The Group has adopted limited foreign currency hedging policies in respect of foreign currency transactions, assets and liabilities. However, there can be no assurance that such foreign currency hedging policies will be able to adequately hedge all of the Group's exposure to foreign exchange risks. If the foreign currency hedging policies adopted by the Group is not successful, the Group's business and results of operations may be materially and adversely affected.

Changes and uncertainties in the PRC legal system

The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. Consequently, developments and changes in the PRC laws and regulations, including their interpretation and enforcement, may have a negative effect on the Group's business, results of operations and financial condition.

PRC labour costs

Whilst the printing industry is dependent upon advanced machinery, not all steps in the printing process can be automated and as such, it does require a meaningful work force. As at the Latest Practicable Date, the Group had a total of 36 employees. The Group is not directly or legally responsible for any of the 996 workers employed at the Processing Facility. However, under the terms of the Processing Agreement, the Group is responsible for the cost of labour in the production of books and printed products. Such costs are covered, among others, by the processing fee. For each of the three years ended 31 December 2010, the processing fees payable to the Processing Partner amounted to approximately HK$26.5 million, HK$33.9 million and HK$42.7 million, representing 10.0%, 10.1% and 10.2% of the direct operating costs of the Group during the same period. The Group is therefore directly exposed to labour costs in the PRC. Labour costs in the PRC are typically reflected by government policy (i.e. minimum wage), supply and demand of labour, general economic conditions, and the standard of living in the PRC. During the Track Record Period, the minimum wage payable by the Processing Partner has increased by 22.4% from the year ended 31 December 2008 to 31 December 2010. The Group is therefore exposed to rising wage inflation in the PRC and there is no assurance that the cost of labour in the PRC will not increase in the future. If labour costs in the PRC increase, the Group's operating costs, in particular the processing fees payable to the Processing Partner, will increase and the Group may not be able to pass these increments to its customers due to competitive pricing pressures and hence the Group's results of operations may be adversely affected.

Outbreak of a contagious or epidemic disease

The outbreak of any severe communicable disease in any of the geographical regions in which the Group operates, if uncontrolled, could adversely affect the overall business sentiments and environment in those regions, which in turn may lead to slower overall economic growth. Any contraction or slow down in the economic growth of the geographical regions in which the Group operates could adversely affect its financial condition, results of operation and future growth.

In addition, if any employees of the Group or the Processing Facility are infected or affected by any severe communicable diseases outbreak, it could impede the ability of personnel to report to work and could significantly disrupt the Group's operations and the operations of the Processing Facility and adversely affect business operations as the Processing Facilities may be required to be closed in order to prevent the spread of the disease. The spread of any severe communicable disease in any of the geographical regions in which the Group operates may also affect the operations of its customers and suppliers, causing delivery disruptions. The time required to rectify such problems could be lengthy, and could result in significant increases in costs or reduction in sales.

Moreover, several countries around the world, have reported cases of avian influenza, or bird flu. While there have been no known cases of human-to-human transmission of bird flu in the PRC, no assurance can be given that the virus will not mutate into a strain capable of human-to-human transmission. Any outbreak of bird flu, or an outbreak of any other contagious disease such as severe acute respiratory syndrome, for which there is no known, effective, or readily available treatment, cure or vaccine, could have a material adverse effect on the Group's financial condition and results of operations. An outbreak of a contagious or epidemic disease could adversely affect customers' demand for the

Group's products, the Group's ability to adequately staff its operations, as well as the general level of economic activity in Asia and elsewhere. If there is an outbreak of an epidemic disease such as bird flu and severe acute respiratory syndrome, the Group's business and operating results may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for Shares in the Company

Prior to the Share Offer, there has been no public market for any of the Shares. The Offer Price may not be indicative of the price at which the Shares will be traded on the Stock Exchange following completion of the Share Offer. In addition, there can be no guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained following completion of the Share Offer or that the market price of the Shares will not fall below the Offer Price.

The trading volume and market price of Shares in the Company may be volatile

The trading price of the Shares can also be subject to significant volatility in response to, among other things, the following factors:

(1) investors' perception of the Group and its future business plan;

(2) variation in the operating results of the Group;

(3) changes to the Group's senior management;

(4) the depth and liquidity of the market for the Shares; and

(5) general economic and other factors in the Group's principal markets.

The Company's share price may be affected if additional Shares are issued by the Company and/or sold by the Controlling Shareholder(s)

The disposals of a substantial number of the Shares in the public market after the Share Offer, or the possibility for such disposals, could adversely affect the market price of the Shares. Some of the Shares are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" of this prospectus. The relevant Shareholders will be able to dispose of their Shares upon expiration of the lock-up period. Disposals of any substantial number of the Shares by the Controlling Shareholder(s) may cause downward pressures on the market price of the Shares.

The Company's historical dividend policy is not indicative of its future dividend policy

Dividends may be paid only out of the Company's distributable profits as permitted under the relevant laws. The Company's ability to pay dividends will therefore depend on its ability to generate sufficient distributable profits.

During the year ended 31 December 2010, 1010 Group declared and paid HK$30.0 million in dividends. In addition, subsequent to the year ended 31 December 2010, 1010 Group also declared and paid HK$20.0 million in dividend. There can be no assurance that the Company will pay dividends in the future at a similar level to the past or at all, and potential investors should be aware that the amount of dividends paid in the past should not be used as a reference or basis upon which future dividends are determined. The payment and the amount of any dividends in the future will depend on various factors, including but not limited to, the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by the Company and future prospects.

In addition, to the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations and may therefore limit its further development. Therefore, there can be no assurance that the Company will declare dividends at all in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Group's future results of operations, capital requirements, general financial position, legal and contractual restrictions and other factors the Board may deem relevant.

Additional funding may be required for future growth

The Directors will constantly seek opportunities to pursue further growth and development of the business. As such growth and costs in relation thereto cannot be predicted at this juncture, the proceeds raised from the Share Offer may not be sufficient to cover them. As a result, secondary issue(s) of securities after the Share Offer may be necessary in the future as a means to obtain the required capital for capturing such growth opportunities.

Shares issued to existing and/or new Shareholders after the Share Offer may be priced at a discount to the then prevailing market price of the Shares traded on the Stock Exchange. Under such circumstances, existing Shareholders' equity interests may be diluted. In the event of any failure to utilise the new equity to generate a commensurate increase in the earnings, the earnings per Share of the Company will be diluted, which may result in a decline in the Share price.

Apart from equity funding conceived above, the Group may also need to raise additional capital through debt financing, which may, however, increase interest expense and gearing, and contain restrictive covenants regarding dividends, future fund-raising exercises and other financial and operational matters.

If any of the events stated above occurs, the Group's growth and profitability of its business may be adversely affected.

Industry statistics contained in this prospectus may not be accurate

Certain statistics and the industry information contained in this prospectus are compiled from various official government sources, statistical databases and market research providers. The Company believes that the sources of such information are appropriate sources for such information and has taken reasonable care in extracting and reproducing such statistics and information. The Company has no reason to believe that such statistics or information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. The information in this prospectus may not be consistent with or may not have been compiled with the same degree of accuracy or completeness as statistics or other information compiled elsewhere. The information has not been independently verified by the Company, the Controlling Shareholders, the Sponsor, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information. Accordingly, the Company, the Directors and all other parties involved in the Share Offer make no representation as to the accuracy or completeness of such information and such information should not be unduly relied upon.

Reliance on any information contained in press articles or other media regarding the Group and the Share Offer

The Directors wish to emphasise to prospective investors that they do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media and such information was not sourced from and/or authorised by the Group. The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media. To the extent that any of such information is inconsistent with, or conflicts with, the information contained in this prospectus or any announcement published by the Company, the Group disclaims all responsibility for all such information contained in any press articles or other media and all liability associated therein. Accordingly, prospective investors should not rely on any of the information in any press articles or other media.

There is a possibility that forward-looking statements contained in this prospectus may not materialise

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as “aims”, “believes”, “expects”, “will”, “should”, “could”, “seeks”, “anticipates”, “plans” or “intends” or by the negative of any of these terms or comparable terminology, or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Group’s actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding the Group’s present and expected future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of the Group’s key personnel and changes relating to the PRC and global economic and business conditions.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, 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 to the public 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 prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

The Share Offer comprises 99,964,164 Placing Shares initially available for subscription by professional, institutional and other investors under the Placing, 12,504,000 Public Offer Shares initially available for subscription by the public under the Public Offer and 12,531,836 Reserved Shares initially available for subscription by the Qualifying Recruit Shareholders under the Preferential Offer in each case at the maximum Offer Price of HK$0.90 per Offer Share payable in full on application and subject to refund (plus brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% on such price) and subject, in each case, to reallocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus.

The Listing is sponsored by the Sponsor and the Share Offer is lead managed by the Joint Lead Managers. Pursuant to the Public Offer Underwriting Agreement, the Public Offer is underwritten by the Public Offer Underwriters, and the Placing Underwriting Agreement is expected to be entered into among the Company, the Controlling Shareholders and the Placing Underwriters, subject to agreement on the Offer Price between the Company and the Underwriters. For more information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

PUBLIC OFFER SHARES AND PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Public Offer Shares and the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Joint Lead Managers, the Sponsor, the Underwriters, and any of their respective directors, officers, employees, agents or representatives of any of them or any other person involved in the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer.

No part of the Shares or loan capital of the Company is listed or dealt in on any other stock exchange and at present no such listing or permission to deal is being or proposed to be sought.

HONG KONG REGISTER AND STAMP DUTY

The Company's principal register of members will be maintained by the principal share registrar in Bermuda, Butterfield Fulcrum Group (Bermuda) Limited. All Shares to be issued pursuant to the Share Offer will be registered on the Company's Hong Kong register of members maintained by Computershare Hong Kong Investor Services Limited in Hong Kong. Only Shares registered on the Company's Hong Kong register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered on the Company's Hong Kong register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

You are recommended to consult your professional advisers, if you are in any doubt as to the taxation implications of subscribing for, holding, disposal of, and dealing in the Shares or the exercise of any rights in relation to them.

The Company, the Joint Lead Managers, the Sponsor, the Underwriters and any of their respective directors, officers, employees, agents or representatives of any of them or any other person or party involved in the Share Offer do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights, interests and liabilities, investors should seek the advice of your licensed securities dealers or other professional advisers.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

The respective procedures for applying for the Public Offer Shares and Reserved Shares are set out under the section headed "How to apply for the Public Offer Shares and Reserved Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out under the section headed "Structure and conditions of the Share Offer" in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 25 July 2011. Shares will be traded in board lots of 4,000 Shares each.

PRACTICE NOTE 15 OF THE LISTING RULES

The Share Offer has been approved by City Apex Limited, a controlling shareholder of Recruit, by way of written shareholder's resolution in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Recruit is required to comply with the requirements of Practice Note 15 of the Listing Rules which, among others, require the Group to offer the Assured Entitlements to Qualifying Recruit Shareholders. For further details of the Assured Entitlements, please refer to the section headed "Structure and conditions of the Share Offer — The Preferential Offer" in this prospectus.

LANGUAGE

If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus and the Application Forms between totals and sums of individual amounts listed therein are due to rounding.

Name	Residential Address	Nationality
Executive Directors		
Mr. Yang Sze Chen, Peter	6/F, Block 14 Fontana Gardens 14 Ka Ning Path Tai Hang Hong Kong	Chinese
Mr. Lau Chuk Kin	G/F, No. 71 – 71A Ng Tung Chai Tai Po Lam Chuen New Territories Hong Kong	British
Ms. Choi Ching Kam, Dora	Flat Q, 12/F Block 3 Yuet Ming Building 52 Yuet Wah Street Kwun Tong, Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. Yeung Ka Sing	2/F, 4A Wilson Road Jardine's Lookout Hong Kong	Chinese
Prof. Lee Hau Leung	25462 Altamont Road Los Altos Hills CA 94022 USA	American
Mr. Tsui King Chung, David	Flat A, 16/F, Dragon Garden 1 Chun Fai Terrace Tai Hang Road Hong Kong	Chinese
Dr. Ng Lai Man, Carmen	Flat C, 28/F, Block 2 Robinson Place 70 Robinson Road Mid-levels Hong Kong	Chinese

Sponsor	Investec Capital Asia Limited 3609, 36/F Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Investec Capital Asia Limited 3609, 36/F Two International Finance Centre 8 Finance Street Central Hong Kong
	Haitong International Securities Company Limited 25/F New World Tower 16-18 Queen's Road Central Hong Kong
Public Offer Underwriters	Guosen Securities (HK) Capital Company Limited Suite 2802 One Exchange Square 8 Connaught Place Central Hong Kong
	Kingston Securities Limited 2801, 28/F One International Finance Centre 1 Harbour View Street Central Hong Kong

Legal advisers to the Company

As to Hong Kong law:
P.C. Woo & Co.
12/F
Prince's Building
10 Chater Road
Central
Hong Kong

As to Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Hong Kong

As to PRC law:
Zhong Lun Law Firm
11/F
200 Yin Cheng Road Central
Pudong New Area
Shanghai 200120
PRC

As to Australian law:
DibbsBarker
Level 8 Angel Place
123 Pitt Street
Sydney NSW 2000
Australia

As to English law:
Kidd Rapinet
14 & 15 Craven Street
London WC2N 5AD
United Kingdom

As to U.S. law:
The Law Firm of James Scott Yoh
133-60 41st Avenue
5th Floor
Flushing, New York 11355
United States

Legal adviser to the Sponsor and the Underwriters	*As to Hong Kong law:* Pang & Co. in association with Salans LLP Level 76 International Commerce Centre 1 Austin Road West Kowloon Hong Kong *As to PRC law:* Jun He Law Offices Shanghai Kerry Centre 32/F 1515 Nanjing Road West Shanghai 200040 PRC
Auditors and reporting accountants	BDO Limited *Certified Public Accountants* 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Property valuer	BMI Appraisals Limited 33/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Receiving banker	Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong

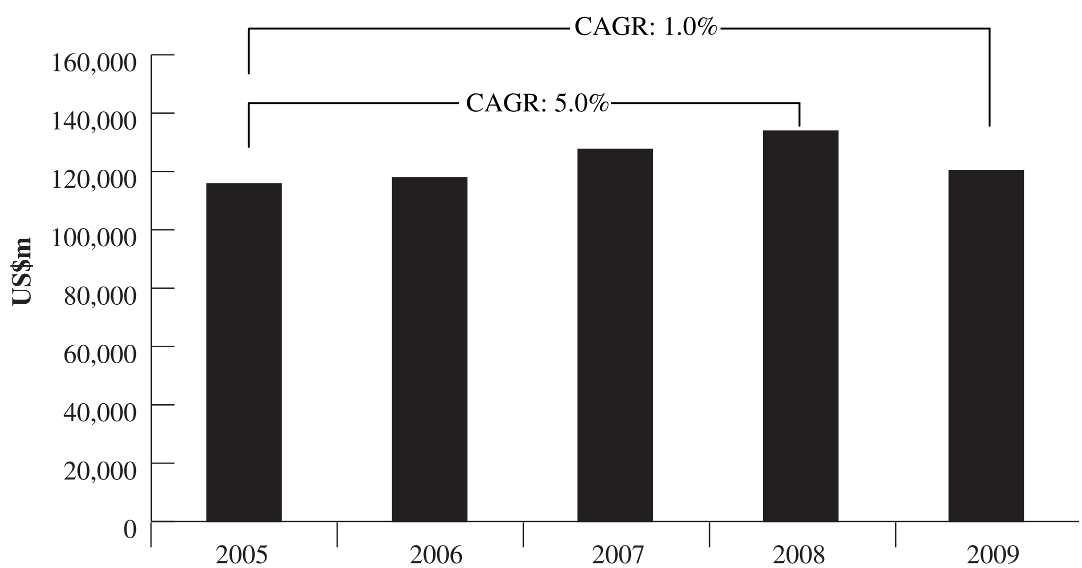
Registered office	Clarendon House 2 Church Street Hamilton, HM 11 Bermuda
Head office and principal place of business in Hong Kong registered under Part XI of the Companies Ordinance	Suite 1704, 17/F 625 King's Road North Point Hong Kong
Website address	www.1010printing.com *(information on this website does not form part of this prospectus)*
Company secretary	Ms. Tan Lai Ming *HKICPA, ACCA*
Authorised representatives	Mr. Lau Chuk Kin 26/F, 625 King's Road North Point Hong Kong Ms. Tan Lai Ming 26/F, 625 King's Road North Point Hong Kong
Bermuda resident representative	Codan Services Limited
Compliance officer	Mr. Lau Chuk Kin
Audit committee	Dr. Ng Lai Man, Carmen *(Chairman)* Mr. Yeung Ka Sing Mr. Tsui King Chung, David
Remuneration committee	Mr. Yeung Ka Sing *(Chairman)* Mr. Lau Chuk Kin Mr. Tsui King Chung, David Dr. Ng Lai Man, Carmen
Principal share registrar and transfer office in Bermuda	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke HM08 Bermuda
Branch share registrar in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance adviser	Investec Capital Asia Limited 3609, 36/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Principal banker	The Hong Kong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong

The information provided in this section is derived from various published sources and/or official government sources. The Company believes that the sources of such information are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. The information in this section may not be consistent with or may not have been compiled with the same degree of accuracy or completeness as statistics or other information compiled elsewhere. The information has not been independently verified by the Company, the Controlling Shareholders, the Sponsor, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information. Accordingly, you should not place reliance on statements in this section.

WORLDWIDE MARKET FOR PUBLISHING OF BOOKS AND OTHER PUBLICATIONS

The market for book printing services is principally driven by consumer demand for books and the offering of new titles or re-print of existing titles by book publishers. According to Euromonitor International, a provider of strategy research for consumer markets, the size of the market for publishing of books and other publications was approximately US$120.3 billion in 2009.

Worldwide Market Size for Publishing of Books and Other Publications

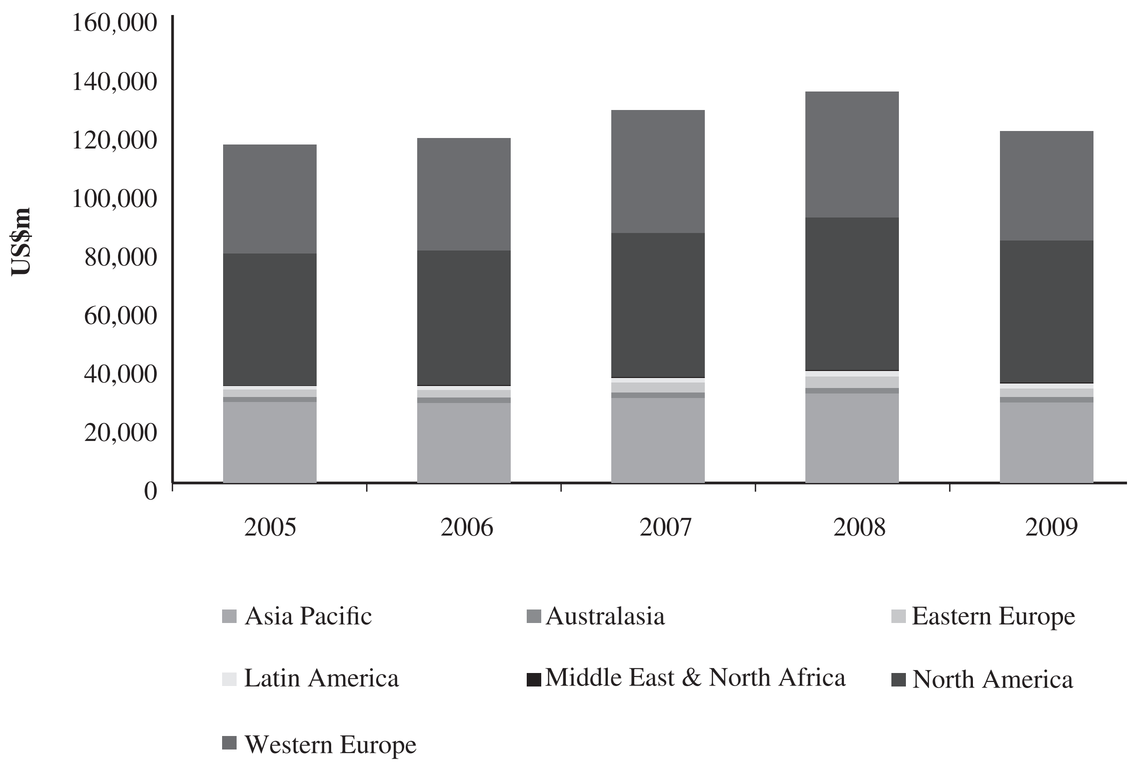


Source: Euromonitor International

During the period 2005-2008, the market had grown at a CAGR of approximately 5.0%. However, according to Euromonitor, the market declined by approximately 10.1% from approximately US$133.8 billion in 2008 to approximately US$120.3 billion in 2009. As such, the CAGR for the period 2005-2009 was approximately only 1.0%. The decline in market size in 2009 was principally due to the impact of the financial crisis on consumer spending, as well as the increase in electronic book sales over traditional printed copies.

As further indicated in the chart below, North America represented the largest geographical market for book publishing and other publications, accounting for approximately 40.4% of the world market in 2009. North America was followed by Western Europe which accounted for approximately 31.1% and then Asia Pacific which accounted for approximately 22.9%.

Worldwide Market Size for Publishing of Books and Other Publications by Geographic Region



Source: Euromonitor International

SIZE OF AUSTRALIAN, U.K. AND U.S. MARKETS FOR BOOKS AND OTHER PUBLICATIONS

During the Track Record Period, Australia, the U.K. and the U.S. were the principal book markets for the Group. Each of Australia, the U.K. and the U.S. represented approximately 1.9%, 5.1% and 40.3%, respectively, of the world market for books and other publications in 2009. However, according to Euromonitor International, all three markets have experienced declines in overall size since 2005.

Market Size for Publishing of Books and Other Publications in Australia, the U.K. and U.S.

Amounts in US$' million	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Australia	2,383.5	2,436.2	2,237.6	2,352.5	2,337.0	2,371.9
U.K.	7,045.7	7,047.5	7,161.4	6,673.5	6,089.7	5,561.3
U.S.	45,050.4	45,895.9	49,159.0	50,656.2	48,533.1	43,826.7

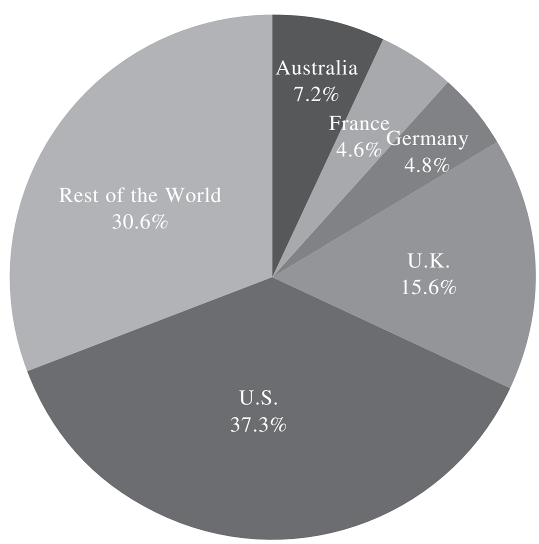
Source: Euromonitor International

HONG KONG EXPORT AND RE-EXPORT MARKET FOR PRINTED READING BOOKS AND SIMILAR PRINTED MATERIAL

Contrary to the slow overall growth in the size of the international publishing market, the total exports of printed reading books, brochures, leaflets and similar printed material and children's picture, drawing or colouring books from Hong Kong (which includes the re-export of such products) has grown from approximately US$1,314.3 million in 2006 to approximately US$1,488.5 million in 2010, representing a CAGR of approximately 3.2%.

Sales to the U.S. were Hong Kong's largest export and re-export market followed by the U.K. The following chart sets out the geographic distribution of total exports from Hong Kong for printed reading books and similar printed materials:

2010 market share of total exports of printed reading books, brochures, leaflets and similar printed materials and children's picture, drawing or colouring books from Hong Kong (including re-exports)



Source: United Nations Commodity Trade Statistics Database

Set out below are the principal export markets for printed reading books, brochures, leaflets and similar printed material and children's picture, drawing or colouring books from Hong Kong for each of the years from 2006 to 2010:

Export of printed reading books, brochures, leaflets and similar printed materials and children's picture, drawing or colouring books from Hong Kong (including re-exports)

Amounts in US$	**2006**	**2007**	**2008**	**2009**	**2010**	**CAGR**
Australia	73,180,587	88,742,256	102,223,804	91,035,982	106,729,446	9.89%
France	35,026,099	47,970,549	61,184,327	57,439,119	68,868,599	18.42%
Germany	46,403,393	61,451,413	78,937,246	69,294,469	71,006,144	11.22%
U.K.	181,280,612	242,157,552	268,920,327	211,594,254	231,758,688	6.33%
U.S.	625,575,148	662,621,350	669,404,855	521,301,605	555,360,740	-2.93%
Rest of the World	352,802,244	395,541,417	467,035,637	402,350,114	454,732,012	6.55%
TOTAL	1,314,268,083	1,498,484,537	1,647,706,196	1,353,015,543	1,488,455,629	3.16%

Source: United Nations Commodity Trade Statistics Database

As noted from the above, although the export market of book related printed products from Hong Kong experienced a decline in 2009 from 2008, the value of exports has generally been growing in most of Hong Kong's major export markets and grew from 2009 to 2010.

The export of printed reading books, brochures, leaflets and similar printed materials and children's picture, drawing or colouring books from Hong Kong is principally comprised of re-exported products, being foreign goods exported from the same state or territory as they were previously imported. Although the referred statistics do not qualify where such foreign goods are imported from, the Directors understand that such foreign goods are produced in the PRC for export from Hong Kong. As illustrated in the table below, the re-export market of book related printed products from Hong Kong has been increasing since 2006:

Re-export only of printed reading books, brochures, leaflets and similar printed materials and children's picture, drawing or colouring books from Hong Kong

Amounts in US$	**2006**	**2007**	**2008**	**2009**	**2010**	**CAGR**
Australia	63,990,674	79,035,077	94,527,894	84,731,541	100,065,173	11.83%
France	33,174,494	44,313,502	59,455,088	56,024,908	67,733,423	19.54%
Germany	44,024,341	59,172,908	75,439,411	66,975,548	69,286,052	12.01%
U.K.	165,329,190	213,214,667	245,456,024	197,915,609	219,025,866	7.28%
U.S.	583,621,485	608,395,855	630,911,801	491,472,009	527,604,656	-2.49%
Rest of the World	284,391,536	336,435,872	412,281,535	356,063,926	408,625,648	4.34%
TOTAL	1,174,531,720	1,340,567,881	1,518,071,753	1,253,183,541	1,392,340,818	9.48%

Source: United Nations Commodity Trade Statistics Database

All books and printed products produced at the Processing Facility are first shipped to Hong Kong and re-exported to overseas customers. The total market for re-export of books, brochures and similar printed matter from Hong Kong has grown from approximately US$1,174.5 million in 2006 to approximately US$1,392.3 million in 2010, representing a CAGR of approximately 4.3%.

Recent industry developments

The book publishing industry is currently experiencing a rapid digital transformation. According to PwC Research, sales of electronic books in the U.S., which has pioneered the development of e-books, have grown from approximately US$551 million in 2009 to approximately US$1,518 million in 2010 representing an increase of 175.4%. By 2015, sales of e-books are expected to reach US$5,571 million representing a CAGR for the period 2010-2015 of approximately 59.3%, whilst the impact on printed books and audio books is expected to be a CAGR in the same period of -1.5%.

U.K. and U.S. book sales forecast 2009-2015

U.K. (Amounts in US$' million)

	2009	2010	2011	2012	2013	2014	2015	CAGR 2010-2015
e-books	8	52	121	214	320	427	534	59.3%
Print/audio	3,541	3,484	3,429	3,370	3,322	3,280	3,238	-1.5%
Total	3,549	3,536	3,550	3,584	3,642	3,707	3,772	1.3%
ebook %	0.2%	1.5%	3.4%	6.0%	8.8%	11.5%	14.2%	

U.S. (Amounts in US$' million)

	2009	2010	2011	2012	2013	2014	2015	CAGR 2010-2015
e-books	551	1,518	2,569	3,371	4,302	5,022	5,571	29.7%
Print/audio	19,890	19,620	19,359	19,224	19,110	19,113	19,169	-0.5%
Total	20,441	21,138	21,928	22,595	23,412	24,135	24,740	3.2%
e-books %	2.7%	7.2%	11.7%	14.9%	18.4%	20.8%	22.5%	

Source: PwC: Global Entertainment and Media Outlook 2010-2014, PwC Research

Whilst the growth in e-books is notable, as noted by the forecasts above, printed books and e-books can co-exist, with e-books still representing less than one quarter of the forecasted market for books by 2015. In some situations, printed editions will be replaced by digital editions, principally paperback books and certain educational text books, readers and associated materials. However certain publications such as illustrated leisure and lifestyle books and children's books may be less likely to be transferred onto digital format.

Competition

The Directors consider the commercial printing industry to be highly fragmented with an abundance of providers offering a wide range of printing services covering, among others, books and periodicals, newspapers and magazines, brochures, catalogues, manuals, stationery, labels, corporate or financial reports as well as packaging and advertising materials.

Whilst entry into the commercial printing industry can be obtained through the acquisition of printing machinery, equipment and facilities, the cost of purchasing the latest five or eight colour offset printing machines, such as those utilised by the Group, is expensive. As such, the Directors are of the view that the principal barrier to entry is the high capital expenditure required to acquire competitive printing equipment.

As a result of the relatively few barriers to entry, the Group faces competition from other printing services companies which have equal or higher production capacities to the Group. As a result of the fragmented markets, the Directors consider the Group's market share to be fairly minimal. Based on the latest available information from the United Nations Commodity Trade Statistics Database in 2009 and 2010, the value of printed reading books, children's books, brochures, leaflets, drawing or colouring books and similar printed materials and book products exported from Hong Kong (including re-exported products) was approximately HK$10,485.9 million and HK$11,535.5 million, respectively. During the same period, the Group's sales revenue was approximately HK$447.3 million and HK$522.0 million, respectively. As such, and based on the figures provided by the United Nations, the Group's market share of export and re-export of book related printed products in 2009 and 2010 may be considered to be approximately 4.3% and 4.5%. Given the relatively small market share, the Group is focused on providing its services to large and well known publishing conglomerates and media.

Publishing companies such as the Group's customers typically distribute production between a number of printing services providers in order to mitigate against risks in production and delivery. As such, the Directors consider the Group's principal competitors to be similar sized Hong Kong printing service providers with production facilities in the PRC, which possess financial resources, technical expertise and sales forces which are comparable to or better than those of the Group. The Group competes with these print services providers on price, quality, customer service and timeliness of delivery.

In order to maintain its competitive advantage, the Group relies on a number of key virtues including, among others, the technical skill and competence of its technicians, focus on customer service, the strength of its overall planning which is conducted through its in-house developed enterprise resources planning software and its efficient management of raw materials purchasing.

PRC EXPORT MARKET FOR BOOKS AND SIMILAR PRINTED MATERIAL

According to Print and Print Equipment Industries Association of China (中國印刷及設備器材工業協會), the total production value of the printing industry in the PRC amounted to approximately RMB515 billion in 2009, representing an increase of approximately 5.8% over 2008. The total export value of printed materials in 2009 was approximately RMB50 billion, an increase of approximately 9.7% over 2008.

According to the United Nations Commodity Trade Statistics Database, the total export of printed reading books, brochures, leaflets and similar printed material, children's picture, drawing or colouring books from the PRC rose from approximately US$856.0 million in 2006 to approximately US$1,492.0 million in 2010, representing a CAGR of approximately 14.9%. Two of the largest export markets were Hong Kong and the U.S. which in 2010 represented approximately 32.9% and 30.3%, respectively, of export sales for book related products. The following table sets out the major export markets from the PRC for each of the years from 2006 to 2010:

Export of printed reading books, brochures, leaflets and similar printed materials and children's picture, drawing or colouring books from the PRC

Amounts in US$	**2006**	**2007**	**2008**	**2009**	**2010**	**CAGR**
Australia	13,041,662	19,558,018	28,618,485	27,664,709	37,166,150	29.93%
France	10,347,666	18,743,841	30,777,871	37,719,807	42,573,087	42.42%
Germany	22,874,590	32,600,818	46,025,110	49,547,201	56,212,273	25.20%
Hong Kong	383,310,090	437,035,348	495,048,317	433,867,659	491,494,470	6.41%
U.K.	72,932,640	111,214,748	130,158,523	123,409,436	142,098,817	18.15%
U.S.	250,128,203	327,058,184	357,376,291	367,726,542	451,434,956	15.91%
Rest of the World	103,364,271	163,461,934	237,459,776	223,843,294	270,976,903	27.24%
Total	855,999,122	1,109,672,891	1,325,464,373	1,263,778,648	1,491,956,656	14.90%

Source: United Nations Commodity Trade Statistics Database

LAWS AND REGULATIONS RELATING TO THE PRINTING INDUSTRY IN THE PRC

Companies in the printing industry in the PRC have to comply with certain regulatory requirements established and published by the PRC government including but not limited to (i) the Regulations of Administration of Printing Industry (《印刷業管理條例》) promulgated and implemented on 2 August 2001 by the PRC State Council (中華人民共和國國務院); (ii) the Regulations on Publication Administration (《出版管理條例》) promulgated on 25 December 2001 and implemented on 1 February 2002 by the PRC State Council; (iii) the Administration Regulations on Fulfilling Printing Orders (《印刷品承印管理規定》) jointly promulgated on 18 July 2003 and implemented on 1 September 2003 by the General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) and the Ministry of Public Security of the PRC (中華人民共和國公安部); (iv) the Temporary Regulations for the Establishment of Foreign Investment Printing Enterprises (《設立外商投資印刷企業暫行規定》) jointly promulgated and implemented by the General Administration of Press and Publication of the PRC and the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部) (now known as the Ministry of Commerce of the PRC (中華人民共和國商務部)) on 29 January 2002 and the Supplementary Provisions of the Temporary Regulations for the Establishment of Foreign Investment Printing Enterprises (《關於<設立外商投資印刷企業暫行規定>的補充規定》) jointly promulgated on 12 November 2008 and implemented on 1 January 2009 by the General Administration of Press and Publication of the PRC and the Ministry of Commerce of the PRC; and (v) the Temporary Regulations for the Qualifications of the Operators in the Printing Industry (《印刷業經營者資格條件暫行規定》) promulgated and implemented on 9 November 2001 by the General Administration of Press and Publication of the PRC (collectively, the "Printing Laws and Regulations").

Pursuant to the Printing Laws and Regulations, foreign entities are allowed to set up foreign capital invested printing enterprises which can be (i) a joint venture or cooperation engaging in the printing industry in the PRC (a PRC partner is required); or (ii) a wholly foreign owned enterprise engaging in package segment of the printing industry. Moreover, any legal entities (including those foreign capital invested enterprises) or individuals engaging in printing business in the PRC must apply for a printing license from the publication administrative authority at the relevant provincial, autonomous region or municipal level. The printing license may not be leased, lent or transferred by any means. The Printing Laws and Regulations also stipulate that, upon obtaining approval from relevant administrative departments in charge of publishing, those foreign capital invested enterprises engaging in printing business may receive production orders from foreign publishers to print publications, packaging and decorative printed products and other printed products that are to be exported out of the PRC.

Furthermore, in accordance with the Temporary Regulations for the Qualification of the Operators in the Printing Industry, as mentioned above, in order to obtain a printing licence, applicants are required to: (i) submit the name of the enterprise and its bylaws; (ii) provide a well-defined scope of business; (iii) be in possession of production and business premises that can meet the needs of its scope of business, and necessary capital, equipment and other production and business conditions as well; (iv) be in possession of an organisational structure and staff that can meet the needs of its scope of business; and (v) fulfill other conditions stipulated by the relevant laws and administrative regulations. In addition to the provisions stipulated above, the approval of the establishment of a printing enterprise must also conform to the planning of the PRC relating to the total number, structure and distribution of the printing enterprises.

LAWS AND REGULATIONS RELATING TO PROCESSING TRADE ARRANGEMENTS IN THE PRC

According to the Interim Measures for the Administration of Examination and Approval of Processing Trade (《加工貿易審批管理暫行辦法》) (the "**Interim Measures**") (promulgated on 27 May 1999 and implemented on 1 June 1999 by the Ministry of Foreign Trade and Economic Cooperation of the PRC (now known as the Ministry of Commerce of the PRC), processing arrangements in the PRC refer to business activities involving the importing of all or part of the raw and auxiliary materials, parts and components, accessories, and packaging materials from abroad, and re-exporting the finished products after processing or assembling by PRC processing enterprises. Processing trade includes the processing of supplied materials and imported materials. In particular, processing of supplied materials refers to processing trade with materials supplied by foreign partners. Under such arrangement, PRC processing partners neither need to purchase materials with foreign currency nor reimburse its foreign partners with processing fees. However, the foreign partner shall take back all finished products for sale upon payment of the processing fees to PRC processing enterprises. A PRC processing enterprise shall be a manufacturing company with a legal person status or a factory established by an operating enterprise as non-legal person with business license and accounting independently with respect to the processing trade. In addition, the Interim Measures specify that approval from provincial level or the authorised district or county level departments of foreign economic relations and trade must be obtained by the PRC processing partner before it commences the processing activities.

Pursuant to the PRC Customs Supervision and Administration of Processing Trade Goods (《中華人民共和國海關對加工貿易貨物監管辦法》) (promulgated by the General Administration of Customs on 1 November 2010 and which came into effect on 5 December 2010), subject to the granting of the approval of customs and fulfillment of the required procedures, PRC processing partners may sub-contract processing work of its products to other sub-contractors. Upon completion of the sub-contracting processing, the processed products shall be returned to the PRC processing partners.

The Regulations of the Export-oriented Processing and Assembly Trade of Guangdong Province (《廣東省對外加工裝配業務條例》) issued by the Standing Committee of the Guangdong Provincial People's Congress on 28 November 2008, makes it clear that export-oriented processing and assembly companies may enter into contracts with foreign investors to coordinate and arrange the processing factory to manufacture products as agreed.

LAWS AND REGULATIONS RELATING TO QUALITY AND SAFETY OF PRODUCTS

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) ("**Product Quality Law**") was adopted by the Standing Committee of the National People's Congress on 22 February 1993 and amended on 8 July 2000 and on 27 August 2009. The Product Quality Law is applicable to all production and marketing activities in China, and was formulated to strengthen the administration of rules pertaining to product quality, as well as to clarify product liability rules, protect consumers and maintain social and economic order.

The State Council established a national administration in charge of nationwide product quality, with local authorities performing this duty at the local level. Products offered for sale must meet relevant quality and safety standards. Enterprises may not produce or market counterfeit products in any fashion, including forging brand labels or providing false information about the manufacturer of a product. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and penalties, such as compensation for damages, fines, suspension or shutdown of businesses, as well as confiscation of products illegally produced and sold and the sales proceeds from such products. Serious violations may subject the responsible individual or enterprise to criminal liabilities. Manufacturers whose products cause personal or property damages due to their latent defects are liable for such damages.

The Interim Measures on the Administration of Quality Supervision of Printed Books and Periodicals (《書刊印刷產品質量監督管理暫行辦法》) (effected on 20 November 1992) and the Provisions on the Administration of Quality of Books (《圖書質量管理規定》) (effected on 1 March 2005) provide for special provisions with respect to quality supervision and inspection of printed books and periodicals. The printing of books and periodicals is subject to applicable quality standards and provisions in the contracts. Administrative penalties such as warnings, fines, suspension of business, and cancellation of printing license may be imposed in case of breaches of the above provisions.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) ("**Production Safety Law**") was promulgated by the Standing Committee of the National People's Congress on 29 June 2002 and became effective on 1 November 2002 and amended on 27 August 2009. The Production Safety Law provides safety standards for any production or business operation in order to reduce accidents and protect the general public security and safety of property. The State Administration of Work Safety (國家安全生產監督管理總局), a central government authority established by the State Council, is primarily responsible for the nationwide supervision and administration of the Production Safety Law. Local government authorities at the county level and above are responsible for supervision and administration of production safety within their respective local jurisdictions.

Enterprises are required to undertake necessary measures to set up and maintain appropriate equipment, monitor the safety of production procedures, assign designated personnel, conduct workplace safety training and undertake all other measures required by the law to ensure the safety of employees and the general public. Any responsible individual or enterprise that fails to perform its duty to meet the safety production standards may be ordered to rectify the breach within a prescribed period and/or pay a fine. Failure to rectify the breach within the prescribed period may result in suspension or closure of the business. Serious violations that result in any production safety accident may subject the responsible individuals to criminal liabilities.

LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

PRC Labour Law (《中華人民共和國勞動法》) which came into effect on 1 January 1995 and amended on 27 August 2009 stipulates general provisions with regard to labour contracts, working hours, wages, occupational safety and health, special protection for female staff and juvenile workers, vocational training, social insurance and welfare, and settlement of labor disputes. Enterprises failing to comply with the PRC Labour Law may be subject to warnings, fines, order to pay compensation, and cancellation of business license. Criminal liabilities may also be imposed for serious violations.

On 29 June 2007, the National People's Congress enacted the PRC Labour Contract Law (《中華人民共和國勞動合同法》) which became effective on 1 January 2008. The Implementation Regulation for the PRC Labour Contract Law, or the Implementation Regulation (《中華人民共和國勞動合同法實施條例》), was promulgated by the State Council and took effect on 18 September 2008. The Labour Contract Law formalises, among others, workers' rights concerning overtime hours, pensions and layoffs, the execution, performance, modification and termination of the labour contracts. In particular, it provides for specific standards and procedures for entering into non-fixed-term labour contracts. Both the employer or the employee is entitled to terminate the labour contract in circumstances as prescribed in the Labour Contract Law or if certain preconditions are fulfilled, and in certain cases, the employer is required to make a statutory severance payment upon the termination of the labour contract pursuant to the standards provided by the Labour Contract Law.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The PRC Environmental Protection Law (《中華人民共和國環境保護法》) (effected on 26 December 1989), the PRC Law on Appraisal of Environment Impact (《中華人民共和國環境影響評價法》) (effected on 1 September 2003), and the Regulations on Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) (effected on 29 November 1998), together set out the legal framework on, among others, the design and construction requirements of production facilities of the Processing Facility in respect of pollution control and environmental protection. The PRC Law on the Prevention and Treatment of Air Pollution (《中華人民共和國大氣污染防治法》) (effected on 1 September 2000), the PRC Law on the Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) (effected on 1 June 2008), the PRC Law on the Prevention and Treatment of Noise Pollution (《中華人民共和國環境噪聲污染防治法》) (effected on 1 March 1997) and the PRC Law on the Prevention and Treatment of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》) (effected on 1 April 2005) together impose further requirements on the Processing Facility on the discharge and treatment of waste by-products, including wastewater and chemical waste.

A person or an enterprise falling to comply with the Environmental Protection Law may be subject to various penalties imposed by environmental protection authorities, depending on the individual circumstances of each case and the extent of contamination. Such penalties may include warnings, fines, imposition of deadlines for remedying the contamination and orders to close down enterprises. Enterprises that cause air, water, noise or solid waste pollution are obligated to eliminate the pollution and are required to compensate the parties directly affected by the pollution for their losses. Criminal liabilities may also be imposed for serious violations.

LAWS AND REGULATIONS RELATING TO IMPORTATION OF THE GROUP'S PRINTED PRODUCTS INTO AUSTRALIA

The Group's export sales also cover Australia, which are subject to the relevant Australian importation laws, rules and regulations. A summary of those laws, rules and regulations applicable to the Group's business is set out below.

In Australia, the Customs Act 1901 (the "**Customs Act**") governs the importation of all goods into Australia by establishing a system of tariffs and charges and regulating the types of goods which may be imported, identifying those goods that are prohibited entry goods as well as those that are subject to import restrictions. The importation of certain publications, such as those containing overly offensive or objectionable material, may be refused entry to Australia or eligible for import only if the necessary classification and approval is sought from the Australian Classification Board.

Import restriction and consumer protection

In conjunction with the Customs Act, the Customs (Prohibited Imports) Regulations 1956 ("**Regulations**") restrict or may impose conditions on the importation of "objectionable goods" into Australia.

Objectionable goods in general include books and other publications that describe, depict, express or otherwise deal with matters of sex, drug misuse, addiction, crime, cruelty, violence, terrorist's acts or revolting or abhorrent phenomena in such a way that would offend against the standards of morality, decency and propriety generally accepted by reasonable adults. The Classification (Publications, Films and Computer Games) Act 1995 ("**Classification Act**") has similar effect on imported publications and products, requiring that publications which are likely to cause offence to reasonable adults be subject to import and sale restrictions, including measures which regulate labeling, packaging and location of products for sale.

On this basis, the importation of illustrated leisure and lifestyle books (including photography books, cookbooks and art books), educational text books and learning materials (including primary secondary and tertiary level school book) and children's books is not likely to require classification applications to the Classification Board of Australia.

The Copyright Act 1968 affects the importation of publications and books into Australia by making it an offence to import published material where importation infringes the copyright of an Australian copyright owner. Where published material is likely to infringe Australian copyright and is imported without a licence from the Australian copyright owner, Australian Customs may seize the goods to prevent their entry into Australia and the importer may also be subject to further legal action by the copyright owner.

The Copyright Act also applies territorial protection for Australian copyright owners by prohibiting parallel imports of books. Subject to some exceptions, Australian booksellers are prohibited from importing foreign-published copies of a book without the permission of the Australian copyright owner.

Customs and other duties

In Australia, imported goods are subject to a general tariff rate of about 5% (plus 10% goods and services tax) of the import value of the goods. Depending on the nature of imported publications and printed products, the prevailing applicable tariff rate is nil, though importers will be liable for any processing charges incurred by Australian Customs in processing, inspecting and clearing the imported goods.

The legal advisers of the Company as to Australia law are of the opinion that 1010 PIL is in compliance with all Australian laws and regulations in relation to import tariffs, import restrictions and consumer protection, based solely on information provided by 1010 Group and 1010 PIL and subject to a number of qualifications and assumptions, including that 1010 Group and 1010 PIL have provided all such information and documents as considered by the said companies to be relevant to the matters in this respect and that the information provided cannot be independently verified for completeness or accuracy.

The legal advisers of the Company as to Australian law are also of the opinion that 1010 Printing (Australia) Pty Ltd, the Australian subsidiary of the Group, is in compliance with all applicable Australian laws and regulations, subject to a number of qualifications and assumptions, including that 1010 Printing (Australia) Pty Limited has provided all such information and documents as considered by it to be relevant to the matters in this respect and that the information provided cannot be independently verified for completeness or accuracy.

LAWS AND REGULATIONS RELATING TO IMPORTATION OF THE GROUP'S PRINTED PRODUCTS INTO THE U.K.

Import quota/tariff

Imports into the U.K. are generally covered by European Union regulations. The common rules for imports are contained in Council Regulation (EC) No 260/2009.

Books and printed materials are exempted from value added tax and duty. No tariff quota is applicable to books and other printed materials.

Consumer protection

In the U.K., consumers are protected by the Consumer Protection Act 1987 ("**Consumer Protection Act**"), which covers almost all consumer goods, and thus books and printed materials.

Under the Consumer Protection Act, the producer, manufacturer, or whoever is involved in the supply chain of a product is liable for a defective product and an importer bringing the product into the U.K. from a place outside the European Union, will be liable as such.

Product safety

In the U.K., product safety is regulated by the General Product Safety Regulations 2005, which covers all products, including books and printed materials. In particular, Regulation 5 specifies the general safety requirement that products should not be placed on the market unless they are safe products.

The legal advisers of the Company as to English law have confirmed that in their opinion it is unlikely that there would be any significant risks related to books and other printed materials as far as product safety is concerned. However, this does not relieve the Company of its duty to ensure its products are indeed safe.

The legal advisers of the Company as to English law have advised that they are not aware of any non-compliance on the part of the U.K. subsidiary of the Company with the relevant safety and consumer protection laws having made their enquiries.

LAWS AND REGULATIONS RELATING TO IMPORTATION OF THE GROUP'S PRINTED PRODUCTS INTO THE UNITED STATES

Product safety and consumer protection

All consumers goods imported into the U.S. must meet the safety standards imposed by both legislations and regulations. A summary of these applicable legislations and regulations is set out below.

Consumer Product Safety Act ("**CPSA**"; 15 U.S.C.A. §§ 2051 et seq.)

CPSA, in principle, (i) protects consumers against unreasonable risks of injury associated with consumer products; (ii) helps consumers to evaluate consumer goods; (iii) creates uniform national safety standards; and (iv) promotes research and investigations in consumer product safety.

CPSA imposes legal duties on manufacturers, distributors and retailers (collectively "**Certifying Parties**") to publicly certify that their products comply with all rules, bans, standards or regulations applicable to such consumer products if such products are subject to such rules, bans, standards or regulations. CPSA also requires Certifying Parties to label or test their products with a certain safety standards.

All CPSA certificates of compliance must follow the shipment of the certified goods and reach the distributors and the retailers. They must also be filed with United States Consumer Product Safety Commission ("**CPSC**") upon request. There are two types of certifications in this respect (16 C.F.R. Part 1110 and 15 U.S.C.A. § 2063):-

(i) A general certification pursuant to section 14(a)(1); and

(ii) A certification based on third party testing pursuant to section 14(a)(2).

Flammable Fabrics Act ("**FFA**"; 15 U.S.C.A. §§ 1191 et seq.)

FFA prohibits consumer products that contain fabrics that are flammable within a standard set by CPSC, i.e. faster than 1.2 inch per second and among others, introduction or delivery of any misbranded hazardous substances or banned substances.

Consumer Product Safety Improvement Act of 2008 ("CPSIA"; 15 U.S.C.A. §§ 2052, 2054, 2055, 2055a, 2056a, 2056b, 2057c, 2058, 2060, 2063-2070, 2073, 2076, 2076b, 2077, 2078, 2079, 2081, 2082 and 2086-2089)

CPSIA establishes mandatory toy safety standards, i.e. ASTM International Standard F963-07 ("**ASTM Standard**"). All manufacturers must submit samples of children's toys to a third party conformity assessment body to be tested for compliance with ASTM Standard. In addition, CPSIA permanently bans three types of phthalates, DEHP, DBP and BBP, (all in concentration of more than 0.1%) in toys or child care articles. Three additional phthalates, (all in concentration of more than 0.1%), in toys or child care articles, have been banned in the interim.

Poison Prevention Packaging Act ("PPPA"; 15 U.S.C.A. §§ 1471 et seq.) and Federal Hazardous Substances Act ("FHSA"; 15 U.S.C.A. 1261 et seq.).

FHSA, for children's products, prohibits lead that is more than 300 ppm, while PPPA requires special packaging to protect children from household substances.

Subject to the limitations expressed in their legal opinion, the legal advisers of the Company as to the U.S. law are of the opinion that the products of the Group comply with the aforesaid products safety standards and requirements imposed by the regulations of CPSC and other federal laws of the U.S.

Import restriction/tariff

Importations into the U.S. are generally covered by Title 19 of the United States Code. Title 19, and its corresponding regulations, are currently implemented and enforced by the United States Customs and Border Protection which is under the Department of Homeland Security.

Any goods or merchandises can be imported into the U.S. unless specifically prohibited. The laws and regulations of the U.S. expressly prohibit the importation of the following types of goods:–

- Goods containing immoral, obscene, or illegal articles or publications;
- Goods produced or manufactured wholly or in part by convicts or forced labour, including forced or indentured child labour;
- With certain exceptions, any wild mammal or bird, alive or dead, contrary to the laws or regulations of any foreign country;
- Goods exported by a foreign country that unjustly discriminates against any product of the U.S.;
- Goods "manufactured" from imported materials within bonded warehouses;
- Copyrighted articles;
- Controlled substances or any narcotic drug described therein, except where necessary for medical, scientific, or other legitimate purposes;

- Natural gas from a foreign country, except with the consent of the Federal Energy-Regulatory Commission;
- Raw ivory from non-ivory producing countries;
- Components, materials, or apparatus for use in a patented machine or process;
- Certain weapons;
- Certain agricultural commodities or products manufactured therefrom, or textiles or textile products;
- Endangered species;
- Certain wild or exotic birds;
- Seeds;
- Articles imported under such conditions and in such quantities as to materially interfere with any Department of Agriculture program;
- Certain foreign produce, adulterated or misbranded meat, milk and cream, slaughtered poultry and eggs;
- Serums, toxins, viruses and analogous products;
- Animals; and
- Fish or game.

Duties and tariffs for any imported goods are governed by the Harmonized Tariff Schedule of the United States ("**USHTS**"). Under the USHTS, the products of the Group fall under the categories of books and printed materials which are exempted from any tariffs and duties.

Subject to the limitations expressed in their legal opinion, the legal advisers of the Company as to U.S. law are of the opinion that the products of the Group do not fall within the above prohibited types of goods and are thus importable into the U.S. and are not subject to tariffs and duties of the U.S.

HISTORY AND DEVELOPMENT

The history of the Recruit Group dates back to 1992 when the first issue of "Recruit" magazine, a free weekly magazine advertising job appointments and distributed at all MTR stations in Hong Kong, was published in July 1992. As the Recruit Group's business grew, Recruit was successfully listed on the Growth Enterprise Market of the Stock Exchange on 20 July 2000. On 23 July 2007, Recruit transferred its listing status from the Growth Enterprise Market to the Main Board.

In 2005, the Recruit Group began to diversify its business activities and established 1010 Group to focus exclusively on the printing business. The equity interest in 1010 Group was owned at the time of the commencement of operations in March 2005 as to 79% by the Recruit Group, 3% by a former director of 1010 Group (the "**Former Founding Director**"), 3% by Mr. Cheung Ning, being an employee of 1010 PIL and 15% by Global Resources Services Limited, a BVI corporation wholly owned by Mr. Chen Huang Zhi. Shortly after the commencement of operations, the Group entered into the Processing Agreement with the Processing Partner and the Business Agent pursuant to which the Processing Partner would be responsible for production and processing of books and printed products in consideration for a processing fee. Under the terms of the Processing Agreement, the Processing Partner provided the factory premises, the land and workforce whilst the Group would provide machinery and equipment as well as raw materials, technical know-how, management, production skills, design, certain skilled labour, and training and supervision for the PRC workforce provided by the Processing Partner.

In September 2005, Recruit reduced its equity interest in 1010 Group from 79% to 70% following the disposal of 3% equity interest to Mr. Pang Tak Hung, at the consideration of HK$300, which was based on the par value of the relevant equity interest and 6% equity interest to an employee of 1010 PIL at the time (the "**Former Employee**"), at the consideration of HK$600, which was also based on the par value of the relevant equity interest.

Between 2005 and 2006, the Group acquired certain machineries for its printing production which enabled the Company to reinforce its computer-to-plate and automated press systems and improve the response to its customers' demands in terms of time and quality. In October 2006, Recruit acquired an additional 3% equity interest in 1010 Group from the Former Founding Director, being his entire interest in 1010 Group, at the consideration of HK$300, which was again based on the par value of the relevant equity interest, thereby increasing its equity interest in 1010 Group from 70% to 73%. In December 2006, 1010 Group allotted a total of 32,990,000 shares to its shareholders and Recruit's equity interest in 1010 Group was subsequently diluted from 73% to approximately 72.73%.

In 2007, the Group established a sales office in the U.K. in order to develop the Group's business in Europe and to better serve its new and existing customers in Europe. Furthermore, in order to increase the capacity of the Processing Facility by upgrading the automatic production line, the Group acquired two additional sets of machinery for HK$18,300,000. For the year ended 31 December 2007, the production capacity of the Processing Facility was approximately 481 million impressions per annum.

In 2008, the Group established sales offices in the U.S. in order to capture new business opportunities and to improve customer relationships with existing customers in those markets. In October 2008, Global Resources Services Limited disposed of its entire 15.15% interest in 1010 Group to Mr. Chen Huang Zhi, being the beneficial owner of Global Resources Services Limited.

In 2009, a sales office in Australia was established. Due to the difficulties in generating new business from small to medium sized publishing and print media companies in the U.S. and following the onset of the financial crisis, the Group closed its U.S. sales office in November 2009. In June 2009, Recruit further increased its equity interest in 1010 Group from approximately 72.73% to 77.79% by acquiring a approximately 5.06% interest from the Former Employee and his associated company at the consideration of HK$3,050,000. Mr. Pang Tak Hung and Mr. Cheung Ning, being employees of 1010 PIL, acquired the remaining 1.00% interest from the Former Employee thereby increasing their respective holdings in 1010 Group to approximately 3.53% each. Following these transfers, the Former Employee had no more equity interest in 1010 Group.

In April 2010, Recruit received an allotment of shares which increased its equity interest in 1010 Group from approximately 77.79% to 81.97% thereby diluting the interests of Mr. Cheung Ning and Mr. Pang Tak Hung from approximately 3.53% each to 1.44% each in 1010 Group. In 2011, Recruit transferred 2.0% equity interest to Mr. Cheung Ning and Mr. Pang Tak Hung thereby increasing their respective holdings in 1010 Group to approximately 2.44% each and reducing Recruit's holding in 1010 Group to approximately 79.97%. Messrs. Cheung and Pang each acquired 8,100,000 shares in 1010 Group on 21 January 2011 at a consideration of approximately HK$4 million in aggregate (or HK$0.247 per share) in 1010 Group as at the date of transfers which were paid in full on 31 January 2011. The price of the shares was determined before the Offer Price was determined in order to reward and motivate Messrs. Cheung and Pang and represents a discount of approximately 33% to the net asset value of 1010 Group. As at the date of the transfers, the net asset value of 1010 Group was determined to be approximately HK$300 million, hence arriving at a discounted consideration of HK$4 million for approximately 2% in the company. No special rights, lock-up arrangement or any other conditions were attached to the transfer and such transfers have complied with the Stock Exchange's Interim Guidance in respect of pre-IPO investments issued on 13 October 2010.

Note: The 8,100,000 shares in 1010 Group would in essence be converted to 3,750,000 Shares upon the Listing, which is equal to approximately 0.75% of the issued share capital. At an Offer Price of HK$0.80 (being the mid-point of the estimated range of the Offer Price), the value of the Shares would be HK$3,000,000 and as such the 8,100,000 shares in 1010 Group, which were acquired for HK$2,000,000, would be valued at a discount of approximately 33% of the assumed Offer Price.

The key milestones in the development of the Group are:

1992 Recruit Group established

2000 Recruit listed on the Growth Enterprise Market of the Stock Exchange

2005 1010 Group established

Processing Facility constructed and 1010 PIL entered into the Processing Agreement

Acquisition of printing and case-in machinery for an aggregate of HK$44.5 million in order to improve the automated production line

2006 Acquisition of additional machinery in order to upgrade the printing production facilities

2007 Sales office established in the U.K.

	Acquisition of new printing machinery for HK$18.3 million in order to upgrade the automated production line
2008	Acquisition of new printing and case-in machinery for HK$57.2 million in order to upgrade the automated production line
	Sales office established in the U.S.
2009	Sales office established in Australia and sales office in the U.S. closed
	Acquisition of new printing machinery for HK$8.2 million in order to upgrade the automated production line
2010	Acquisition of new printing and case-in machinery for HK$32.5 million in order to upgrade the automated production line

REORGANISATION

In the preparation for the Listing, the companies comprising the Group underwent the Reorganisation. The Company was incorporated in Bermuda on 9 March 2011. As part of the Reorganisation, on 16 March 2011, Recruit (BVI) was issued and allotted one Share, nil paid. On 19 April 2011, the entire equity interest in Mega Form Inc. Limited ("**Mega Form**"), the 100% holding company of 1010 Printing (USA) Inc., ("**1010 USA**") was transferred from 1010 Group to Recruit (BVI) at a consideration of HK$1.00. 1010 USA, which was responsible for the Group's U.S. sales, was incorporated in July 2008 but became inactive in 2010 due to the difficulties on generating new business in the U.S. following the onset of the financial crisis. As such, in order to simplify the corporate structure of the Group prior to Listing, the Group's former U.S. business was removed from the Group and Mega Form was transferred to the Recruit Group. None of the significant transactions and the balance sheet items of Mega Form and 1010 USA at each reporting date, as summarised in the table below, have been attributable to the Group and as such their income statements and balance sheets for the Track Record Period have been directly delineated from the Group.

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Revenue	79	1,400	–
Loss for the year	(600)	(45)	(20)
Total assets	230	42	28
Total liabilities	(830)	(687)	(693)
Net liabilities	(600)	(645)	(665)

Mega Form is not carrying out any business and will not do so for the foreseeable future, whilst 1010 USA was dissolved in April 2011. As such, neither Mega Form nor 1010 USA is expected to pose any threat of competition to the Group going forward.

On 20 June 2011, as a final step of the Reorganisation, Recruit (BVI), Chen Huang Zhi, Cheung Ning and Pang Tak Hung transferred all their shares in 1010 Group respectively held by them to the Company in consideration of the issue and allotment of 299,894,906, 56,818,055, 9,143,519 and 9,143,519 Shares, all credited as fully paid, to each of them respectively and the crediting of one nil-paid Share then held by Recruit (BVI).

Following completion of the Reorganisation, the Company has become the holding company of the Group. Further details of the Reorganisation are set out in the paragraph headed "A. Further information about the Company – 4. Corporate reorganisation" in Appendix V to this prospectus.

PROPOSED SPIN-OFF OF THE GROUP FROM THE RECRUIT GROUP

As set out in the announcement and shareholders' circular of Recruit dated 30 June 2011, Recruit has concluded that the Group's business has grown to a scale which merits a separate listing and that such listing will be beneficial to the Group for the following reasons:

(a) the spin-off essentially separates the Recruit Group's printing services business from its recruitment magazine advertising, inflight magazine advertising and investment trading businesses. Given the distinct business nature between the printing business and each of the recruitment magazine advertising, inflight magazine advertising and investment trading businesses, the separate listing is expected to enhance the operational and financial transparency of the Group and provide investors, financiers and market rating agencies with greater clarity on its business so that they are able to appraise the strategies, functional exposure, risks and returns of the printing business separately and to make their investment decisions accordingly. Investors will have the choice to participate in the future development of either the Recruit Group or the Group and invest in either one or both of the business models;

(b) the Recruit Group and the Group are believed to have different growth paths and strategies. Thus, the spin-off will allow separate platforms for the business of the Group and the remaining business of the Recruit Group to grow with more focused development and strategic planning of their respective operations. As such, the Company, as a separate listed entity, will have its own separate management structure focusing on the printing services and book publishing business, thereby enhancing the decision-making process and its responsiveness to market conditions so as to ensure that the Company capitalises on opportunities in the printing business area;

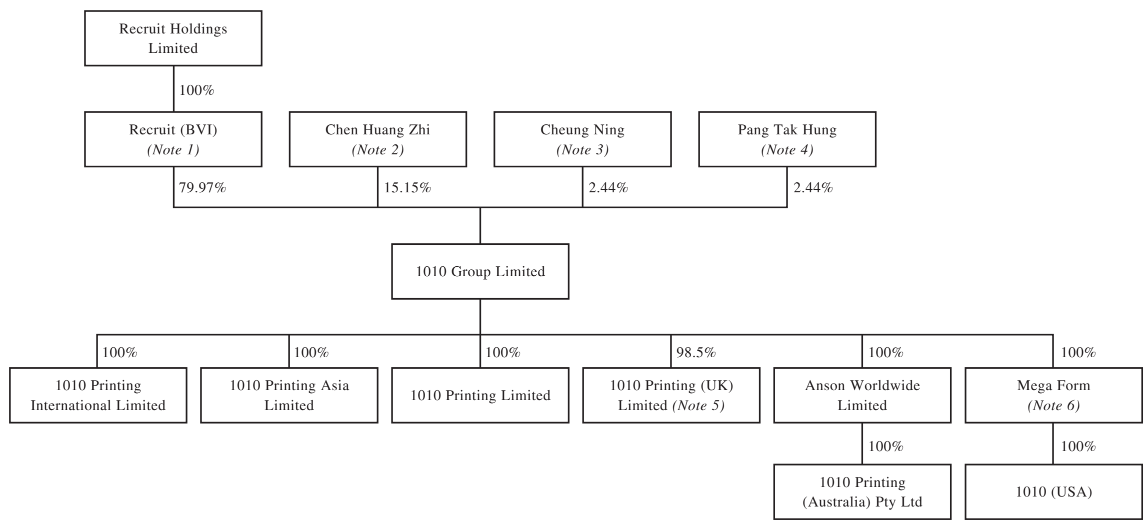
(c) the separate listing of the Company will provide a separate fund raising platform thereby enabling it to raise the capital required to finance its future expansion without reliance on the Recruit Group to do so. The Directors believe that the Company is poised for significant growth and it would be both effective and prudent for the Company to support this growth independently through the Listing;

(d) the Recruit Group intends to maintain not less than 50% equity interest in the Group. Accordingly, the Recruit Group will continue to benefit from any potential upside in the printing business to be owned by the Group through consolidation of financial results of the Group; and

(e) as a listed company, the Company would be able to offer an equity based incentive program (such as a stock option or share award scheme) to its employees that correlates directly to the performance of the printing business. The Company would therefore be in a better position to motivate its employees with incentive programs that closely align with the objective of value creation for Shareholders.

CORPORATE STRUCTURE

The following diagram sets out the shareholding of the Group and corporate structure immediately prior to the Reorganisation and the Share Offer:



Notes:

1. Recruit (BVI), is wholly and beneficially owned by Recruit, which, as at the Latest Practicable Date, was owned as to 55.85% by City Apex Limited, as to 0.60% by ER2 Holdings Limited and as to 0.89% by Mr. Lau Chuk Kin personally. ER2 Holdings Limited is the ultimate holding company of City Apex Limited. Mr. Lau beneficially owned 67% of the issued share capital of ER2 Holdings Limited.

2. Mr. Chen Huang Zhi is the Branch Secretary for Xia Nan Village, Yuan Zhou Town, Boluo County and the village representative for Xia Nan Village, which through the Processing Partner owns the Processing Facility. Prior to the Listing, as the village representative, Mr. Chen's role is to oversee the Processing Facility as well as to ensure that the obligations of the Processing Facility under the Processing Agreement are fulfilled. In addition, Mr. Chen was the beneficial owner of Global Resources Services Limited, a BVI corporation wholly owned by Mr. Chen and a former shareholder of 1010 Group. Global Resources Services Limited's shares in 1010 Group were transferred to Mr. Chen in October 2008. Such transfer did not require the approval of the Xia Nan Village committee. No dispute has ever been raised as a result of this transfer. Save as being a shareholder in 1010 Group and the current elected village representative for Xia Nan Village, which oversees the Processing Facility, Mr. Chen has no direct role in the operation or management of 1010 Group. Following the Listing, the responsibilities of Mr. Chen or any future village representative, should remain unchanged.

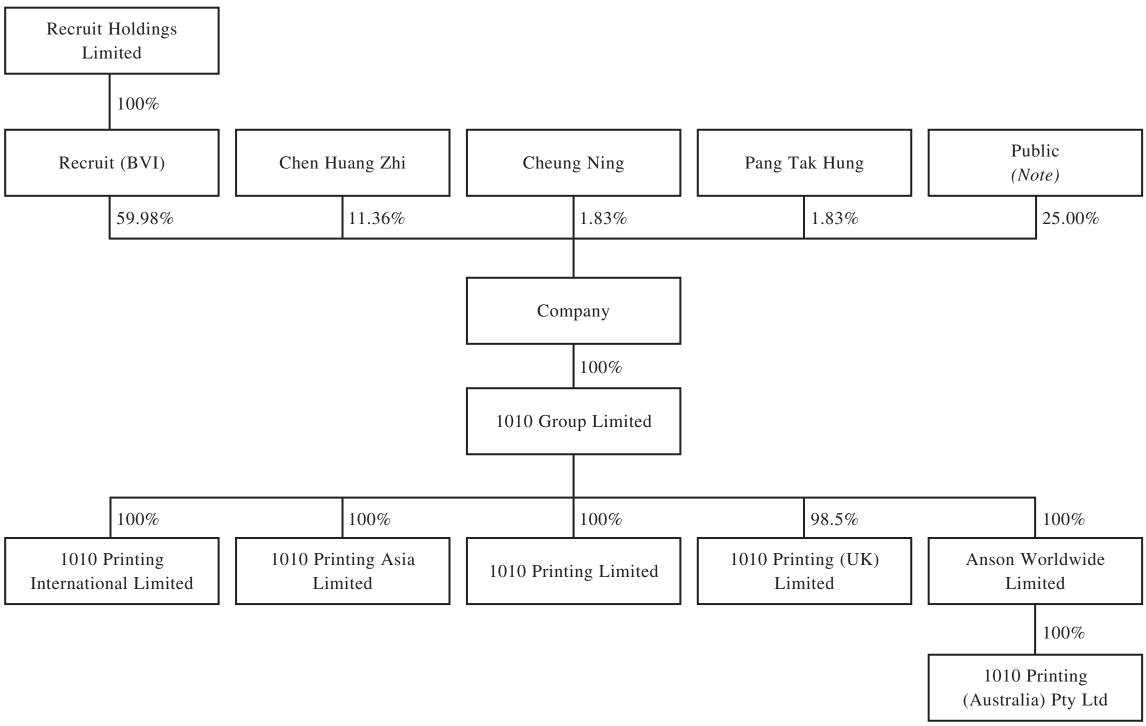
3. Mr. Cheung Ning is the production manager for 1010 PIL and first acquired his interest in 1010 Group in March 2005.

4. Mr. Pang Tak Hung is the printing superintendant for 1010 PIL and first acquired his interest in 1010 Group in September 2005.

5. The minority shareholding in 1010 UK is held as to 1.5% by Mr. Andrew Law, sales director of 1010 UK.

6. On 19 April 2011, the entire issued share capital of Mega Form was transferred to Recruit (BVI) from 1010 Group.

The following diagram sets out the shareholding of the Group and corporate structure immediately after completion of the Reorganisation and the Share Offer:



Note: Assuming that none of the Qualifying Recruit Shareholders take up any Reserved Shares under the Preferential Offer.

The respective name, place of incorporation and date of incorporation of the companies within the Group as set out in the chart above are detailed below:

Company name	**Principal business activity**	**Place of incorporation**	**Date of incorporation**
Anson Worldwide Limited	Investment holding	British Virgin Islands	8 November 2002
1010 Group Limited	Investment holding	Hong Kong	10 January 2005
1010 Printing International Limited	Provision of printing services and party to the Processing Agreement	Hong Kong	10 January 2005
1010 Printing (UK) Limited	Printing agency	England & Wales	2 January 2007
1010 Printing Asia Limited	Provision of printing services	Hong Kong	3 April 2007
1010 Printing (Australia) Pty Ltd	Provision of printing services	Australia	10 October 2008
1010 Printing Limited	Provision of printing services	Hong Kong	5 February 2010
1010 Printing Group Limited	Investment holding	Bermuda	9 March 2011

OVERVIEW

The Group is principally engaged in the provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies. The Group's printed products comprise mainly illustrated leisure and lifestyle books (including photography books, cookbooks and art books), educational text books and learning materials (including primary, secondary and tertiary level school books) and children's books.

1010 Group was established in 2005 by Recruit in order to diversify from its business of recruitment magazine advertising, inflight magazine advertising and investment trading into the printing business. Production of printed products is carried out by the Processing Partner under the Processing Agreement at the Processing Facility in Boluo County, Huizhou City, Guangdong Province, the PRC. In accordance with the terms of the Processing Agreement, the Group places printing orders with the Processing Partner who then manufactures such orders at the Processing Facility and delivers the products to the Group in consideration for a processing fee. The Group is responsible for the provision of, among others, machinery, raw materials, technical know-how and training, whilst the Processing Partner is principally responsible for providing the manufacturing plant, ancillary facilities, labour force and carrying out print production. In accordance with the Processing Agreement, which requires approval by certain relevant PRC authorities, all of the printed products manufactured at the Processing Facility are required to be exported out of the PRC.

Whilst printing and book production is performed in the PRC, the Group maintains its principal sales office in Hong Kong, where its sales and customer services teams are situated to serve the Group's global customer base. The sales team is supported by sales offices in Australia and the U.K., the Group's second and third largest geographical market, respectively, whilst sales to the U.S., which represents the Group's single largest market, are principally managed in Hong Kong. According to trade statistics purchased, but not commissioned, by the Group from XPORT-IQ, the Group ranked seventh and sixth by volume of books shipped from Hong Kong to the U.S. for the period from January 2010 to May 2010 and January 2010 to December in 2010, respectively. XPORT-IQ is a trade information company, with a global marketing presence in the U.S. and the PRC, providing international commerce solutions to exporters, manufacturers, trading companies, shipping lines and freight forwarders. The Group purchased such trade statistics from XPORT-IQ covering the period from January 2010 to December 2012 at a cost of approximately HK$55,000.

The Directors expect there will be a wave of consolidation among medium sized book printers in the PRC and Hong Kong as the printing business may deteriorate. If the interest rate increases in the future from the currently low level, the industry shake out may begin with marginal players being bought out or forced out of business. The Directors are of the view that the Group is able to make use of its financial standing and customer portfolio and expand through acquisition.

For each of the three years ended 31 December 2010, the Group recorded turnover of approximately HK$331.2 million, HK$447.3 million and HK$522.0 million, respectively, representing a CAGR of approximately 25.5%. Profit attributable to owners of the Company was approximately HK$15.1 million, HK$55.1 million and HK$61.7 million, respectively, for each of the three years ended 31 December 2010, representing a CAGR of approximately 102.1%.

COMPETITIVE STRENGTHS

The Directors believe the following competitive strengths enable the Group to compete effectively in the printing services market which is characterised by keen competition between local and international printing products and services providers.

Established and long standing business relationships with reputable international customers

The Group has established long standing business relationships with its major customers, most of whom are reputable international book publishers, trade, professional and educational publishing conglomerates and print media companies. The Directors believe that the strength and depth of the relationships which the Group has built with its customers is a direct result of both its strong focus on customer and sales support and also its ability to manufacture and deliver high quality products in a consistent, timely and efficient manner. As such, by providing reliable quality printing services and maintaining supportive business relationships with its customers, the Group has been able to secure from them regular and repeat business. Furthermore, as a result of the importance which it places on customer support, the Group has acquired a solid understanding of its customers' needs, which in turn, has enabled the Group to not only further entrench itself with such customers but also to operate with greater stability through improved production planning and economies of scale in raw materials procurement.

Advanced international printing equipment and machinery

In order to ensure that the Company is able to manufacture and deliver printed products to its customers at competitive prices and in a timely manner, the Group has strived to ensure that its books are produced cost effectively and efficiently whilst maintaining the quality at all times. During the Track Record Period, the Group has sought to ensure that the production process was maintained at a high efficiency through the purchase and update of leading commercial printing equipments. As at the Latest Practicable Date, the Group had installed offset printing machinery ranging from two-colour offset press to eight-colour offset press and three casing-in production lines in the Processing Facility which allows the Group to produce approximately 726.9 million impressions (with plate changes) per annum. In addition to printing machinery, the Group has also adopted computer-to-plate systems in the Processing Facility, of which the images in electronic files are directly converted into images to print. The Directors consider that the Group's printing system is competitive, flexible and scalable to meet the changing requirements that may arise throughout the expansion of the business. The Group will from time to time enhance the production efficiency in the Processing Facility in order to provide effective and scalable printing solutions to its customers.

Self-developed ERP system

The Group has developed and operates its own in-house ERP system, which facilitates the flow of real-time information between all the Group's business functions. Effective planning is essential in the printing and publishing industry, especially during time critical peak periods and the ERP system enables the Group to maximise operational efficiencies. It integrates and centralises the information across the Group's entire operation from sales, production, purchasing, inventory, accounting and shipping in order to streamline the internal workflow and enhance the Group's scheduling and production capacity. It offers management key statistics on a real time basis which alerts the Group to any changes in the business and more importantly, to respond accordingly. The ERP system has been entirely developed in-house and enables the Group to operate a platform that is customised for the Group's own business. The Group retains full ownership and control of the source code, which ensures that the system is robust, fully scaleable and can be customised and enhanced in order to reflect the specific needs and requirements of the business. The functionality of the ERP system can further be developed or adapted by the Group's IT team in order to meet any new challenges and changes in business model with minimal loss of continuity to the operation of the system.

Furthermore, the Group offers limited access to information generated from the ERP system to its customers so that they can monitor the production progress of their specific orders and also plan and schedule future production and work to be conducted by the Group. By offering such information and access to its customers, the Group is able to offer its customers a sense of involvement, security and confidence in the production process. Such transparency and improved access serves to further foster the trust and working relationship with its customers.

Emphasis on international standards

Since most of the Group's customers are international book publishers, the standards usually expected of printed products and print services providers are typically of international standards. As such, the Group and the Processing Facility endeavour to ensure that their business and operations are fully compliant with all standards typically required or expected from its international customer base in respect of operational effectiveness, environmental control and social accountability. During the Track Record Period, 1010 PIL and the Processing Facility were both certified to FSC-STD-40-004 (V2-0) FSC Standard for Chain of Custody Certification and Integrated Management System compliant in respect of the ISO 9001:2008, the ISO 14001:2004 and OHSAS 18001:2007. FSC certification provides the business with a credible link between responsible production and consumption of forest products, enabling consumers and businesses to make purchasing decisions that benefit people and the environment as well as providing ongoing business value. ISO certification enables the Group to reach a consensus on solutions that meet both the requirements of business and the broader needs of society. IMS is a consolidated management approach to enable the Group to integrate and monitor three key areas of concern, work procedures, environmental protection and workplace health and safety. The ultimate benefits are improved effectiveness and efficiency and higher standards for the Group's customers. In addition, the Processing Facility was certified as to the ICTI Code of Business Practices (2009 version). The ICTI program promotes ethical standards of manufacturing, in respect of fair labour treatment, as well as employee health and safety, worldwide. These accreditations are not only essential for the Group's compliance with the environmental and social responsibility standards expected by the Group's international customer base but also demonstrate that the overall quality of the products and the management of the Group are well positioned in the competitive printing industry.

Experienced management, technical and sales team

Mr. Yang Sze Chen, Peter, who is an executive Director, is the founder of Leefung Holdings Limited, a book printing company in Hong Kong, which was established in 1960 and had previously been listed on the Stock Exchange of Hong Kong before its privatisation in 2006, and has since engaged in the printing industry. Mr. Lau Chuk Kin, the founder and an executive Director of the Company, has over 17 years of experience in the printing industry and has played a key management and leadership role in the development of the Group. Senior management of the Group also possesses extensive experience in the printing industry.

The Directors are of the view that since the Group's establishment, the pool of valuable knowledge and skills in the management team has been critical to the efficiency of the production process and the development of the business as a whole. With their experience and technical expertise in printing services and production, the Directors believe that the Group's management possesses the depth of industry knowledge and market and vision required to anticipate and adapt to changes in the printing industry. The Directors further believe that, with the knowledge and experience in international sales and understanding of and focus on customers' needs, the Group's management team will be able to lead the Group to expand its services successfully. The Group will continue to formulate sound business strategies and execute them in an effective manner.

SALES AND MARKETING

For each of the three years ended 31 December 2010, the Group's total turnover amounted to approximately HK$331.2 million, HK$447.3 million and HK$522.0 million, respectively. Most of the Group's sales were made to overseas customers which include international publishers, trade, professional and educational publishing conglomerates and print media companies. During the Track Record Period, the Group's largest customer accounted for approximately 10.4%, 11.2% and 9.2% of the Group's total revenue, respectively, and sales to the Group's top five largest customers amounted to approximately HK$110.4 million, HK$141.2 million, and HK$142.3 million, representing approximately 33.3%, 31.6% and 27.3% of the total turnover of the Group, respectively. During the Track Record Period, the top five customers of the Group comprised six different companies, three of which were trade publishers, two of which were providers of educational content and materials and one of which was a printing broker for international book publishers.

The following table sets out a summary of all the companies which featured as one of the Group's top five customers in any of the three years ended 31 December 2010.

Company	Principal business activity	Years of relationship with the Group
A	Independent publisher with sales offices in Australia and the U.K.	6
B	Printing broker firm based in the U.S.	4
C	Publisher of non-fiction books and a wholly-owned subsidiary of a U.S.-listed book retailer	4
D	Publisher of educational text books and reference materials in Australia and New Zealand and a subsidiary of a U.S.-based publisher of print and digital information services to the educational sector	6
E	UK-based publisher and member of a London listed publishing group	4
F	Australian publishing group which is the subsidiary of a U.K.-listed international media business covering education, business information and consumer publishing	6

The prices of the Group's products are generally based on order sizes, prevailing costs of raw materials and the production costs involved in the corresponding sales orders given that all cost of raw materials would be shifted and to be borne by the Group's customers.

Volume rebates are offered to customers which manage to achieve agreed annual sales turnovers. The turnover target and rate of rebate are determined on a case-by-case basis and settlements of the rebates are made through cash payment or direct reduction from accounts receivables. All of the five largest customers of the Group during the Track Record Period were independent third parties.

In addition, the Group's sales are denominated in a portfolio of major international currencies, primarily Australian dollars, Euro, Pound Sterling and US dollars, which are in the proportion of approximately 19.0%, 0.5%, 10.7% and 54.7% respectively for the year ended 31 December 2008, approximately 20.5%, 8.9%, 7.5% and 53.0% respectively, for the year ended 31 December 2009 and approximately 17.9%, 12.8%, 5.5% and 53.1% respectively for the year ended 31 December 2010. From time to time the Group enters into foreign currency exchange contracts to hedge its currency risk, the Board regularly reviews the Group's exposure to foreign exchange rate movements. Based on management's internal assessment or anticipation of currency movements which may impact the Group's business in the short term, the Group may buy or sell certain currencies in order to mitigate its foreign exchange exposure.

For each of the three years ended 31 December 2010 and as at the Latest Practicable Date, the Group entered into the forward contracts as follows:

		Value of Contracts sold				
Year	**Number of contracts**	**AUD (million)**	**EUR (million)**	**GBP (million)**	**NZD (million)**	**Number of banks**
2008	5	1.0	–	0.6	0.2	2
2009	7	4.5	–	0.3	0.3	2
2010	7	6.2	–	–	0.1	1
Latest Practicable Date	9	6.0	0.5	0.5	0.3	3

As mentioned in the above table, pursuant to the nine foreign exchange contracts (which remained outstanding as at the Latest Practicable Date), the Group has contracted to sell certain fixed amounts of foreign currencies in AUD, EUR, GBP or NZD to the respective banks at predetermined exchange rates on or before the expiration date of the contracts. None of these contracts were entered into for purposes other than hedging.

During the Track Record Period, the U.S., Australia and the U.K. were the largest geographic markets of the Group. Sales to each of the U.S., Australia and the U.K. represented approximately 30.5%, 28.1% and 24.6%, respectively, of the Group's turnover for the year ended 31 December 2008, approximately 33.7%, 27.4% and 21.3%, respectively, for the year ended 31 December 2009 and approximately 28.6%, 24.4% and 23.5% respectively for the year ended 31 December 2010. On the other hand, sales to other markets including other countries in Europe, Hong Kong and the rest of the world increased during the Track Record Period, rising from approximately 16.8% of total revenue for the year ended 31 December 2008 to approximately 23.5% of total revenue for the year ended 31 December 2010, representing a CAGR of approximately 48.7%. Set out below is the breakdown of the Group's turnover by geographical area during the Track Record Period:

	For year ended 31 December					
	2008		2009		2010	
Turnover	*HK\$'000*	*%*	*HK\$'000*	*%*	*HK\$'000*	*%*
U.S.	101,172	30.5	150,758	33.7	149,169	28.6
Australia	92,977	28.1	122,699	27.4	127,211	24.4
U.K.	81,577	24.6	95,240	21.3	122,886	23.5
Hong Kong	18,672	5.6	10,788	2.4	19,082	3.7
Germany	15,894	4.8	25,669	5.8	39,238	7.5
New Zealand	9,212	2.8	11,685	2.6	22,771	4.4
Netherlands	8,207	2.5	8,630	1.9	13,201	2.5
Belgium	–	0.0	6,328	1.4	10,202	2.0
France	1,907	0.6	5,545	1.3	2,125	0.4
Others	1,622	0.5	10,001	2.2	16,104	3.0
	331,240	100.0	447,343	100.0	521,989	100.0

Currently, the customers of the Group are principally international book publishers, trade, professional and educational conglomerates and print media companies. Sales by the Group are conducted principally through 1010 PIL, which also maintains the relationship with the customers. 1010 PIL is based in Hong Kong but is supported by sales offices in the U.K. and Australia. Sales to the U.S. are typically conducted through 1010 PIL in Hong Kong.

During the Track Record Period, there were (i) no customers introduced by Recruit Group to the Group; and (ii) no customers introduced by the Group to Recruit Group.

During the Track Record Period, there were no compensations payable by (i) the Group to the customers; and (ii) the customers to the Group on cancellation of the purchase orders.

None of the directors of the Company, nor any of its subsidiaries, their respective associates, nor, so far as the Directors are aware, Shareholders, who own more than 5% of the issued share capital of the Company immediately following the completion of the Share Offer has any interests in the five largest customers of the Group for the three years ended 31 December 2010.

As at the Latest Practicable Date, the Group had a team of 36 staff members which is dedicated to the Group's sales and marketing activities and located in Hong Kong, the PRC, Australia and the U.K., covering more than 452 customers in over 21 countries. The sales and marketing team secures sales orders, identifies new business opportunities and promotes the Group's services. In addition, the sales and marketing team works closely with the customers on a regular basis to understand the customers' requirements, the projected sales schedules and to provide relevant industry information to the customers. Through this continual relationship development, the Group aims to attract further business from these customers.

As part of the Group's marketing and promotional activities, the sales and marketing team also participates in various international book fairs and exhibitions in order to better understand the market and industry trends as well as to establish relationships with new customers. During the Track Record Period, the Group exhibited at The London Book Fair in the U.K. and participated at The Frankfurt Book Fair in Germany, two of the largest book fairs in the world, as well as attended the Spring Fair, in the U.K. These trade fairs or exhibitions are important to the Group in that apart from being able to identify and reach new customers, they serve as a channel for the Group to obtain feedback from its customers. Such feedback provides opportunities for the Group to continuously improve its products in order to satisfy future expectations from its customers. Other benefits the Group has gained from participating in the exhibitions include promoting its corporate image and products, maintaining contact and relationship with its customers, and obtaining up-to-date industry information.

Based on the experience of the Directors and historical sales records of the Group, the Group's sales are subject to seasonal fluctuations. The peak season for the Group is usually in the second half of the year as books are produced and shipped overseas before the start of the new school year and before the Christmas period. In general, the Group experiences a peak in sales between June to September as well as in December. The first and larger peak is a result of publishers preparing books for Christmas sales, whilst the second peak in December is a result of the preparation of book sales for the new school year, as well as for Mother's Day celebrations. For each of the three years ended 31 December 2010, the Group's turnover was approximately HK$331.2 million, HK$447.3 million and HK$522.0 million, respectively. For the same period, the Group's turnover in the four months of June to September plus December, being the pre-Christmas and pre-school peak periods, accounted for approximately 51.9%, 56.4% and 51.7% of the Group's annual turnover, respectively.

For each of the three years ended 31 December 2010, sales and marketing expenses incurred by the Group accounted for approximately 0.5%, 0.3% and 0.4%, respectively, of the Group's total turnover.

BUSINESS STRATEGY

The long-term objective of the Group is to become a leading printing services provider to the export market and a PRC-focused book publishing broker and promoter. To this end, the management of the Company has developed a business strategy with the following key elements.

Increase production capacity and expand market share

The Group is focused on the provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and print media companies. In order to capture greater market share in the export book publishing market from the world's leading book publishers, management believes that it needs to increase its production capacity. Given the seasonal nature of the publishing business, the development of the Group's business may be limited by the capacity available from its current printing set up. As such and in order to further expand the business, the Group intends to increase the production capacity offered to its customers through the upgrade of equipment and machinery. Based on the intended upgrade of equipment and machinery as detailed in the section headed "Future plans and use of proceeds", management plans to increase the printing capacity of the Processing Facility from a maximum rate of output (with plate changes) of approximately 694.1 million impressions per annum for the year ended 31 December 2010 to an anticipated capacity (with plate changes) of approximately 784.5 million impressions per annum for the year ended 31 December 2011 and approximately 854.5 million impressions per annum for the year ended 31 December 2012, being an expected year-on-year increase in capacity of approximately 13.0% and approximately 8.9% respectively. As noted in the sub-section headed "Processing arrangement – Processing Facility" in this section, the annualised utilisation rates (with plate changes) of the Processing Facility during the Track Record Period was approximately 60.5%, 101.0% and 94.1%. The maximum printing capacity (with plate changes) utilisation rate of the Processing Facility is based on a maximum rate of impressions of each printing machine as specified by the manufacturer, assuming that the printing machines are operating at maximum efficiency during their operating periods including downtime in operation (i.e. ink refills, plate changes) or need for usual maintenance. Given the high utilisation rate, the Group is typically required to subcontract during peak periods once the facility reaches capacity and to purchase additional machinery to increase actual production capacity. In addition, the Group will also focus on utilising the production capacity of preferred suppliers in the industry, both inside and outside of the PRC. This will be achieved by providing them with a committed flow of business throughout the year, assisting them with cash flow and lowering their materials procurement costs by leveraging on the more attractive trading terms and purchasing power enjoyed by the Group.

Expand customer base and strengthen sales and marketing force

In order to broaden the Group's sales network and customer base, the Group intends to expand and enhance its sales and marketing team by recruiting more experienced sales personnel in the future. The Group is currently witnessing a consolidation of the publishing customers worldwide and the introduction of preferred suppliers by major publishers. Those who are conferred the status of preferred supplier will gain share in a gradually declining market at the expense of small printers. The Group is currently either the top 1 or 2 supplier for the key customers that the Group serves. The Group will continue to strengthen existing business relationships with its customers and capture future business opportunities by coordinating closely with them to identify their needs.

Explore and develop the PRC book publishing brokerage and promotion business

As a result of the Group's long standing working relationships with many of the world's leading trade, professional and educational publishing conglomerates, and the experience which the Group has gained in producing book publications for the overseas market, management believes that it can leverage off these relationships to assist Chinese book publishers in the publication of Chinese language editions of English titles. The Group intends to establish a company based in Hong Kong which will acquire licences to English or western language book titles owned by its existing customers and in conjunction with PRC based book publishers, promote such books and titles in Chinese language for distribution in the PRC.

The Group intends to explore and develop the book publishing brokerage and promotion business in the PRC. As a publishing broker and promoter, the Group will act as an intermediary for international book publishers and relevant licenced parties in the PRC. The Group will be responsible for co-ordinating the translation, printing and distribution of books in the PRC but shall not be engaged in any activity which may require specific licences or authorisations in the PRC. The business will be carried through the following activities and arrangements:

- acquisition of foreign language book titles from overseas publishers by a Hong Kong–based subsidiary of the Group or acquisition of overseas publisher(s) which own(s) stock of book titles;
- translation of foreign language book titles into Chinese which will be carried out in Hong Kong or the PRC;
- registration of copyrights of the Chinese version of foreign language books under the Group's name in the PRC and other applicable markets (depending on the progress of the business);
- introduction of Chinese versions of foreign language books to licensed PRC publisher(s) for the latter to publish in the PRC;
- utilisation of the Group's expertise in book printing to assist PRC publisher(s) to identify suitable book printers in the PRC; and
- organisation of marketing and promotion activities of book products.

In the course of developing such operation in the PRC, the Group will not operate as a publisher/printer/distributor of books and will only operate as a promoter or broker. The publishing, printing and distribution of the books will be carried out by qualified PRC parties which hold specific licenses determined by the Regulations on Publication Administration (《出版管理條例》) of the PRC. All necessary formalities of book publishing in the PRC will be handled by licensed publishers who shall also appoint book printers and distributors based on the advice of the Group. The Group's cooperation with PRC publishers will be performed on a shared revenue basis whilst the Group will be responsible for the cost of translation, book printing, marketing, staffing and such other expenses in relation to the book publishing. However, since the revenue sharing model could vary significantly among different publishers and depending upon the book types, the Group is not able to provide an estimate of the substantial terms of any revenue sharing arrangements.

The Group will commence the acquisition of foreign language book titles immediately after the Listing and intends to build up a stock of 50 to 100 titles within 18 months following the Listing. The translation, copyright registration and identification of PRC book publishers will be carried out simultaneously with the book title acquisitions. The Group anticipates that the first batch of books could be published in the PRC within 12 months following the Listing.

Given the regulatory environment of the PRC publishing business, the Group would be required to work with PRC publishers who possess both the requisite experience and the relevant licences and approvals. The Group will also work with third party printers based in the PRC which hold the requisite licences and approvals for the printing of books for the domestic market. The existing legal requirements with respect to publishing businesses in the PRC as governed by Regulations on Publication Administration (《出版管理條例》) are set out in the section headed "Regulations – Laws and regulations relating to the printing industry in the PRC". Under such regulations, the publishing, distribution, printing and import of books, newspapers, periodicals, audiovisual products, electronic publications require special approval and qualifications. However, services (e.g. consultancy services) in relation to the publishing, distribution, printing and import do not require special approval and qualifications. Therefore, it is legal for the Company to establish cooperation with qualified local partners (in relation to the area of publishing, distribution, printing and import) in order to promote the publishing businesses. The Directors have advised that the Group intends to explore opportunities for publishing Chinese language versions of foreign language titles through cooperation with local PRC publishers and envisages a basic implementation plan, cost and time frame as follows:

Actions	Estimated cost (HK$)	Time frame for implementation
Acquire licences from overseas publishers to carry out translation work on foreign language books and to register the copyrights of the Chinese versions in the PRC	5,000,000	Within 18 months following Listing
Identify and liaise with local PRC publishers who will arrange for the formalities of book publishing. The printing of the books will be arranged (but not conducted) by the Group with costs of printing, marketing expenses, staff and other expenses to be covered by the Group	10,000,000	Within 18 months following Listing
Acquire overseas publisher(s) that own(s) book titles	15,000,000	Within 18 months following Listing

The Directors consider that the Group has the relevant expertise to act as a book publishing promoter and broker in the PRC based on the following reasons:

(i) good business relationships with international publishers and owners of original content. The Directors believe that the Group is able to leverage on the relationship of such publishers and owners to acquire book titles with commercial interest in the PRC market and assist them with printing and publishing their products in the PRC. As the Group has already been producing titles for such international publishers in English, the Group possesses the necessary technical expertise to produce the same books in Chinese;

(ii) the Group will collaborate with local PRC publishers who will assist with translation of such works and who hold the requisite licences to publish and distribute such printed products; and

(iii) the development of the book publishing promotion and brokerage business will be led by Ms. Choi Ching Kam, Dora, who has ample experience in publishing as an editor of several newspapers, magazines and book publishing businesses.

Gain traction with the Group's medium-sized publishing customers by offering e-book related products and value-added services

The Directors believe many of the Group's medium-sized publishing customers do not possess the requisite technical resources nor scale to convert their catalogue of book titles into the increasingly popular digital or e-book platforms. The conversion of physical books into electronic format requires some technical expertise and re-engineering, the complexity of which can depend on various factors ranging from the type and quality of the title and the program on which they are created down to the final format and devices to which the title will be made available. The process of converting titles can be complicated especially in respect of heavily illustrated titles, such as those printed by the Group. Currently, small to medium-sized publishers usually rely on outside vendors to provide such services, often at significant costs.

The Group's customers may require electronic book conversion services as the electronic files which the Group currently receives from its customers may not be compatible for distribution in the existing electronic book formats. The electronic files which the Group currently receives are specific for the purposes of physical book printing. In addition, there is no single universally-adopted format or platform for electronic books. As such, in order for publishers to convert their books into electronic copies for distribution across multiple electronic book stores and/or render them readable on different electronic book readers, the books must be converted into multiple formats so that they can be accessed by the widest possible readers.

The Group recognises that as a printing services provider, it is well positioned to provide such expertise and services. Given that the Group's production and technical teams already receive electronic files and films from its customers in order to manufacture books in physical copy, the Group believes that it can also offer such value-added conversion services to its customers. As new technology challenges and changes the publishing industry, the Group's management believes that the demand for such conversion services will be high and the ability to provide both conventional printing services as well as electronic book conversion services will further enable the Group to gain traction with its customers. In light of rapidly evolving technologies ushered in by products and platforms such as e-book readers and electronic tablets, the provision of such value-added services will provide the Group's smaller customers with the ability to compete in this new environment, whilst enabling the Group to deepen its relationship with such customers by addressing their business needs on both traditional and digital platforms. The e-book products will be sold to customers through a new sales and marketing team to be established. This sales and marketing team will comprise of four members, two of whom will be salesmen and the remaining two will be IT supporting staff. This sales and marketing team will provide the Group's electronic book conversion services requested by its existing customers. It will also secure sales orders, explore new customers and market the Group's electronic book conversion services through its customer networks. In addition, this sales and marketing team will work closely with the customers regularly to understand their needs and to provide customised electronic book conversion services to them.

Given the particular nature of certain of the Group's printed products (including glossy "coffee table" style art books, photography and lifestyle books, children's books and reference books), the Directors believe that the impact of e-books on the Group's business will be limited. Books produced by the Group are typically multi-coloured illustrated products, featuring strong visual content or definition, which current electronic reading platforms may not be able to capture. Current electronic book readers and tablets have their limitations in terms of colour capability, size, flexibility, visual resolution and functionality that certain products (such as art and photography books, children's and reference books (which may easily be annotated)) require and cannot yet be reproduced in electronic format with the same quality or functionality. However, it is anticipated that some publishers may in the future reduce the number of printed books (and hence the level of printing services and the Group's revenue) in favour of publishing in electronic formats. As such, the provision of electronic book conversion services not only offers the Group an additional revenue stream in light of the increasing popularity for electronic books but also offers the Group some defence against falling revenue as publishers substitute traditional printed books and printing services with electronic book products and electronic book conversion services.

Although the Group has yet to provide electronic book conversion services to its customers, the Group's management believes that the Group's IT personnel, who has accumulated such experience and applied almost exclusively to the book production industry, possess the relevant skills and technical know-how and expertise to provide such services. The Group's IT team, four of whom have been with the Recruit Group, will be led by the Chief Technical Officer ("CTO") who has approximately 13 years of experience as project manager and systems analyst. The CTO is supported by a senior analyst programmer with seven years experience as a programmer before joining the Recruit Group in 2007 and the Group's supply chain manager who has nearly 10 years of experience in the information technology field. The complexity and technical procedures for the conversion of book titles into electronic books varies for different book titles. For simple, purely text based book titles, the conversion process is relatively simple and can be done by, utilising "off-the-shelf" software to convert and trim the books to electronic format. In respect of illustrated book titles which may contain multi-coloured high resolution images, the Group's IT personnel may need to apply not only their technical experience and capabilities in certain commonly used "off-the-shelf" software but also their experience in book production and editing to ensure that such images are accurately and effectively converted into electronic format with desirable quality.

PRODUCTS

The Processing Facility is equipped to produce a wide range of book products and styles. However, the Group does not specialise in the production of any particular book styles, nor does it focus on any particular sector within the publishing industry (i.e. trade, professional or educational). The Group's products may therefore be considered to be both style and content agnostic. Common book styles typically requested by the Group's customers include:

Saddle stitch	A common way of binding pamphlets and booklets which may be less than 3 mm thick. The pages are bound together by thread or wire inserted through the spine, or folding line, and into the centre spread where they are clinched. As wire or thread may be used for the stitching, thus, saddle stitch may be saddle-wire stitch or saddle-thread stitch
Paper bound	A book bound with a paper or other non-board cover
Limp bound	A book with cloth or other type of flexible materials for covers and made without board

Hard bound	A book bound with a stiff or hard cover
Quarter bound	A binding in which the spine covering is made of one material and the sides are made of another
Wire-O	A method of loose-leaf binding in which a continuous double loop of wire runs through punched slots along the binding side of a booklet
Spiral	A method of binding in which a continuous wire is threaded through holes punched in the binding edge of the pages

For each of the three years ended 31 December 2010, the Company produced approximately 30.6 million, 39.4 million and 48.8 million books, respectively. During the same period, educational text books and materials accounted for approximately 9.9%, 17.1% and 20.9% respectively of total books printed with children's books accounting for approximately 38.2%, 25.3% and 24.6% respectively of total books printed and leisure and lifestyle books accounting for approximately 51.9%, 57.6% and 54.5% respectively of total books printed.

PROCESSING ARRANGEMENT

Since the establishment of the Group, production of books and printed products has been conducted at the Processing Facility, by the Processing Partner under the Processing Agreement. In 2005, when the Group commenced operations, it entered into the arrangement under the Processing Agreement as a result of its simplicity in the set-up procedures. At the time, the Group was determined to take advantage of the sufficient labour supply and low labour costs in the PRC in order to strengthen its competitiveness. With simple set-up procedures, the arrangement under the Processing Agreement enabled the Group to rapidly and efficiently establish its printing business and the Group continues to operate under this arrangement.

As advised by the PRC Legal Advisers, there are no material legal impediments which prevent the Group from establishing its own printing operations directly in the PRC, either through a wholly-owned foreign enterprise or with a joint venture partner.

Processing Facility

The Processing Facility occupies a gross floor area of approximately 74,000 sq.m. and is located at Xianan Industrial Area, Nangang Road, Yuanzhou Town, Boluo County, Huizhou City, Guangdong Province, the PRC. It was built in 2005 on land owned by the Processing Partner.

The Processing Facility is equipped with the following key machinery and equipment:

Machinery	Application
Sheeters	Devices used to cut paper rolling materials into individual sheets
Guillotine cutters	Devices used to cut and trim paper sheets into specified sizes
Offset printing machines	Machines which transfer an inked image from the printing plate to an intermediate blanket cylinder and then to the paper surface

Folding machines	Devices used in the binding and finishing phase which folds single sheets of paper one or more times to form a section
Gathering machines	Devices used in the binding and finishing phase which assembles printed pages in the correct sequence for binding
Sewing machines	Machines used in the binding and finishing phase which fasten the sections of a book together by passing thread through the centre fold of each section
Case making machine	Machines used to produce hard covers
Perfect binding/limp binding machine	Machines used in the binding and finishing phase, which secures book covers to the book block
Casing-in machine	Machines used in the binding and finishing phase, which apply adhesive to the spine of gathered pages and secures the book covers to the book block
Stitching machine	Machines used in the binding and finishing phase, which apply staples through the cover of a publication along the binding edge
Laminator	Machines which apply a thin clear plastic film by heat and pressure to a printed sheet for preservation, protection and enhancement of its appearance and durability
Endspaper tipping machine	Machines used in the binding and finishing phase, which tip end paper or dividers to the start or end of any section in a book block

The annual capacity of the Group's offset printing machines by number of impressions for each of the three years ended 31 December 2010 and the expected annual capacity for the years ending 31 December 2011 and 2012 is set out in the following table:

(in millions of impressions per annum)	**2008**	**2009**	**2010**	**2011E**	**2012E**
Maximum printing capacity (without plate changes) *(Note 1)*	779.5	1,009.2	1,152.7	1,239.2	1,341.6
Maximum printing capacity (with plate changes) *(Note 2)*	597.2	624.0	694.1	784.5	854.5
Actual printing output	361.6	629.9	653.1	N/A	N/A
Maximum printing capacity (without plate changes) – utilisation rate	46.4%	62.4%	56.7%	N/A	N/A
Maximum printing capacity (with plate changes) – utilisation rate	60.5%	101.0% *(Note 3)*	94.1%	N/A	N/A

Notes:

1. The maximum printing capacity (without plate changes) is calculated on the basis of total number of impressions per machine per hour at 16 hours per day and 322 working days per annum.

2. The maximum printing capacity (with plate changes) is calculated on the basis of the total number of impressions per machine per hour at 16 hours per day and 322 working days per annum taking into account the downtime caused by changing plates, being approximately 15 minutes per set of plates.

3. The maximum printing capacity utilisation rate (with plate changes) exceeds 100% as the maximum printing capacity is based on output assumptions to provide an illustration of the Group's typical capacity. In some situations, as in 2009, the machines may have been operating at more than 16 hours per day or more than 322 days per annum.

The maximum annual printing capacity (without plate changes) is an optimal rate of output and is calculated based on the number of printing machines in the Processing Facility and the rate of impression for each printing machine as specified by the manufacturer, assuming that the machines are operating at maximum efficiency at all times (without any downtime in operation for plate changes, ink refills or need for maintenance) and the operating period of each printing machine in each working day and number of working days in each year.

The maximum printing capacity (with plate changes) is based on the optimal printing capacity less the time in which machines may be idle due principally to plate changes, refill of ink cartons, and for repair and maintenance works. Whilst the maximum printing capacity (without plate changes) illustrates the ideal rate of output as specified by the machine manufacturers, the maximum printing capacity (with plate changes) offers a more accurate indication of the Processing Facility's actual capacity based on the usual course of printing activities and requirements.

As at the Latest Practicable Date, the number of staff employed at the Processing Facility was 996, 748 of whom were engaged specifically in production. Due to certain seasonality in the business, the number of staff employed at the Processing Facility, including management, administration, logistics, IT, QC, sales and customer services, may vary from approximately 600 to approximately 1,100. The salaries of the production staff employed at the Processing Facility and engaged by the Processing Partner is covered by the processing fee payable by the Group as detailed in the section headed "Processing fees" below.

The Processing Facility operates under a number of licences, approvals and permits including the Printing Licence issued by the Guangdong Province News and Press Bureau (廣東省新聞出版局). Details of such licences, approvals and permits are set out in the sub-section headed "Licences and certifications" in this section. As advised by the PRC Legal Advisers and confirmed by the Directors, the Processing Facility has obtained all the licences, approvals and permits from relevant regulatory authorities necessary for its operation in the PRC and all the required licences for the printing of foreign publications. In connection with the Printing Licence held by the Processing Facility, the scope of which covers the printing of print products for export, and according to the PRC Legal Advisers and the Directors, the Guangdong Province News and Press Bureau requires all such Printing Licences to be renewed on the expiry date, being 31 December 2013. The PRC Legal Advisers also advised and the Directors are of the view that they are not aware of any material legal impediments to the Group's renewal of its Printing Licence under the relevant prevailing rules and regulations.

Furthermore, the PRC Legal Advisers are of the opinion that the Processing Facility has been duly established and approved for engaging in the printing business, and all approvals, licenses and registrations required by applicable PRC laws and regulations for the establishment and operation have been obtained by the Processing Facility. The PRC Legal Advisers have also advised that according to all of the corporate filings of the Processing Facility registered at the Boluo County Bureau of the State Administration of Industry and Commerce as at 3 March 2011, there are no records or filings against the Processing Facility in respect of any material non-compliance of applicable laws and regulations.

Processing Agreement

During the Track Record Period, production of printed books and products was principally conducted by the Processing Partner in accordance with the terms of the Processing Agreement. The Processing Agreement was entered into among 1010 PIL, the Processing Partner and the Business Agent, on 7 March 2005 for an operating period of ten years ending in 7 March 2015.

During the Track Record Period and in accordance with the terms of the Processing Agreement, the Group placed printing orders to the Processing Facility and the Processing Facility manufactured and delivered the products to the Group in accordance with the printing orders' requirements. A summary of the principal terms of the Processing Agreement is set out below:

Parties

(1) the Processing Partner, the owner of the Processing Facility, an Independent Third Party and save for the Processing Agreement has no other past or present business relationship with the Group;

(2) 1010 PIL; and

(3) the Business Agent, an Independent Third Party and save for the Processing Agreement has no other past or present business relationship with the Group.

The Business Agent is neither a related party to the Processing Partner nor the Processing Facility and is a party to the Processing Agreement in accordance with certain local regulations as further detailed below.

Date of the Processing Agreement

7 March 2005

Duration

Ten years commencing on 7 March 2005 until 7 March 2015

Primary responsibility of the contracting parties

(a) 1010 PIL is responsible for:

(i) providing all machinery and equipment with aggregate value of not less than HK$107 million (measured at cost) for the manufacturing of products at the Processing Facility;

(The Processing Agreement is silent as to whether the level of such provision should be maintained throughout the term of the Processing Agreement. However, the Directors have confirmed that the spirit of the Processing Agreement was to provide this amount of machinery and equipment at the commencement of the working relationship so that the Processing Facility would be able to commence book printing as soon as possible. Furthermore, given the Group's continual investment in equipment and machinery, the aggregate value of equipment and machinery is expected to remain above HK$107 million during the term of the Processing Agreement and as such the Directors expect the Group to fulfil such condition.)

(ii) employing and providing technical personnel to the Processing Facility for the installation of machinery and equipment in the Processing Facility and technical training to the workers;

(iii) the provision of all necessary materials for production, including the delivery of the raw materials, ancillary materials and packaging materials required two days before production and in accordance with the schedules, time, quantities and specifications as agreed between 1010 PIL and the Processing Partner and fuel for the production process;

(iv) the legality of the trademarks used on the products;

(v) transportation costs between the Processing Facility and Hong Kong;

(vi) the insurance of the respective properties of each party to the Processing Agreement;

(vii) the provision of management expertise and control over the quality of the finished products by provision of manufacturing machinery, raw materials and technical support to the Processing Facility; and

(viii) payment of a processing fee for the operating cost, insurance, tax, handling fee, etc. incurred by the Processing Partner for the day to day operation of the Processing Facility. The amount of the processing fee was determined by the agreed prices on each production contract and with reference to wages for each employed worker.

(b) the Processing Partner is responsible for:

(i) providing the manufacturing plant, ancillary facilities and labour force;

(ii) the manufacturing of products for 1010 PIL;

(iii) upon completion of production, delivery of all finished products to 1010 PIL; and

(iv) obtaining all the licences, approvals and permits from relevant regulatory authorities necessary for its operation in the PRC and all the required licences for the printing of foreign publications.

(c) upon the establishment of the factory premises and until the expiry of the Processing Agreement, the Business Agent is responsible for:

(i) procuring the clearance for the export of finished goods; and

(ii) collecting the processing fee.

As advised by the PRC Legal Advisers and in accordance with the Interim Measures for the Administration of Examination and Approval of Processing Trade (《加工貿易審批管理暫行辦法》) and the Regulations of the Export-oriented Processing and Assembly Trade of Guangdong Province (《廣東省對外加工裝配業務條例》), the Business Agent is required to be involved in such processing arrangement. Such third party agents, which are qualified agents or entities, are typically required by government authorities to provide assistance with monitoring and oversight of such processing arrangements. The Business Agent is responsible for the export clearance and collection of the processing fees. No service fee is paid to the Business Agent by the Group.

Whilst the Processing Agreement does not provide for exclusivity in the processing arrangement, the Production Facility has not, during the Track Record Period, provided its book production services to any party other than the Group. Furthermore, the Processing Agreement does not specify details such as daily management of the factory's operations, legal liabilities in respect of accidents or breaches, payment terms of the processing fees and other operating costs, minimum production requirements, renewals, confidentiality, or insurance on inventories. In respect of matters which are not specified in the Processing Agreement, actions, responsibilities and liabilities are divided as follows:

- Daily management of the Processing Facility's operation is conducted by the Processing Partner with assistance from the Group's staff.

- As confirmed by the PRC Legal Advisers, legal liability arising from accidents or non-compliance during the production process, is borne by the Processing Facility, who shall be held liable for all results so occurred. In addition, the Processing Partner may also share some of the liability as the investor of the Processing Facility. The Group may also share some of the liability if such accidents or non-compliance are caused by the Group's breach of the Processing Agreement.

- Although there is no annual minimum processing fee, payment of the processing fee and reimbursement of other costs is paid to the Processing Partner on a monthly basis.

- Renewal and termination will be determined upon mutual agreement.

- Insurance in respect of inventories and other matters is maintained individually by the Group.

- Confidentiality of book content to prevent the unauthorised production and distribution is routinely monitored by the Group's employees. The Group employs the following security measures and procedures to ensure that customers' files and property are securely monitored and maintained:

  - All zinc plates are discarded when printing is completed;

  - All hard and soft copies of customers' products are filed individually and maintained in secure air-conditioned rooms which are monitored on a 24-hour basis. No unauthorised entry is permitted into such areas; and

  - The entrance of the Processing Facility is under 24 hour secured guard to ensure that the Group's property, including customers' files or books are not removed without authorisation.

  In addition, to further ensure that customers' products and files are protected against any illegal infringement, usage and leakage from the Processing Facility:

  - staff at the Processing Facility are bound by confidentiality agreements for the course of their employment; and

– Staff are provided with training in order to help them understand the importance of and compliance with intellectual property rights.

During the Track Record Period the Group has not experienced any leakage of customers' books, files or products.

Termination

The Processing Partner only has the right to unilaterally terminate the Processing Agreement in the event that 1010 PIL has not provided machinery and raw materials to the Processing Facility within three months of the date of signing of the Processing Agreement, i.e. 7 March 2005.

Processing fees

For each of the three years ended 31 December 2010, the processing fees amounted to approximately HK$26.5 million, HK$33.9 million and HK$42.7 million, respectively, representing approximately 10.0%, 10.1% and 10.2% of the direct operating costs of the Group for the respective years.

The processing fees payable by the Group are calculated based on key costs incurred by the Processing Facility in the production of books and printed products. In its daily operation, the Group places customer orders to the Processing Facility through the ERP system which includes all relevant production requirements. The customer orders are then confirmed by the Processing Facility once they are placed into the production schedule, again, through the ERP system. Each of the individual customer orders stipulates the product specifications, raw materials requirements, order delivery schedule and estimated production costs (and thus processing fees) attributable to such orders. In case the actual production costs (including but not limited to wages and other related expenses) incurred by the Processing Facility is higher than the expected amount, the Group will pay for the shortfall provided that (i) the Processing Partner shall provide information on the actual salaries and wages and its related expenses paid to the Processing Facility for the Group's review; (ii) the Group shall be entitled to verify the additional expenses incurred; and (iii) such shortfall shall be confirmed by the Group in writing as reasonable and shall be approved by the Group in writing. Should there be any costs not agreed by the Group, the Group may refuse to reimburse such costs to the Processing Facility and the Processing Facility cannot charge such costs to the Group as part of the processing fees. During the Track Record Period, there has not been any dispute between the Group and the Processing Facility on such reimbursement of costs. Save as the aforesaid, there are no other particular factors that the processing fees are based on.

Given the aforementioned cost reimbursement mechanism, the Group is able to manage and control all production costs incurred by the Processing Facility despite the fact that it does not directly control the production costs incurred or to be incurred by the Processing Facility. At the beginning of each month, the Group and the Processing Facility will, based on the orders processed and the expenses incurred in the previous month, mutually agree on an approximate budget for the processing fees. The Group also obtains and reviews the monthly report of production costs incurred by the Processing Facility. The Processing Facility sends debit notes for the actual costs incurred to the Group at the end of each month. If there are any irregularities noted, the Group will raise enquiries with the Processing Facility and investigate the reasons for such irregularities. Should the Group consider it necessary, the Group would examine the vouchers, suppliers' quotations and payment records of the Processing Facility. During the Track Record Period, no such irregularities have been identified.

Although the Processing Agreement has not stipulated a definitive formula for the determination of the processing fee, the fee is principally comprised of the costs in relation to the work force and a handling fee in respect of the provision of the manufacturing services. As advised by the PRC Legal Advisers, the pricing basis of the processing fees is, in general, a commercial term to be negotiated and concluded among the contracting parties, and is normally not subject to any pricing regulations prescribed by the PRC authorities or under the scrutiny of the PRC authorities. The Directors have confirmed that there has never been any dispute between the Group and the Processing Partner nor the Processing Facility in respect of the processing fees and that the pricing basis of the processing fees has never been challenged by any regulatory authorities in the PRC (including the tax authority).

Other operating costs related to the Processing Facility

In addition to the processing fees and in accordance with the terms of the Processing Agreement, the Group is responsible for other related production costs incurred in the operation of the Processing Facility. These other production costs cover a range of expenses including, among others, utilities, insurance, transportation, machinery maintenance, lease expenses, consumables and miscellaneous items. Costs which are related to the direct costs of book production, e.g. utilities, customs expenses, machinery maintenance, consumables and workers' transportation, may be incurred directly by the Group, whilst certain more general costs related to the overall running of the Processing Facility such as, insurance maintained by the Processing Facility and lease expenses are incurred by the Processing Facility but wholly absorbed by the Group. During the Track Record Period, other production costs amounted to approximately HK$23.7 million, HK$29.3 million and HK$37.4 million, representing approximately 9.0%, 8.7% and 8.9% respectively of the total direct operating costs.

Sub-contracting

During the Track Record Period, the Group was required from time to time to engage sub-contractors in the production of books and printed products. Sub-contractors were typically engaged in order to (i) carry out certain specialised processes which the Processing Facility was unable or unequipped to conduct due to the lack of requisite machinery or equipment; and/or (ii) carry out production due to over capacity during peak periods of production, when the annual production capacity of the Processing Facility is almost fully utilised.

As a result of specific requests by customers in respect of the look, feel or style of any given book title, the Group will, from time to time, engage sub-contractors to carry out specific processes or treatments. Specialised procedures which would require the services of sub-contractors include, among others, graining, water base varnishing, index cutting, embroidering, stamp plate and die-cut mould production, gold/silver gilding or dyed colour on three edges of book block and flocking. In general, these procedures did not form key parts of the production process and would only be carried out as and when required by the customers, in respect of certain book titles. Due to the specialised nature of such procedures and treatments, the management does not consider the investment of machinery, equipment and resources to the Group's production capabilities to be an effective application of funds and as such, considers the sub-contracting of such processes to be more cost-effective and time efficient.

In addition, the Group is often required to engage sub-contractors to carry out production due to over capacity at the Processing Facility during peak periods of production. As indicated in the table below, during the Track Record Period, the high utilisation rate illustrates the requirement for sub-contracting work:

(in millions of impressions per annum)	**2008**	**2009**	**2010**
Maximum printing capacity (with plate changes) (*Note 1*)	597.2	624.0	694.1
Actual printing output	361.6	629.9	653.1
Maximum printing capacity (with plate changes) – utilisation rate	60.5%	101.0% (*Note 2*)	94.1%

Notes:

1. The maximum printing capacity (with plate changes) is calculated on the basis of the total number of impressions per machine per hour at 16 hours per day and 322 working days per annum taking into account the downtime caused by changing plates, being approximately 15 minutes per set of plates.

2. The maximum printing capacity utilisation rate (with plate changes) exceeds 100% as the maximum printing capacity is based on output assumptions to provide an illustration of the Group's typical capacity. In some situations, as in 2009, the machines may have been operating at more than 16 hours per day or more than 322 days per annum.

Sub-contractors which provide printing services charge the Group for jobs based on the number of impressions. The price per impression charged to the Group by sub-contractors is typically higher than the price per impression charged by the Processing Facility as the Group has provided the machinery and material to the Processing Facility and therefore reduced the economics for the Processing Partner.

During the Track Record Period, the Group engaged the services of approximately 125 sub-contractors. The Group negotiates the terms and conditions of each of the sub-contracting orders with independent sub-contractors on a job-by-job basis with reference to the prevailing market terms and conditions. No long-term agreements were entered into by the Group in respect of such sub-contracting arrangements. The Group is responsible for ensuring that the sub-contractors are properly licensed, the selection of and entering into the sub-contracting agreements with the sub-contractors. As confirmed by the Directors there has been no material breach or failure to comply with the PRC Customs Supervision and Administration of Processing Trade Goods during the Track Record Period.

From time to time, the Group would require copies of the required licences and permits of the sub-contractors to be obtained. If the Directors were aware of any updates on relevant required rules and regulations, if applicable, the Group would require relevant licences and permits of the sub-contractors to be obtained to ensure the due compliance of the rules and regulations. As advised by the PRC Legal Advisers based on the disclosure and undertaking provided by the Processing Facility/Processing Partner all sub-contractors have obtained their business license and permits (if necessary) when they were assigned relevant sub-contracting jobs during the Track Record Period. To further ensure that the quality of the products is up to the requisite standard, the Group may supply the raw materials to these sub-contractors and, from time to time, the Group may send representatives to these sub-contractors to monitor the production, inspect and obtain samples of work-in-progress and finished goods. The Directors believe that sub-contracting arrangements during the peak season help to improve the Group's competitive position by enhancing the flexibility of production schedule and meeting customers' requirements.

In addition and in order to ensure that the customers' products and files are protected against illegal infringement, usage and leakage during the sub-contracting process, the Group employs the following measures in respect of its sub-contractors:

- Review and assess the sub-contractors' security procedures to ensure that there are adequate procedures in place before accepting such sub-contractor as an approved vendor of the Group;

- Ensure that print sub-contractors are never assigned whole or complete book printing orders, so that print sub-contractors would never have control over any complete book product; and

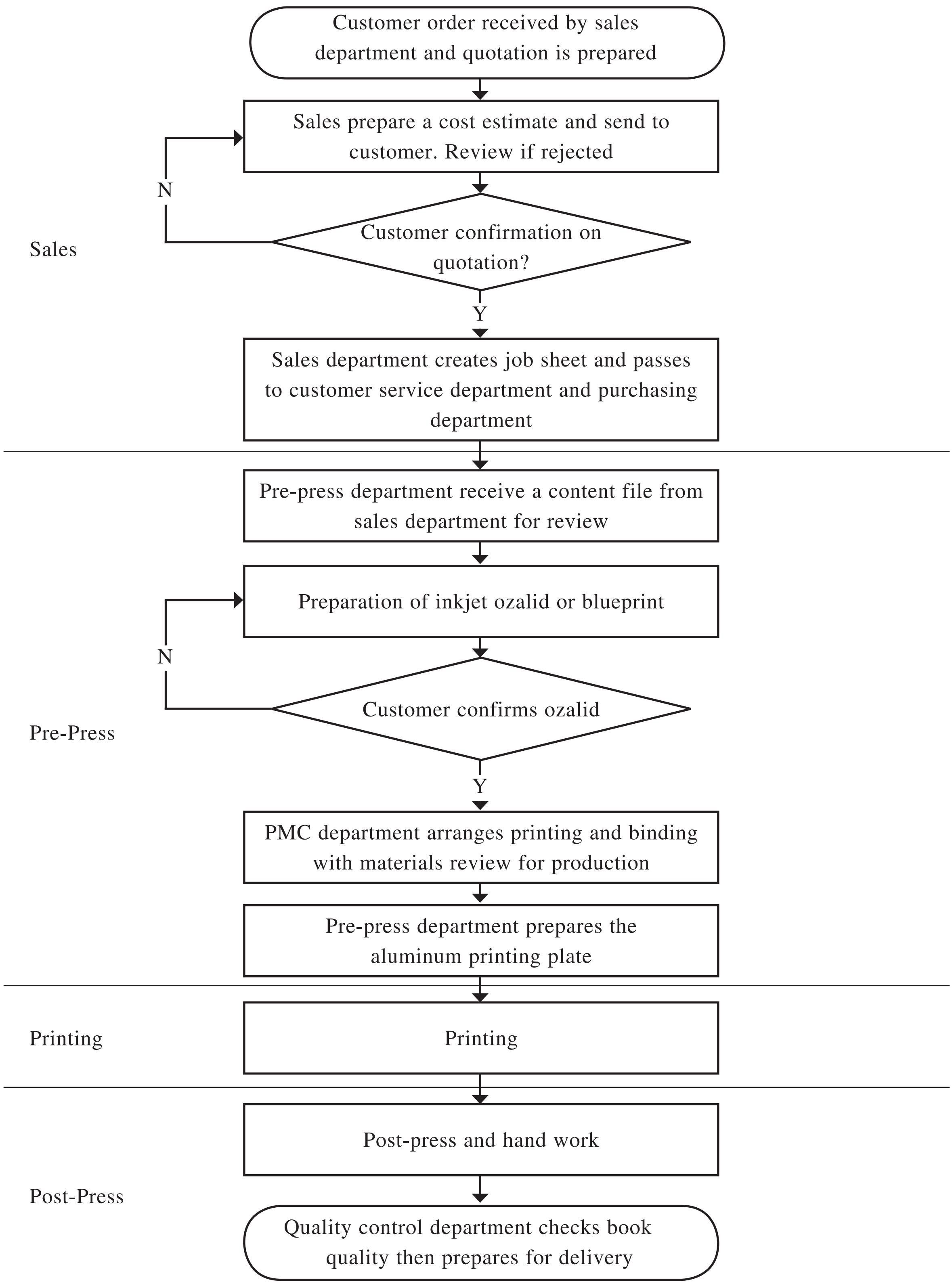
- Maintain a physical presence by assigning on-site staff at the relevant sub-contractor's facilities during the production process, which allows the Group to not only ensure that the book products are manufactured in accordance with the requisite standard and quality but also to ensure that printed products are adequately and securely stored.

For each of the three years ended 31 December 2010, the sub-contracting fees amounted to approximately HK$25.8 million, HK$10.3 million and HK$22.1 million, respectively, representing approximately 9.8%, 3.1% and 5.3% of the direct operating costs of the Group for the respective years. Such sub-contracting charges were included as part of the direct operating costs. Of the aggregate sub-contracting fees paid by the Group during the Track Record Period, approximately HK$4.9 million, HK$3.4 million and HK$13.1 million was attributable to print production due to over capacity during peak periods of production (as opposed to non-print sub-contracting fees), respectively. Based on the unit price of sheets produced and sold by the sub-contractor to the Company as compared to the unit price of sheets as produced and sold by the Group directly to its customers, the percentage of sales contributed by print sub-contractors amounted to approximately 1.5%, 0.9% and 2.9% for each of the three years ended 31 December 2010, respectively.

None of the sub-contractors engaged by the Group has or had any business or family relationship with any directors, senior management or shareholders of the Company or its subsidiaries, or their respective associates.

PRODUCTION PROCESS

The following flow chart is a general overview of the major steps involved in the production process:



(a) Receipt of customer orders

Customer orders and requests for quotations are received by the sales department which then prepares a cost estimate in accordance with the book specifications, special requirements, expected raw materials costs, processing fees to the Processing Facility, timing and delivery. In the event that the customer rejects a proposal, the sales department may review the estimate to provide a more accommodating offer. When the purchase order is confirmed, the sales department forwards the information to the purchasing department and the customer services department by creating job sheets in the ERP system, containing the customer's sales order and detailed specifications, to the production and materials control ("**PMC**") department.

The PMC department manages the overall production process. It works with the purchasing department, pre-press department, printing department and post-press department to ensure that every element of the printing process comes together efficiently and in accordance with the job sheet and schedule. Upon receipt of a job sheet, the department arranges the planning and scheduling of the production process. The job of the PMC department is to ensure that the Processing Facility has sufficient resources, raw materials, personnel, technical oversight, capacity and quality control in order to meet the requirements of the job. Where sub-contractors are required to perform specific jobs, the PMC department will arrange for quotations and planning into the overall production schedule.

In certain circumstances, the technical department may prepare dummies of the product for the customer to review before moving to the pre-press stage.

(b) Pre-press

The order enters the pre-press stage when the job sheet is sent by the sales department and the electronic content files from the customer arrives at the pre-press department. Pre-press typically includes a series of steps which are taken to prepare an electronic file or film for printing production.

Once the file has been checked and imposed, the pre-press department will prepare an inkjet ozalid or blueprint together with the colour proof of the product for the customer's review, comment and approval.

(c) Press

Once the ozalids or blueprints have been approved by the customer, the PMC department will transfer the images of each of the four film positives or negatives onto an aluminium printing plate for printing. The aluminium printing plates are then passed to the printing department for mounting onto a cylindrical blanket on the printing machine. After the machines have been set up and adjusted, the printed sheets will be checked against the colour proofs and blueprints. Once this has been approved, the job will commence its full print run. The machine leader will then randomly check the printed sheets to ensure the quality.

In the offset printing process, ink is applied on the plate and transferred to an intermediate blanket cylinder and then onto the paper that passes through the printing unit. When a sheet of paper passes through multiple printing units, different colours are printed on the paper. Most of the Group's sheet-fed printing machines are equipped with advanced computer devices and multiple printing units ranging from two-colour to eight-colour capacity. Two-colour printing machines are used for printing jobs with one or two colours such as manuals whereas four-colour printing machines are used for more complicated printing jobs such as posters and illustrated books. Five-colour printing machines are capable of printing one special colour such as metallic or fluorescent colour in addition to the four primary colours in one production run. Eight-colour printing machines are capable of printing four colours on both sides of the paper in one production run.

(d) Post-press

Once printing has been completed, the printed sheets must undergo post-press finishing so that it can take its final form. Post-press operations typically involve folding, collating, sewing and casing in of the individually printed sheets. In addition and depending upon the customers' specific requirements, further finishing of individually printed sheets such as, die-cutting, gold stamping and lamination may be required. For books, printed sheets of text are machine-folded to form a set of pages or a "signature". These signatures are collated in numerical order to be machine-sewn to form a book block, which is then glued with the cover and machine-trimmed to a specified size. The finished goods are inspected and compared with the blue print to ensure the required qualities and standards are attained.

In addition, decorative items or premiums are sometimes required to be inserted together with the book sets by manual procedures including hole-punching, case making, wire-O binding, box and bag gluing and assembling.

(e) Quality assurance

Quality assurance is performed to examine the product's quality against the acceptance quality level standard at every stage of the production process. Incoming raw materials, such as paper and ink, are periodically tested against customers' technical specifications. Colours are matched against the customer's approved blue print. Finished goods undergo a number of tests and visual inspections, before packaging and delivery to ensure the exact specifications of the customers are met.

(f) Packaging and delivery

The shipping department is responsible for the planning, coordination and overall logistics in relation to packaging and delivery of finished products. The department reserves vehicle/container space with freight forwarders according to the shipping information as set out in the customer order and coordinates with the relevant parties including the Group's warehousing and operations departments. The shipping department produces a loading list and packing list upon the loading of goods onto vehicles and distributes the documents to each of the clearing and sales departments.

The clearing department prepares the clearing form accordingly and together with the sales contract, invoice and goods information, submits all the relevant documentation to the local PRC customs office. Once PRC customs office verifies the goods against the clearing form, the vehicles are allowed to pass through Huizhou customs office where the goods and forms are then verified at Hong Kong's Huanggang border and customs station. Once cleared, the goods will be free to enter Hong Kong and the vehicle will either continue on to the designated container terminal or warehouse.

Once the goods are loaded onto the container ship, a bill of lading will be sent to the shipping department by the freight forwarder or shipping company and the bill of lading will then be sent to the customer by email or courier together with the invoice for the goods. The customer will then arrange for receipt of the goods at their own port.

The time span from the placement of orders by customers to the completion of production (and issuing of invoice to the customer) is typically three months. However, this is dependent upon customer's needs, requirements and planning of product launches, etc. As such, the entire process from receipt of orders to actual delivery may vary from as short as two weeks to as long as one year.

(g) Final quality control

All packaged finished goods are inspected again to confirm the acceptance before they are despatched to customers. The actual inspection standard varies subject to respective customer's requirements.

In order to ensure that the production process is conducted efficiently and cost effectively, the Group adopts certain measures, including (i) holding weekly meetings to review and monitor the production schedule and resources planning; (ii) reviewing daily production reports to update order status and ensuring on-time delivery; (iii) making prompt enquiry and investigation to ensure delivery dates are met; and (iv) reviewing various monthly reports such as work reports for quality assurance. The executive Directors and senior management of the Company closely monitor the operations at the Processing Facility to ensure that the Group's guidance and instructions are being followed. The Group also purchases and installs upgraded machineries and equipment in the Processing Facility to increase the production capacity and the level of automation and to enhance cost efficiency.

PURCHASING AND INVENTORY CONTROL

Purchasing

The main raw materials used by the Group include paper, ink, printing plates, chemical glue and plastic boards. Paper, however, is the Group's principal raw materials. Purchase requisitions are placed with paper vendors based on sales forecasts and orders which are developed with the Group's customers. The Group mainly purchases paper from paper manufacturers or trading companies in Hong Kong, the PRC and South Korea, which is delivered to the Processing Facility for processing.

The Group endeavours to work with FSC/CoC certified paper suppliers to ensure that all paper purchased and used in the production of books for its customers are in compliance with all standards of environmental care and social responsibility. In addition, suppliers are typically reviewed for their financial stability before they are accepted by the Group as a constant supplier.

At all times, the Group monitors the market price of pulp and paper and maintains inventory levels according to both projected production as well as trends in paper pricing. In order to ensure that purchasing is conducted efficiently and cost effectively, the Group's management relies on its ERP system to ensure that its production schedule and inventory of raw materials is aligned with market prices for raw materials. During the Track Record Period, the tonnage of paper purchased by the Group increased by a CAGR of approximately 48.1% from the year ended 31 December 2008 to 31 December 2010. For each of the three years during the Track Record Period, the average unit price of text paper per ton purchased by the Group was approximately US$987, US$835 and US$905, respectively. During the same period, the average unit price of paper per ton purchased by the Group fell in 2009 by 15.4% from its average unit price per ton in 2008 but increased by 8.4% in 2010 over its price in 2009. The Group typically purchases paper in reels or sheets depending upon the different sizes and weights of paper required. Reels of paper are purchased by weight (US$/ton), whilst sheets of paper are purchased in reams (HK$/ream) with each ream being 500 sheets of paper. During the Track Record Period, the annualised average price of reel paper purchased by the Group decreased at a compound average rate of approximately 6.8%. Likewise, the annualised average price of sheet paper decreased by approximately 1.8% between 2008 and 2010. This fall in prices in 2009 and increase in 2010 reflects the movement in the global pulp and paper prices during the Track Record Period.

As a result of the time gap between the placing of sales orders and the delivery of invoices, which is typically three months, the Group is able to anticipate any significant changes in the paper price and pass on to its customers any expected increases in paper costs. As such, the Group is largely able to mitigate any impact on profit margin as a result of changes in paper prices. As such, the fluctuations in paper prices have had no direct impact on the Group's gross profit margins. The percentage of raw materials purchased to total direct operating costs increased from 65.3% to 71.9% in 2009 even though paper costs decreased by over 18%, whilst the same percentage decreased to 69.3% in 2010 when paper costs increased by approximately 9%. The purchasing department also purchases supplementary materials based on the materials requisition plan from the customer services department. The Group maintains a list of suppliers and constantly reviews the quality, market reputation, pricing, delivery time and after sales services offered by them. The Company confirmed that the prices of the Group's products have taken into account the prevailing market prices of raw materials. Changes in the costs of raw materials would be shifted onto the customers.

For each of the three years ended 31 December 2010, the Group's five largest suppliers accounted for approximately 43.1%, 32.4% and 39.7%, respectively, of the Group's total purchases. In the same period, the single largest supplier of the Group accounted for approximately 15.9%, 11.4% and 12.5%, respectively, of the Group's total purchases. The Group has not entered into any long term contracts with its suppliers.

The following table sets out a summary of all the companies which featured as one of the Group's top five suppliers in any of the three years ended 31 December 2010:

Company	Principal business activity	Years of relationship with the Group
A	Hong Kong listed paper supplier engaged in the manufacturing, trading and marketing of paper products	6
B	Paper trader and subsidiary of a Hong Kong listed printing company	4
C	Hong Kong based paper agency and distribution company	2
D	Hong Kong based paper trading company	6
E	Hong Kong based paper manufacturing company	4
F	Hong Kong based paper trading company	5
G	Japan based supplier of printing machinery and materials	5
H	Hong Kong based printing services company providing subcontracting printing services	4

Credit terms typically granted by suppliers fall between nil days (cash upon delivery) to 90 days.

None of the directors of the Company or any of its subsidiaries, their respective associates or, so far as the Directors are aware, Shareholders who own more than 5% of the issued share capital of the Company immediately following the completion of the Share Offer has any interests in the five largest suppliers of the Group for the three years ended 31 December 2010.

For each of the three years ended 31 December 2010, creditors' turnover was about 27 days, 38 days and 40 days, respectively with fluctuation increases of approximately 40.7% and approximately 5.3% for 2009 and 2010 respectively.

Purchases are predominantly settled in US dollars and Hong Kong dollars with a lesser amount in Renminbi.

The Group has over three years business relationship with several of its major suppliers and the Directors believe that the stable relationship with those suppliers ensure that the Group can source quality raw materials at competitive prices. The Directors consider that the Group is able to maintain stable relationship with its suppliers and does not anticipate any major difficulty in sourcing raw materials for its production on the basis that the relevant raw materials are readily available and their prices are relatively stable over the last three years. During the Track Record Period, the Group has not encountered any difficulty in procurement nor experienced any production disruption due to shortage of supply of raw materials.

Inventory control

As the Group's business is made-to-measure book orders for its customers, there is little inventory of finished print products. However, the Group's principal raw material is paper and the Group has developed an inventory cycle plan which reflects both the Group's production requirements as well as global pulp and paper prices to ensure that it maintains a systematic and cost effective control over its level of paper inventory. Typically, the Group works with its customers to develop production programmes weeks or months in advance of their actual production and delivery dates. This allows the Group time to plan paper reservation or indents. The Group's sales and purchasing departments work together to implement such plans as well as preparing and reviewing the Group's production schedules. Both departments are able to monitor the sales orders received from customers and sales forecasts on the Company's ERP platform to ensure that the inventory levels can meet such orders and to ensure that no excessive stocks are retained. To avoid insufficient supplies to meet general and planned demand, the Group has also adopted a policy to maintain inventory of paper which will be sufficient for approximately 60 days of its production use under normal circumstances.

In addition, as paper prices are subject to fluctuations according to the overall global supply and demand for pulp or paper, the Group seeks to secure the cost of paper (as well as reduce the production lag time) by managing paper stock levels in advance of their production requirement.

As such, the Group performs regular reviews of the carrying amounts of inventories with reference to its production schedules, inventory status, estimation of expected future utilisation of inventories and expected paper prices. Management estimates net realisable value of inventories based primarily on the latest market prices and current market conditions at the end of each period. Inventories are written down when the carrying amounts of inventories decline below their estimated net realisable value or future utilisation was not expected.

At each half year period, the accounting department produces a stock ageing report to identify aged stock and the assistant general manager determines if specific provisions are required for the aged stock. The Group adopts the following policy for provision for inventory obsolescence and general provision for raw materials and work in process based on the following policy at period end:

Ageing	**Provision rate**
Within 2 years	Nil
Over 2 years	100%

As at 31 December 2008, 2009 and 2010, general provision for inventory obsolescence was approximately HK$1.1 million, HK$1.0 million and HK$0.1 million, respectively and full provision had been made for all obsolete inventories identified by specific review, amounting to nil, nil and approximately HK$3.9 million, respectively. The increased provision for obsolescence in 2010 was due to the increase in volume of stocks of unusable paper due to damage, such as deterioration and excess quantities of scrapped paper.

For each of the three years ended 31 December 2010, the provision for inventory obsolescence charged (credited) to profit and loss account was approximately HK$0.5 million, nil and HK$3.0 million, respectively.

CREDIT CONTROL

The Group uses its best endeavour to exercise tight credit control and the Group's finance and accounting department reviews the credit terms of each existing and prospective customer. The settlement and credit terms granted to any particular customer is determined with reference to, among other things, (i) length of business relationship; (ii) payment history; and (iii) financial strength and creditability of such customer.

The Group normally grants credit terms of up to 45 to 180 days to its customers. New customers may be required to provide a partial deposit of typically 50% of the total price but the Group does not require its larger, well established customers to do so. The Directors may from time to time approve extended credit period for extra 30 to 60 days to certain major customers.

In case of outstanding trade receivables, written reminders will be sent to the respective customers. If the Group cannot recover the outstanding trade receivables from the customers after liaisons and on a case by case basis, a legal demand letter from the Group's solicitors will be sent to such customers as and when appropriate. Under certain circumstances, the Group may consider taking legal action to recover the outstanding trade receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the receivable is impaired. Management assesses the likelihood of recovery of the trade receivable with reference to ageing analysis, repayment history, credit quality of the debtors and subsequent collection information at the end of each period. Where management determines that certain trade receivables are uncollectible, they are written off against the allowance account for the relevant financial assets.

In order to avoid late payments and bad debts, the Group operates a selective process in respect of business opportunities. The Group exercises caution when conducting business with smaller independent publishing houses which may not possess the financial strength of publishing conglomerates. As a result, the Group has very low bad debts as most outstanding debts are usually recovered. During the Track Record Period, the Group only had bad debts written off of approximately HK$81,000 for the year ended 31 December 2009 and HK$15,000 for the year ended 31 December 2008, which indicates that most of the customers pay their outstanding debts under the Group's effective credit control policy.

The Group's gross trade receivables for each of the three years during the Track Record Period were approximately HK$93.3 million, HK$163.0 million and HK$189.7 million, respectively. The increase in trade receivables as at 31 December 2010 as compared to that as at 31 December 2008 was mainly due to the increase in the turnover of the Group and the extension of the credit terms to one of the Group's top five customers.

QUALITY ASSURANCE AND CONTROL

The Group is committed to supplying quality books and printed products and providing quality services that consistently meet or even exceed its customers' expectations. The Group has placed a strong emphasis on quality assurance and has adopted stringent quality assurance procedures at different stages of its business operation including the pre-production process, the procurement of raw materials and the monitoring of production process and the inspection of machinery and finished products to ensure the quality of its products.

The Processing Facility has obtained various quality standard certifications including ISO9001 certification for its quality management system. The ISO certification process involves subjecting the Group's production processes and quality management system to annual reviews and observations for various periods. Further details of the ISO certifications are set out in the sub-section headed "Licences and certifications" in this section.

As at the Latest Practicable Date, the Group had a team of seven staff who frequently traveled to the Processing Facility and were responsible for quality control and quality assurance. The following table sets out the titles and experience of the seven staff:

Title	**No. of years with the Group**	**No. of years in the printing industry**
Production manager	6	24
Printing superintendant	6	33
Pre-press manager	0.5	25
Printing supervisor	0.5	3
Deputy production manager	0.5	21
Printing supervisor	6	14
Engineering and maintenance manager	1	31

The Group also has an independent quality assurance department that reports directly to the Group's management on product quality matters. Quality assurance functions are performed throughout the production process from the raw materials procurement stage to product delivery stage to ensure that the books and printed products can meet the required standards required by each customer.

The Group's major quality assurance and control procedures are as follows:

The Group monitors and evaluates the quality of its products at various stages of the production cycle. Its major quality assurance and control procedures are as follows:

Quality control ("QC") process	**Quality check**	**Quality assurance**
Incoming materials	Inventory QC checks all incoming raw materials	
	Once satisfied, raw materials are then delivered to the warehouse	
Printing	In-progress QC sample checks printed sheets and folded and gathered printed sheets for any defects and compares colours	In-progress QA checks all printed sheets for any defects found in the sample check
	Stores and sends to customers for their review	
Binding	In-progress QC conducts sample checks on folded sheets	Upon completion, Final QA sample checks finished goods
Hand work	Final QC conducts sample checks on finished goods	
Sample books	In-progress QC checks all the finished samples	
	Once satisfied, finished samples are then delivered to customers	
Packaging/delivery	Outgoing QC conducts sample checks before packaging	

The Directors believe that these stringent quality assurance procedures contribute to the overall low defective rate of the Group's products. For each of the three years ended 31 December 2010, the Group incurred total reprint costs for books which did not meet a satisfactory quality either to the Group or its customers of approximately HK$1.2 million, HK$1.5 million and HK$1.3 million, representing approximately 0.4%, 0.3% and 0.2% of its total revenue, respectively.

The Group has no sales return policy and does not offer any sales returns. In the event that the Group is aware of any potential problems or defects with any of its book products, the Group's quality control team will first identify the issues and then resolve them with the customer. During the Track Record Period, the Group has not recorded any sales returns and, after taking into account the insignificant amount of net sales return arising from rejected products as compared with the Group's total revenue, the Directors were not aware of any material complaints or claims related to product quality encountered by the Group, or any material sales returns experienced by the Group, which reflected well on its quality control and quality assurance capabilities and reinforced its reputation in the market.

The Directors have confirmed that the Group is not subject to any material product liability or warranty under its current business arrangements.

HEALTH AND SAFETY

The Processing Facility and the Processing Partner are subject to a number of production safety and quality and labour rules and regulations of the PRC including, among others, the Product Quality Law, the Interim Measures on the Administration of Quality Supervision of Printed Books and Periodicals, the Production Safety Law, the PRC Labour Law and the PRC Labour Contract Law.

As advised by the PRC Legal Advisers, in the event that the Processing Partner is found to be in breach or non-compliance of any rules and regulations in respect of the quality and production safety and labour laws, the Processing Partner shall be primarily responsible for the civil or administrative liabilities or any other claims relating to such breaches or non-compliance. In accordance with PRC laws, as neither the Processing Partner nor the Processing Facility are members of the Group and are Independent Third Parties, the Group shall not be held legally liable for the individual or personal liabilities of the Processing Partner or the Processing Facility, nor for ensuring that the Processing Facility meets all requisite health and safety regulations and labour laws to which they may be subject.

In the event that the Processing Partner or the Processing Facility are found to be in material breach of such PRC quality and safety standards or labour laws, although the Group would not be legally liable for any penalty or compensation imposed upon the Processing Partner or the Processing Facility, such penalty or compensation may prevent them from performing their responsibilities under the Processing Agreement and the business and operations of the Group may be adversely affected.

LICENCES AND CERTIFICATIONS

The Group has obtained the following relevant licences and certifications relating to its business and operations:

Licence/Certification	Issuing organisation	Date of issue	Date of expiry
FSC-STD-40-004(V2-0) Chain of Custody	FSC	02 December 2008	28 November 2012
ISO 9001:2008	BSI Management Systems	19 March 2009	15 March 2012
ISO 14001:2004	BSI Management Systems	19 March 2009	15 March 2012
OHSAS 18001:2007	BSI Management Systems	19 March 2009	15 March 2012

In addition, the Processing Facility has also obtained the following licences and certifications in relation to its operations:

Licence/Certification	Issuing organisation	Date of issue	Date of expiry
印刷經營許可証 (Printing Licence)	廣東省新聞出版局 (Administration of Press and Publication of Guangdong Province)	01 January 2010	31 December 2013
營業執照 (Certificate of Business Registration)	博羅縣工商行政管理局 (Boluo Administration for Industry and Commerce)	08 June 2005	20 April 2014
廣東省對外來料加工特准營業証 (Guangdong Province Special Licence for Processing with Materials Prepared)	博羅縣工商行政管理局 (Boluo Administration for Industry and Commerce)	08 June 2005	20 April 2014
FSC-STD-40-004(V2-0) Chain of Custody	FSC	12 January 2009	12 November 2012
ISO 9001:2008	BSI Management Systems	19 March 2009	15 March 2012
ISO 14001:2004	BSI Management Systems	19 March 2009	15 March 2012
OHSAS 18001:2007	BSI Management Systems	19 March 2009	15 March 2012
ICTI Code of Business Practices (2009 Version)	ICTI CARE Process	24 October 2010	23 October 2011

In accordance with the recognition of the processing arrangement under the Processing Agreement, the Group is not required to obtain a PRC printing licence as the printing is conducted by the Processing Partner. As further advised by the PRC Legal Advisers, the Printing Licence obtained by the Processing Facility only enables it to print such materials for the export market and is not entitled under such licence to distribute such books within the PRC.

INTELLECTUAL PROPERTY

The Group has applied for the registration of one trademark in Hong Kong as set out in the paragraph headed "B. Further information about the business – 2. Intellectual property of the Group – 2.1 Trademark" in Appendix V to this prospectus.

The Group is also the registered owner of one domain name as set out in the paragraph headed "B. Further information about the business – 2. Intellectual property of the Group – 2.2 Domain names" in Appendix V to this prospectus.

Based on the results of a litigation search conducted on 27 June 2011, it was revealed that neither the Group nor any of its Directors were involved in any litigation in Hong Kong relating to the infringement of any intellectual property rights belonging to third parties in respect of its products. The Directors have further confirmed that neither the Group nor any of its Directors have received any notice of any infringement of intellectual property rights up to the Latest Practicable Date.

INSURANCE

As at the Latest Practicable Date, the Group has maintained property all risk insurance, public liability insurance, employee compensation claims insurance, business interruption insurance, marine cargo insurance, machinery on mortgage insurance, medical, life and hospitalisation insurance for its staff and credit insurance. Property all risk insurance covers the Group's assets which include plant, machinery, office furniture and fixtures and inventory against accidental, theft and physical loss or damage. Public liability insurance covers third party personal injury and property loss/damage claims against us relating to the Group's plants, warehouses and offices. Employee compensation claims insurance covers employee personal injury during the period of employment. Business interruption insurance indemnifies the Group against loss of gross profits and increased cost of working as a result of interferences in business such as reductions in turnover and increased cost of working as a result of loss or damage to insured property. Marine cargo insurance covers physical loss or damage to freight. Machinery on mortgage insurance covers physical loss or damage to certain printing equipment installed at the Processing Facility. Credit insurance covers payment risk against the Group's accounts receivables resulting from failure by debtors to meet payment or losses due to the insolvency of debtors. During the Track Record Period, the Group has not made any material claims. The Directors consider that the above insurance plans and amounts insured are sufficient to cover the operational risks and protect the Group from any potential loss or damage.

ENVIRONMENTAL ISSUES

As advised by the PRC Legal Advisers and confirmed by the Directors and set out in the section headed "Regulations – Laws and regulations relating to environmental protection", the Processing Facility is subject to the following rules and regulations: the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Law on Appraisal of Environment Impact (《中華人民共和國環境影響評價法》), and the Regulations on Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which together set out the legal framework on, among others, the design and construction requirements of production facilities of the Processing Facility in the aspects of pollution control and environmental protection. The PRC Law on the Prevention and Treatment of Air Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on the Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on the Prevention and Treatment of Noise Pollution (《中華人民共和國環境噪聲污染防治法》) and the PRC Law on the Prevention and Treatment of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》) together impose further requirements on the Processing Facility on the discharge and treatment of waste by-products, including waste water and chemical waste.

The Processing Facility in the PRC discharges waste water and chemical waste. For each of the three years ended 31 December 2010, fees paid by the Group in respect of waste water treatment were approximately RMB37,000, RMB54,000 and RMB107,000, respectively. Management is committed to minimising the impact of such waste on the environment. The Group has established environmental guidelines on how to handle waste paper, all waste paper should be stored in the "paper cage" and labeled and recycled daily by the Processing Facility's administrative department.

Chemical waste produced during the production process includes (i) waste produced in the plating process; (ii) waste from cleaning the ink rollers of the printing machines; (iii) used printing plates; and (iv) used ink containers. The Group has also issued guidelines stating which types of waste can be recycled by qualified chemical recycling agents and which types of waste should be handed to the local environmental protection department for treatment or disposal in compliance with all applicable regulations.

The Group's environmental management, guidelines and instructions have been compiled in accordance with the standard requirements of ISO14001 (Environment Management System). The Processing Partner is responsible for implementing measures to ensure that the Processing Facility complies with the applicable laws and regulations regarding environmental protection. As advised by the PRC Legal Advisers based on the disclosure and the undertaking of the Processing Partner and the Processing Facility, neither the Processing Partner nor the Processing Facility has failed to comply with or been in breach of any environmental laws during the Track Record Period. Other than the operation of the Processing Facility, for which the Processing Partner is principally responsible, the activities carried out by the Group do not involve any discharge of solid, liquid or gaseous pollutants. Hence environmental protection related laws and regulations are not applicable to the Group. During the Track Record Period, the Group has not been in breach of any laws and regulations on operational safety in the PRC or Hong Kong.

COMPETITION

The Directors believe that the market for printing services is characterised by keen competition between local and international printing products and services providers. Self-developed brand positioning, quality, performance and price have a significant influence on consumer's choices among competing products, services and brands. The Directors consider that the Group competes with other competitors on price, quality, reliability, timely delivery and the ability to meet customers' specific needs and requirements.

The Directors consider the relatively substantial amounts of capital required for investments in plants and machineries to be an entry barrier to the printing industry. In addition, the printing industry in the PRC is regulated by the PRC government under specific rules and regulations.

Based on the experience of the Group's management, the principal competitors of the Group are those Hong Kong printing companies which have set up production facilities in the PRC. Apart from these printing companies, the Group also faces competition from printers in other Asian countries such as Singapore. Nevertheless, the Directors consider that the Group has built up its reputation as a reliable and professional provider of print services in Hong Kong and the PRC since its establishment and is able to operate competitively. The Directors also believe that the Group will face competition mainly from competitors which have the financial resources, technical expertise and sales and marketing networks comparable to or better than those of the Group. In this connection, the Group has adopted the following strategies to maintain its competitiveness.

- Raw materials purchase: the purchase department of the Group maintains regular communications with different raw materials suppliers, endeavours to lower the raw materials cost, and to purchase sufficient amount of raw materials to avoid impact from sudden price increase;

- Production cycle: securing raw materials supply and acquiring reliable equipment to expand production capacity so as to shorten the production cycle;

- ERP system: constant update and maintenance of the Group's in-house developed ERP system to ensure that information can be accessed and utilised at its fullest to ensure effectiveness and efficiency of business operations;

- Product quality: only raw materials of the highest quality are acquired and always maintained in the best condition. Quality control systems such as ISO9001 have been implemented and enforced. New technologies and equipment are constantly adopted to upgrade product quality; and

- Customer service: maintaining a professional customer services team with high service standard to ensure responsiveness to clients needs.

The Directors believe that with their extensive experience in the printing industry, the Group can further enlarge its customer base and extend its footprint worldwide.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, the Group was not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group. The Group is not currently involved in any material litigation, arbitration or administrative proceedings that could have a material adverse effect on the Group's financial condition or results of operations. From time to time, the Group may be subject to various claims and legal actions arising in the ordinary course of business.

RECOGNITION AND AWARDS

The Group has received a number of recognitions and awards for its production of customers' book titles around the world including:

No.	Award	Product	Issuer	Year of Issue
1	Vendor of the Year	–	Infinitas Learning Group	2010
2	Best of Category – Benny Award in Cookbooks	Hardcover title on Southeast Asian street food published by a U.K. based publishing group	Printing Industries of America, Inc. – Premier Print Awards	2010
3	Gold Award in Cookbooks	Hardcover title on South Asian cuisine published by an Australian based publishing group	National Gold Ink Awards	2010
4	Gold Award in Hardcover Books	Hardcover photography title published by a publishing group based in Germany	National Gold Ink Awards	2010

Notes:

1. Infinitas Learning Group, formerly the education division of Wolters Kluwer, is a European provider of teaching and learning resources. It operates in seven countries across Europe and has agents around the world. To receive recognition as the Global Vendor of the Year, their vendors must ensure the on time delivery and the quality of the products produced with the percentage of defects being less than 5%.

2. Printing Industries of America, Inc. is a non-profit trade association which advocates for the U.S. printing industry. Its purpose is to provide representation, training, education, research, and publications to the printing industry. The Premier Print Award Competition, which began in 1950 as the Graphics Arts Awards Competition, recognises the highest quality printed products in various categories from around the world. Only the most worthy products receive Awards of Recognition, Certificates of Merit, and the highest honor—the Benny statue. The Benny is recognised by professionals within the printing industry as a symbol for excellence.

3. The National Gold Ink Awards is an annual multi-category print competition which is awarded by North American Publishing Company, a U.S.-based operator of magazine, trade shows and online services which was established in 1958. The Gold Ink Awards were launched in 1990 and is open to all creators and producers of printed materials. Winners receive Gold, Silver and Bronze prizes in each category.

NO COMPETING INTEREST OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Each of the Directors and the substantial shareholders of the Company has confirmed that he/she/it does not have any interests in a business apart from the Group's business which competes or is likely to compete with the Group.

Pursuant to the Director's service agreement entered into by each executive Director, each executive Director has undertaken to the Company that he/she will not (whether as a shareholder, director, employee, partner, agent or otherwise, but excluded the holding by the executive Director of not exceeding 5% of the shares or warranties in any company the shares of which are listed on a recognised stock exchange) either alone or in conjunction with any other person directly or indirectly at any time during the term of the Director's service agreement and within twelve months from the date of expiry or sooner determination thereof, carry on or be engaged in any business or activity which competes or is likely to compete with the business of any member of the Group in the territories where any member of the Group carry on its business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Offer, Recruit (BVI), which is wholly and beneficially owned by Recruit, will own 59.98% of the issued share capital of the Company as enlarged by the Share Offer. Hence, Recruit and Recruit (BVI) will be entitled to control the exercise of voting rights of 59.98% of the Shares eligible to vote in a general meeting of the Company.

Save as disclosed above, there is no other person who, immediately following completion of the Share Offer, will be directly or indirectly interested in 30% or more of the Shares then in issue.

INDEPENDENCE FROM RECRUIT

The Board is satisfied that the Group can operate independently of and does not place undue reliance on the Recruit Group after the Listing, taking into consideration the following factors:

(a) Financial independence

Upon Listing, the Group will have its own independent internal control and accounting systems, accounting and finance department, treasury function for cash receipts and payments and access to third party financing.

During the Track Record Period, the Group entered into certain bank loans and facilities which were secured by the corporate guarantees from Recruit and the minority shareholders of 1010 Group. After Listing, all such guarantees will have been released.

The Directors believes that the Group is financially independent due to the following principal factors:

(i) The Company has been able to negotiate for the banking facility and release of other third party guarantees for the other bank loans. The Company has, by entering into the banking facility, demonstrated that it is able to obtain from a number of independent financial institutions equivalent finance facilities, on a stand-alone basis, given the release of the guarantees given by Recruit on Listing; and

(ii) The Group's business operations are in relatively mature and developed markets.

(b) Independence of boards and management

Recruit and the Company have boards of directors that function independently of each other. The following table shows the details of the directorships of the Company upon Listing and that of Recruit as at the Latest Practicable Date:

Name of directors	**Company**	**Recruit**
Mr. Yang Sze Chen, Peter	Executive Director	None
Mr. Lau Chuk Kin	Executive Director	Executive director
Ms. Choi Ching Kam, Dora	Executive Director	None
Mr. Yeung Ka Sing	Independent non-executive Director	None
Prof. Lee Hau Leung	Independent non-executive Director	None
Mr. Tsui King Chung, David	Independent non-executive Director	None
Dr. Ng Lai Man, Carmen	Independent non-executive Director	None
Ms. Lam Mei Lan	None	Executive director
Ms. Chow So Chu	None	Executive director
Mr. Lee Ching Ming, Adrian	None	Non-executive director
Mr. Wan Siu Kau	None	Non-executive director
Mr. Peter Stavros Patapios Christofis	None	Non-executive director
Mrs. Ling Lee Ching Man, Eleanor	None	Independent non-executive director
Mr. Cheng Ping Kuen, Franco	None	Independent non-executive director
Mr. Ho David	None	Independent non-executive director

The Company will maintain a sufficient level of independence of directorship from Recruit and will have a team of full-time senior management and employees who operate independently from Recruit. The majority of the Directors will not have any role in and are independent of Recruit. Save as disclosed above, there will be no overlap of senior management between the Recruit Group and the Company.

It is currently proposed that Mr. Lau Chuk Kin, the existing chairman, chief executive officer and executive director of Recruit, will resign as chairman and chief executive officer of Recruit with effect from the Listing Date. Mr. Lau will remain as an executive director of Recruit responsible for the overall strategy formulation of the Recruit Group but will not hold any administrative title. Following his resignation from the existing positions in Recruit (other than his directorship), Mr. Lau will be expected to devote approximately 70% of his time towards the management of the Group with 30% of his time towards the business affairs of the Recruit Group. In addition to being an executive Director, Mr. Lau will also act as business development director, responsible for the business development and day-to-day management and operations of the Group. The Directors are of the opinion that Mr. Lau's allocation of time and resources to the business and operations of the Group will enable him to satisfactorily discharge his duties and responsibilities to the Group.

If any conflict of interest arises as a result of Mr. Lau's roles in the Group and the Recruit Group, such as connected transactions between the Group and the Recruit Group, Mr. Lau (for so long as he is both a director of Recruit and a Director) will be required to abstain from voting on the relevant resolution(s) in the relevant meeting of the board of directors of Recruit or (as the case may be) the Board. The remaining Directors who do not hold office as a director with Recruit, including Mr. Yang Sze Chen, Peter and Ms. Choi Ching Kam, Dora, who are responsible for the daily operation of the Group, could still properly attend, be counted in the meeting quorum and vote on any matter that involves the interests of the Recruit Group without impeding the operations of the Group.

Save for Mr. Yang Sze Chen, Peter's salary, no remuneration was paid directly to any of the Directors by the Group during the Track Record Period.

The following table summarises the total amounts of the remuneration paid by the Recruit Group to Mr. Lau Chuk Kin, Mr. Yang Sze Chen, Peter and Ms. Choi Ching Kam, Dora during the Track Record Period.

		Total remuneration paid by the Recruit Group	**Amounts directly borne by the Group**	**Amounts indirectly recharged to the Group** *(note)*	**Amounts not recharged to the Group**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lau Chuk Kin	2008	1,887	–	–	1,887
	2009	1,932	–	722	1,210
	2010	1,661	–	916	745
Mr. Yang Sze Chen, Peter	2008	–	–	–	–
	2009	750	750	–	–
	2010	930	930	–	–
Ms. Choi Ching Kam, Dora	2008	669	–	31	638
	2009	692	–	34	658
	2010	920	–	280	640

Note: A portion of the remuneration paid to Mr. Lau Chuk Kin was recharged to the Group indirectly as a part of the management fees paid by the Group to Recruit. A portion of the remuneration paid to Ms. Choi Ching Kam, Dora was recharged to the Group indirectly as a part of the administration services fees paid by the Group to Recruit Management Services Limited, a subsidiary of Recruit.

Upon Listing, Ms. Choi Ching Kam, Dora's remuneration for her employment as an executive Director will be assumed exclusively by the Group. However, Mr. Lau Chuk Kin will receive remunerations from both the Group and the Recruit Group as a result of his employment as executive director of both groups. Payment of such remuneration will be shared equally between the Group and the Recruit Group, which the Sponsor considers to be fair and reasonable and reflective of Mr. Lau's respective contributions to the Group and the Recruit Group.

The remuneration policy of the Directors and senior management after the Listing are set out in the section headed "Directors, senior management and staff – Remuneration of Directors and senior management" of this prospectus.

(c) Clear delineation of business

Prior to the Listing, the Recruit Group (together with the Group) is principally engaged in the advertising media business (including recruitment magazine advertising, inflight magazine advertising, printing business and investment trading). As a result of the consolidated operations of the Group and the Recruit Group then as a group, certain related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms and were entered into as a result of the usual management and operation of the two groups. A summary of the related party transactions is set out in the following table:

Related party transactions

Name of related parties	Nature of transactions	Year ended 31 December 2008	2009	2010
		HK$'000	*HK$'000*	*HK$'000*
Intermediate holding company				
Recruit	Interest expense (i)	7,199	5,363	2,658
	Management fee paid (ii)	–	1,200	1,500
Fellow subsidiaries				
Recruit Information Technology Limited	Computer service fees paid (iii)	360	480	1,200
	Purchases of property, plant and equipment (v)	52	3,000	–
Recruit Management Services Limited	Computer service fees paid (iii)	60	60	35
	Administration service fees paid (iii)	360	1,200	1,800
1010 Printing (USA) Inc.	Commission paid (iv)	79	1,400	–
Recruit Advertising Limited	Printing income (v)	60	104	50
Central Publishing Limited	Printing income (v)	–	41	–

(i) Interest expense was charged based on the outstanding loan balance at 5-7%, 3% and 3% per annum for the years ended 31 December 2008, 2009 and 2010 respectively, which was determined based on the cost of borrowing of the Recruit Group.

(ii) Management fees paid to Recruit, representing mainly the staff costs and other general expenses incurred by Recruit, were primarily allocated on a cost reimbursement basis. Staff costs were allocated to the Group based on (i) the estimated time spent on managing the printing business by the directors of Recruit and (ii) the actual hourly rates of the directors of Recruit calculated on the basis of their actual remuneration. Other general expenses were allocated based on the percentage as represented by such directors' remuneration of Recruit allocated to the printing business over the total directors' remuneration of Recruit (2008: 5%, 2009: 25%, 2010: 30%). The sum of staff costs and other general expense was charged to the Group as management fee for the years 2009 and 2010. No management fees were charged to the Group for the year 2008 because of the immaterial amount involved.

(iii) Recruit Information Technology Limited ("**RIT**") provided information technology services whereas Recruit Management Services Limited ("**RMS**") provided general administrative services during the Track Record Period. The costs incurred by RIT and RMS were mainly staff salaries. Similar to the management fees, the relevant staff salaries of these two related companies were allocated to the Group based on a cost reimbursement basis. In particular, staff costs of RIT and RMS were allocated to the Group based on (i) the estimated time spent on providing the relevant services by the staff of RIT and RMS and (ii) the actual hourly rates of the staff of RIT and RMS calculated on the basis of their actual salaries. Other general expenses of RIT and RMS were allocated based on the percentage as represented by such staff costs of RIT and RMS allocated to the printing business over the total staff costs of RIT and RMS (2008: 10%, 2009: 25%, 2010: 35%). The total allocated staff costs and other general expenses were then split between RIT and RMS and charged to the Group as computer service fees and administration service fees respectively.

(iv) Commission paid to 1010 Printing (USA) Inc. was based on 10% of sales generated by 1010 Printing (USA) Inc.

(v) Printing income and purchase of property, plant and equipment were based on the prevailing market price.

In the opinion of the Directors, the related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms.

Details of the related party transactions are set out in note 32 to the Accountants' Report of the Company set out in Appendix I to this prospectus. The related party transactions as noted above will be terminated following the Listing. After the Listing, there will be a clear delineation of business between the Recruit Group and the Group as:

(i) the Recruit Group will focus on the advertising media business, specifically recruitment magazine advertising and inflight magazine advertising and investment trading. Neither the Recruit Group's recruitment magazine nor its inflight magazine advertising business involves the operation of any printing services provided by the Recruit Group. Recruitment and inflight magazines are printed by independent third parties engaged by the Recruit Group and as such the Recruit Group's magazine advertising business would not give rise to any potential competition to the Group. The Recruit Group will not engage in the Restricted Businesses (as defined below);

(ii) the Group will focus on the provision of printing services which essentially cover the provision of printing services to international book publishers, print media companies and multinational corporations with printed products comprising mainly high-end, high value leisure and lifestyle books (including photography books, cookbooks and art books), educational text books and children's books (together with such business of activity engaged or operated or invested or otherwise involved in or by the Group as at the Listing Date, the "**Restricted Businesses**"); and

(iii) given that the Restricted Businesses are distinct from those of the Recruit Group, the Group has independent access to its suppliers and customers.

(d) Non-competition undertakings

Undertaking of Recruit

Pursuant to the Non-competition Deed entered into between the Company and Recruit dated 29 June 2011, Recruit (for itself and on behalf of each other member of its group) has unconditionally and irrevocably undertaken to the Company (for itself and on behalf of each other member of the Group) that for so long as the Shares are listed on the Main Board of the Stock Exchange or Recruit and its associates, individually or collectively, hold 20% or more of the issued share capital of the Company and having the power to control the Board, it will not, and will procure that its associates will not:

(i) compete with the Group, directly or indirectly, whether on its/their own account or jointly with or on behalf of any person, firm or company, by acquiring or holding any interest in, or carrying on or being engaged, concerned or interested, directly or indirectly, whether as a shareholder, partner, agent or otherwise, in the carrying on of, any activity or business which directly or indirectly competes or is likely to be in competition with the Restricted Businesses;

(ii) at any time use the name or trading style of any member of the Group, or represent itself/themselves as carrying on or continuing or being connected with any member of the Group or its business for any purpose whatsoever save as previously disclosed in writing to Recruit; and

(iii) directly or indirectly solicit, interfere with, employ or endeavour to entice away from any member the Group with a view to competing with the Group in the Restricted Businesses for any person who, to its/their knowledge, is as of the Listing Date, or has during the preceding 12 months been, a client, customer or employee of, or in the habit of dealing with any member of the Group.

Pursuant to the Non-competition Deed, it has been agreed that notwithstanding the foregoing restrictions, Recruit may either by itself, or through its associate or associates:

(i) hold and/or be interested in any shares or other securities in any company which is listed on a recognised stock exchange and engages or is involved in any activity or business which directly or indirectly competes with the Restricted Businesses, provided that the aggregate shareholding held by Recruit and/or its associates in such company, whether directly or indirectly, does not exceed five per cent. of the issued share capital of such listed company, and provided further that Recruit and its associates or the Company and its associates would not participate in or be otherwise involved in the management of that listed company; and

(ii) hold shares and other securities in any member of the Group.

Furthermore, pursuant to the Non-competition Deed, Recruit has undertaken that if it or its associates become aware of any business opportunity which directly or indirectly competes, or may lead to competition, with the Restricted Businesses, it shall notify, and shall procure its associates to notify, the Group of such business opportunity immediately upon becoming aware of it. Recruit has also agreed to use its best efforts to procure that such business opportunity is first offered to the Group upon terms which are fair and reasonable. The independent board committee of the Board comprising the independent non-executive Directors shall decide whether the Group should take up such business opportunity. It is only after the Group has declined such opportunity that Recruit or its associate(s) may then pursue such business opportunities.

Undertaking of the Company

Pursuant to the Non-competition Deed, the Company (for itself and on behalf of each other member of the Group) has unconditionally and irrevocably undertaken to Recruit (for itself and on behalf of each other member of the Recruit Group) that for so long as the Shares are listed on the Main Board of the Stock Exchange or Recruit and its associates, individually or collectively, hold 20% or more of the issued share capital of the Company and having the power to control the Board, it will not, and will procure that its associates will not:

(i) compete with the Recruit Group, directly or indirectly, whether on its/their own account or jointly with or on behalf of any person, firm or company, by acquiring or holding any interest in, or carrying on or being engaged, concerned or interested, directly or indirectly, whether as a shareholder, partner, agent or otherwise, in the carrying on of, any activity or business which directly or indirectly competes or is likely to be in competition with the businesses or activities engaged by the Recruit Group as at the Listing Date (the "**Recruit Group Businesses**");

(ii) at any time use the name or trading style of any member of the Recruit Group, or represent itself/themselves as carrying on or continuing or being connected with any member of the Recruit Group or its business for any purpose whatsoever save as those names/trading styles which have been previously disclosed in writing to the Company; and

(iii) directly or indirectly solicit, interfere with, employ or endeavour to entice away from any member of the Recruit Group with a view to competing with the Recruit Group in the Recruit Group Businesses for any person who, to its/their knowledge, is as of the Listing Date, or has during the preceding 12 months been, a client, customer or employee of, or in the habit of dealing with, any member of the Recruit Group.

Notwithstanding the foregoing restrictions, the Company may either by itself, or through its associate or associates, hold and/or be interested in any shares or other securities in any company which is listed on a recognised stock exchange and engages or is involved in any activity or business which directly or indirectly competes with the Recruit Group Businesses, provided that the aggregate shareholding held by the Company and/or its associates in such company, whether directly or indirectly, does not exceed five per cent. of the issued share capital of such listed company, and provided further that the Company and its associates would not participate in or be otherwise involved in the management of that listed company.

It is further provided in the Non-competition Deed that if there is any disagreement between Recruit and the Company as to whether or not any activity or business (or proposed activity or business) or business opportunity directly or indirectly competes or may lead to competition with the Restricted Businesses or the Recruit Group Businesses, as the case may be, the matter shall be determined by the independent board committee of the affected party, whose decision shall be final and binding.

Recruit or the Company has undertaken to one another that at the request of the independent board committee of the other to provide all such information as it possesses and is necessary so as to enable the independent board committee to make an informed assessment as to whether or not there has in fact been a breach of the Non-competition Deed.

Both the Recruit Group and the Company have also undertaken to provide each other with an annual confirmation, upon requests that it has complied with the terms of the Non-competition Deed. The independent board committee of the Board will review, at least on an annual basis, whether the Recruit Group has complied with the terms of the Non-competition Deed and report thereupon. Such report will be disclosed in the Company's annual report and include a statement as to whether or not the Recruit Group has delivered, at the end of the financial year to which that annual report relates, the annual confirmation pursuant to its undertaking described above, and if it fails to do so, the details of the steps for the enforcement of that undertaking.

It has been agreed that any development, venture, partnership, investment, undertaking, engagement, involvement in business or activity not falling within the ambit of the Restricted Businesses or Recruit Group Businesses shall not be so restricted in any way, form or manner by virtue thereof.

The Non-competition Deed is conditional upon, among other things, (a) the Listing Committee granting the listing of and permission to deal in the Shares; and (b) all the conditions precedent in the Underwriting Agreements being fulfilled (or waived) and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated according to the terms and conditions or other provisions thereof.

CONFIRMATION

Save as disclosed above, neither the Controlling Shareholders nor any of the executive and non-executive Directors were, as at the Latest Practicable Date, interested in any business, other than that of the Group, which competes or is likely to compete, either directly or indirectly, with the Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

During the Track Record Period, the Group entered into a number of related party transactions, details of which are set out in note 32 to the Accountants' Report. The Directors have confirmed that these related party transactions were conducted in the ordinary course of business of the Group and on normal commercial terms. All these related party transactions had been discontinued before the Latest Practicable Date. These related party transactions, if they are to be continued after the Listing, may constitute connected transactions of the Company under the Listing Rules in respect of which the Company will ensure its compliance with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, the Group does not intend to enter into any transactions, including any referral arrangements, following the Listing that will constitute related party transactions and/or exempt and/or non-exempt connected transactions of the Company within the meaning of the Listing Rules.

Save as disclosed above, the Group has not entered into any transactions with its connected persons that will continue following the Listing and that will constitute exempt and/or non-exempt continuing connected transaction of the Company within the meaning of the Listing Rules.

EXECUTIVE DIRECTORS

The Board consists of three executive Directors and four independent non-executive Directors. The following table sets forth certain information in respect of the Directors:

Name of Director	Age	Date of appointment	Position and responsibilities
Yang Sze Chen, Peter	73	23 June 2011	Deputy chairman and executive Director responsible for overall management of the Group
Lau Chuk Kin	58	16 March 2011	Executive Director responsible for overall strategy formulation of the Group
Choi Ching Kam, Dora	47	16 March 2011	Executive Director responsible for development of the Group's publishing services and human resources
Yeung Ka Sing	69	23 June 2011	Chairman and Independent non-executive Director
Lee Hau Leung	58	23 June 2011	Independent non-executive Director
Tsui King Chung, David	64	23 June 2011	Independent non-executive Director
Ng Lai Man, Carmen	46	23 June 2011	Independent non-executive Director

Notes:

Mr. Lau Chuk Kin is an executive director of Recruit and as at the Latest Practicable Date is beneficially interested in 57.34% of the issued share capital of Recruit under the SFO.

Mr. Yang Sze Chen, Peter, aged 73, was appointed as deputy chairman and an executive Director on 23 June 2011. Mr. Yang has been responsible for the overall management of the Group since he joined in February 2009. He received a diploma from the London School of Printing and Graphic Arts (currently known as London College of Communication) in 1958. He is the founder of Leefung Holdings Limited, a book printing company in Hong Kong, which was established in 1960 and had previously been listed on the Stock Exchange before its privatisation in 2006, and has since engaged in the printing industry.

Mr. Lau Chuk Kin, aged 58, was appointed as an executive Director on 16 March 2011. Mr. Lau has been responsible for the overall strategic formulation of the Group since the Group commenced its printing business in 2005. Mr. Lau is the chairman, the chief executive officer and an executive director of Recruit and was formerly the managing director of an executive search consultancy in Hong Kong. In 1990, he also founded Midas Printing Group Limited, now known as Midas International Holdings Limited, a printing company listed on the Stock Exchange (stock code: 1172) in which he was a director until April 2001 and a shareholder until 2000 when he sold his equity interest in the said company. Mr. Lau obtained a Bachelor of Arts degree from the University of Minnesota in the United States in 1974 and a Master of Business Administration degree from the Chinese University of Hong Kong in 1984. Mr. Lau is the compliance officer of the Group.

Ms. Choi Ching Kam, Dora, aged 47, was appointed as an executive Director on 16 March 2011. Ms. Choi is responsible for the human resources function and development of the publishing services of the Group. Ms. Choi has over 20 years of experience in mainstream publishing in Hong Kong and has held editorships with publishing companies such as Paramount Publishing Group Limited, TVE International Limited, Ming Pao Newspapers Limited and Chinese United Press Limited. She joined the Recruit Group in 2002 and has held several positions in the Recruit Group. Ms. Choi obtained a diploma in Chinese Language and Literature from Hong Kong Shue Yan College, the predecessor of Hong Kong Shue Yan University in 1987.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing, *SBS, MBE, JP*, aged 69, joined the Group and was appointed as an independent non-executive Director and the chairman of the Company on 23 June 2011. Mr. Yeung is currently the chairman of the Hong Kong Housing Society. Mr. Yeung has served on several major government advisory committees and boards, including the chairman of the Community Investment and Inclusion Fund Committee, a member of the Employees Retraining Board and a member of the Council of the City University of Hong Kong. He is also a member of the general committee of the Employers' Federation of Hong Kong. He was an independent non-executive director of Midas International Holdings Limited (stock code: 1172), which is engaged in, among others, the manufacturing and trading of printed products, until 2000 and the head of corporate human resources of the Hong Kong and China Gas Company Limited (stock code: 0003) before his retirement in 2006.

Prof. Lee Hau Leung aged 58, joined the Group and was appointed as an independent non-executive Director of the Company on 23 June 2011. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. He is the founding and current director of the Stanford Global Supply Chain Management Forum, an industry-academic consortium to advance the theory and practice of global supply chain management. Prof. Lee was elected to the National Academy of Engineering in 2010, and is a fellow of the Manufacturing and Service Operations Management Society in 2001, a fellow of the Institute for Operations Research and the Management Sciences in 2005, and a fellow of the Production and Operations Management Society in 2005. Prof. Lee obtained his Bachelor of Social Science degree from the University of Hong Kong in 1974, his Master of Science degree in Operational Research from the London School of Economics and Political Science, University of London in 1975, and his Master of Science and Doctorate degree from the University of Pennsylvania in 1981 and 1983 respectively. Prof. Lee is an independent external director of Pericom Semiconductor Corporation, a public company on NASDAQ in the U.S., and Esquel Group. He also serves on the advisory board of two venture capital and investment companies: Altos Ventures in the U.S., and Harbor Pacific Capital in the U.S. and Asia. Prof. Lee was an independent non-executive director of Integrated Distribution Services Group Limited, which withdrew its listing on the Stock Exchange on 1 November 2010, for the period from November 2004 to November 2010.

Mr. Tsui King Chung, David, aged 64, joined the Group and was appointed as an independent non-executive Director on 23 June 2011. Mr. Tsui started his career in information technology in 1970 and has held a number of key positions in various banks in Hong Kong. He was the president and chief executive officer of Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad), a listed company in Malaysia before his retirement in 2006.

Dr. Ng Lai Man, Carmen, aged 46, was appointed as an independent non-executive Director on 23 June 2011. Dr. Ng has more than 20 years of experience in professional accounting and corporate finance in Hong Kong, the PRC, the United States and Europe. Dr. Ng is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Institute of Chartered Accountants in England and Wales. Dr. Ng received her Doctor of Business Administration degree from the Hong Kong Polytechnic University, Juris Doctor degree from the Chinese University of Hong Kong, Master of Laws degree in Corporate and Financial Law from the University of Hong Kong, Master of Business Administration degree from the Chinese University of Hong Kong, and Master of Professional Accounting degree from the Hong Kong Polytechnic University. Dr. Ng is currently an independent non-executive director of Cheong Ming Investments Limited (stock code: 1196), which is engaged in, among others, the manufacture and sale of paper packaging products and children's novelty books, Goldin Properties Holdings Limited (stock code: 283) and eSun Holdings Limited (stock code: 571), all being companies listed on the Stock Exchange.

Save as disclosed above, each of the Directors (i) did not hold other positions in the Company or members of its Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of the Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed "Persons having notifiable interests under the SFO" and the paragraph headed "C. Further information about the Directors, management and staff" in Appendix V to this prospectus, each of the Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Cheung Ning, aged 46, is the production manager of the Group and joined the Group in 2005. He has over 24 years of experience in the printing industry and prior to joining the Group had worked for Midas International Holdings Limited (stock code: 1172) since 1987.

Ms. Guo Min, aged 36, is the assistant general manager of the Group. She joined the Group in 2010. Ms. Guo received an education certificate through distance learning from the Institute of Online Education operated by the Beijing Foreign Languages University in 2007. Before joining the Group, she had been the production and materials control manager for Midas International Holdings Limited (stock code: 1172). Ms. Guo was also the parts and administration manager of Muller Martini Marketing (Shenzhen) Limited, an international printing supplies company, with responsibility for the administrative function in the PRC.

Ms. Kho Siu Wai, aged 41, is the vice president of sales of the Group. Ms. Kho has been responsible for the sales function since she joined the Group in September 2008. She has over 17 years of experience in handling sales within the printing business, 13 years of which were spent at Leefung Asco Group Limited. Ms. Kho obtained a Bachelor of Social Science degree from the Chinese University of Hong Kong in 1991.

Ms. Lee Wing Kwan, Angela, aged 41, is the vice president of sales of the Group. Ms. Lee has been responsible for the sales function of the Group since she joined the Group in January 2007. She has over 13 years of experience in handling the sales function of printing business. Ms. Lee obtained a Bachelor of Arts degree from the City Polytechnic of Hong Kong, now known as City University of Hong Kong in 1992 and a Master of Financial Economics degree from the University of London as an external student in 1996.

Mr. Pang Tak Hung, aged 55, is the printing superintendent of the Group and joined the Group in 2005. Mr. Pang supervises and oversees the technical matters of the printing operation. Mr. Pang has over 33 years of experience in the printing industry and had previously worked for Midas Printing Group Limited, now known as Midas International Holdings Limited, for 12 years.

Mr. Su Leigang, aged 34, is the supply chain manager of the Group and joined the Recruit Group in 2005. He obtained a Master's degree in information system from the University of Southampton, United Kingdom in 2005 and a bachelor's degree in industrial automation (computer control) from China Textile University (currently known as Donghua University), Shanghai, the PRC in 1999. Mr. Su has nearly 10 years of experience in the information technology field. Prior to joining the Recruit Group, he worked as IT manager for 5 years at Shanghai Xinhua Media Chain Co., Limited, a subsidiary of Shanghai Xinhua Media Co., Limited, a company listed on the Shanghai Stock Exchange. Mr. Su joined the Group from the Recruit Group in 2007.

Ms. Tan Lai Ming, aged 33, is the company secretary and financial controller of the Company. She joined the Recruit Group in March 2008 and has been handling the company secretarial function and accounting function of the Recruit Group since then. Ms. Tan obtained a bachelor's degree in accountancy from the City University of Hong Kong in 1999 and has been a member of the Hong Kong Institute of Certified Public Accountants since 2004 and a fellow of the Association of Chartered Certified Accountants since 2008. She worked at Deloitte Touche Tohmatsu for over 7 years before joining the Recruit Group. Ms. Tan is ordinarily resident in Hong Kong. She joined the Group from the Recruit Group in February 2011 and is responsible for the company secretarial and accounting functions of the Group.

COMPANY SECRETARY

Ms. Tan Lai Ming is the company secretary of the Company. Further information on Ms. Tan is set forth in the paragraph under "Senior management" above.

COMPLIANCE OFFICER

Mr. Lau Chuk Kin, an executive Director, acts as the compliance officer. Further information on Mr. Lau is set forth in the paragraph under "Executive Directors" above.

LITIGATIONS INVOLVING DIRECTORS

In May 2002, a printing company (the "**Plaintiff Company**") had commenced proceedings (the "**Proceedings**") against 21 defendants including Mr. Lau Chuk Kin in relation to proposed bonus payments to certain senior staff, senior management and former employees of the Plaintiff Company. By an order dated 24 September 2008 and filed on 16 October 2008 issued by the High Court of Hong Kong, it was by consent ordered, among other things, that the Proceedings be discontinued and Mr. Lau as one of the defendants be discharged and disassociated from all further liability in respect of the Proceedings. Mr. Lau has confirmed that he has not since then been involved in the Proceedings in any way and there have been no claim or counterclaim or liabilities in connection with the Proceedings which have been or are known to him to be pending or threatened against him or outstanding.

In October 2007, the Building Authority, pursuant to section 24(1) of the Building Ordinance, Chapter 123 of the Laws of Hong Kong, issued a building order to Ms. Choi Ching Kam, Dora demanding an enclosure wall erected on the cantilevered slab balcony of her premises to be demolished. Ms. Choi has appointed an authorised person (the "**Authorised Person**") as required by the building order to arrange demolition of the enclosure wall along with other nearby occupants subject to similar building orders. Since October 2009, the Authorised Person has been liaising with and sent exemplary remedial proposals and building plans to the Building Department and the Building Authority. The Authorised Person submitted a revised plan together with a remedial report to the Building Authority in March 2011. However, the Building Authority had not yet given its reply to the Authorised Person as at the Latest Practicable Date. Ms. Choi has confirmed that she intends to comply with the building order to demolish the enclosure wall based on the approval and/or instructions from the Building Department and/or the Building Authority.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of its Directors and senior management.

The aggregate amount of remuneration paid by the Company to its Directors, including salaries, contributions to defined contribution benefit plans (including pensions) and discretionary bonuses, during the Track Record Period, was nil, approximately HK$0.75 million and approximately HK$0.93 million, respectively. The aggregate amount of remuneration paid by the Company to its Directors, including salaries, contributions to defined contribution benefit plans (including pensions) and discretionary bonuses for the year ending 31 December 2011 is expected to be approximately HK$3.3 million.

Save as disclosed above, no other payments have been made or are payable by the Company or any of its subsidiaries to the Directors in respect of the services rendered during the Track Record Period.

Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group.

BOARD COMMITTEES

Audit committee

The Group has established an audit committee in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee will be to review and supervise the Group's financial reporting process and internal control system and provide advice and comments to the Board. The audit committee consists of Messrs. Yeung Ka Sing, Tsui King Chung, David and Dr. Ng Lai Man, Carmen, all of whom are independent non-executive Directors. The chairman of the audit committee is Dr. Ng Lai Man, Carmen.

Remuneration committee

The Group has established a remuneration committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of Messrs. Yeung Ka Sing, Lau Chuk Kin, Tsui King Chung, David and Dr. Ng Lai Man, Carmen, three of whom are independent non-executive Directors. The chairman of the remuneration committee is Mr. Yeung Ka Sing. The remuneration committee considers and recommends to the Board, the remuneration and other benefits paid by the Company to the Directors and senior management. The remuneration of all the Directors and senior management is subject to regular scrutiny by the remuneration committee to determine if the compensations are appropriate.

STAFF

As at the Latest Practicable Date, the Group had a total of 36 employees. The following table shows a breakdown of the employees by their functions:

Functions	**As of the Latest Practicable Date**
Management, human resources and administration	7
Accounting and finance	6
Sales and marketing	11
Information technology	3
Logistics	2
Production and quality control	7
Total	36

For each of the three years ended 31 December 2010, the Group incurred staff cost from its operations of approximately HK$16.0 million, HK$15.1 million and HK$16.1 million respectively, representing approximately 4.8%, 3.4% and 3.1% respectively of the Group's total turnover.

The Group did not experience any significant problems with its employees or disruption to its operations due to labour disputes or any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period.

In addition, as at the Latest Practicable Date, 996 staff were employed by the Processing Facility in connection with the manufacture of the Group's products. Set out below is a breakdown of the employees of the Processing Facility as at the Latest Practicable Date:

Functions	**As of the Latest Practicable Date**
Management	11
Accounting and finance	6
Human resources and administration	73
Customer services	44
Logistics	55
Information technology	8
Quality control	51
Production	748
Total	996

COMPLIANCE ADVISER

The Company has appointed Investec as its compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where the Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which the Company distributes the annual report of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

1. Directors

Immediately following completion of the Share Offer, assuming that none of the Qualifying Recruit Shareholders take up any Reserved Shares under Preferential Offer, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Long positions in Shares and underlying Shares

Name of Director	**Capacity**	**Number and class of securities** *(Note 1)*	**Appropriate percentage of issued Shares** *(%)*
Lau Chuk Kin *(Note 2)*	Interest in a controlled corporation	299,894,907 (L)	59.98

(ii) Long positions in the shares of Recruit, an associated corporation of the Company

Name of Director	**Capacity**	**Number and class of securities** *(Note 1)*	**Appropriate percentage of issued shares** *(%)*
Choi Ching Kam, Dora	Beneficial owner	300,000	0.09

Notes:

(1) The letter "L" denotes the Director's long position in the shares or underlying shares.

(2) Recruit (BVI), a 59.98% shareholder of the Company, was wholly and beneficially owned by Recruit, which, as at the Latest Practicable Date, was owned as to 55.85% by City Apex Limited, as to 0.60% by ER2 Holdings Limited and as to 0.89% by Mr. Lau Chuk Kin personally. ER2 Holdings Limited was the ultimate holding company of City Apex Limited. Mr. Lau beneficially owned 67% of the issued share capital of ER2 Holdings Limited and accordingly, Mr. Lau is deemed to be interested in the Shares owned by Recruit (BVI) pursuant to Part XV of the SFO.

2. Substantial Shareholders

So far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), will, following completion of the Share Offer, assuming that none of the Qualifying Recruit Shareholders take up any Reserved Shares under the Preferential Offer, have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries:

Name	**Capacity**	**Number and class of securities** *(Note 1)*	**Approximate percentage of issued Shares** *(%)*
Recruit (BVI)	Beneficial owner	299,894,907 Shares (L)	59.98
Recruit *(Note 2)*	Interest in controlled corporation	299,894,907 Shares (L)	59.98
City Apex Limited *(Note 3)*	Interest in controlled corporation	299,894,907 Shares (L)	59.98
ER2 Holdings Limited *(Note 3)*	Interest in controlled corporation	299,894,907 Shares (L)	59.98
Chen Huang Zhi	Beneficial owner	56,818,055 Shares (L)	11.36

Notes:

(1) The letter "L" denotes the person's long position in the Shares of the Company.

(2) As at the Latest Practicable Date, Recruit (BVI) was wholly and beneficially owned by Recruit.

(3) As at the Latest Practicable Date, Recruit was owned as to 55.85% by City Apex Limited which was in turn owned as to 77% by ER2 Holdings Limited. Each of City Apex Limited and ER2 Holdings Limited is therefore deemed to be interested in the Shares pursuant to Part XV of the SFO.

Save as disclosed above, the Directors and the chief executive of the Company are not aware of any person who will, immediately following completion of the Share Offer, assuming that none of the Qualifying Recruit Shareholders take up any Reserved Shares under the Preferential Offer, have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries.

SHARE CAPITAL

The authorised and issued share capital of the Company is as follows:

Authorised share capital:

		HK$
1,000,000,000	Shares	10,000,000

The share capital immediately following the Share Offer will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

Shares		*HK$*
375,000,000	Shares in issue as at the date of this prospectus	3,750,000
125,000,000	Shares to be issued pursuant to the Share Offer	1,250,000
500,000,000		5,000,000

The Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of the Listing.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed the sum of:

(a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Share Offer; and

(b) the aggregate nominal value of the share capital of the Company repurchased pursuant to the authority granted to the Directors referred to in the sub-section headed “General mandate to repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue. This general mandate to issue Shares will remain in effect until:

(a) the conclusion of the Company's next annual general meeting;

(b) the expiration of the period within which the Company's next annual general meeting is required to be held by any applicable laws or the Memorandum and the Bye-Laws; or

(c) it is varied or revoked by an ordinary resolution of the Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about the Company – 3. Written resolutions of the Shareholders" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the Share Offer.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about the Company – 6. Repurchase by the Company of its own securities" in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

(a) the conclusion of the Company's next annual general meeting;

(b) the expiration of the period within which the Company's next annual general meeting is required to be held by any applicable laws or the Bye-Laws; or

(c) it is varied or revoked by an ordinary resolution of the Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about the Company – 3. Written resolutions of the Shareholders" in Appendix V to this prospectus.

Save as disclosed, the Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

TRADING RECORD

The following table is a summary of the combined results of the Group during the Track Record Period which has been extracted from, and should be read in conjunction with, the Accountants' Report.

	For the year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	331,240	447,343	521,989
Direct operating costs	(264,339)	(336,125)	(419,538)
Gross profit	66,901	111,218	102,451
Other income	15,022	16,918	29,504
Selling and distribution costs	(42,232)	(41,807)	(46,885)
Administrative expenses	(14,905)	(17,727)	(13,865)
Other expenses	(209)	(1,917)	(546)
Finance costs	(8,515)	(6,551)	(4,272)
Profit before income tax	16,062	60,134	66,387
Income tax expense	(1,126)	(5,230)	(4,731)
Profit for the year	14,936	54,904	61,656
Other comprehensive income, including reclassification adjustments			
Exchange loss on translation of financial statements of foreign operations	(443)	(294)	(182)
Other comprehensive income for the year, including reclassification adjustments and net of tax	(443)	(294)	(182)
Total comprehensive income for the year	14,493	54,610	61,474
Profit for the year attributable to:			
Owners of the Company	15,105	55,131	61,677
Non-controlling interests	(169)	(227)	(21)
	14,936	54,904	61,656
Total comprehensive income attributable to:			
Owners of the Company	14,777	54,858	61,495
Non-controlling interests	(284)	(248)	(21)
	14,493	54,610	61,474

Set out below is the breakdown of other revenue during the Track Record Period:

	For the year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Net foreign exchange gain	–	9,683	9,619
Gain from sales of scrapped paper and by-products	11,466	7,068	17,724
Compensation from suppliers	1,800	–	–
Gain on financial assets at fair value through profit or loss	458	–	–
Impairment of trade receivables written back	518	45	1,421
Interest income	178	24	89
Gain on disposals of property, plant and equipment	–	77	155
Others	602	21	496
	15,022	16,918	29,504

The Group anticipates that expenses in relation to the Listing will be approximately HK$16 million. Such expenses will be accounted for in the Group's profit and loss and as such, the Directors understand that such expenses may have an impact on the financial results of the Group for the year ending 31 December 2011.

SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

In the individual financial statements of the combining entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. In the combined financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the end of reporting period. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure are recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off their costs over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% – 50% or over the lease term, whichever is shorter
Computer equipment and systems	33%
Motor vehicles	20%
Machinery	6.6% – 20%

The assets' depreciation methods, estimated useful lives and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at end of each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment and impairment is recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtors;

– A breach of contract, such as a default of delinquency in interest for principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in any subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

For financial assets other than financial assets at fair value through profit or loss and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work in progress and finished goods, comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments (the "initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using the straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, financial liabilities at fair value through profit or loss, finance lease liabilities and amounts due to group companies.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

Financial liabilities at fair value through profit or loss

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivate contract is entered into and subsequently re-measured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Trade and other payables and amounts due to group companies

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. All assets are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("**CGU**")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment loss is charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are expensed when incurred. Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    i. the same taxable entity; or

    ii. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Turnover

The Group's turnover has been growing during the Track Record Period, from approximately HK$331.2 million in 2008 to approximately HK$447.3 million in 2009 and further increased to approximately HK$522.0 million in 2010, representing an increase of approximately 35.1% from 2008 to 2009 and approximately 16.7% from 2009 to 2010. The growth in turnover is mainly attributable to the growth in sales orders.

The following table illustrates the breakdown of the Group's turnover during the Track Record Period with respect to geographical areas:

	For year ended 31 December					
	2008		2009		2010	
Turnover	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
U.S.	101,172	30.5	150,758	33.7	149,169	28.6
Australia	92,977	28.1	122,699	27.4	127,211	24.4
U.K.	81,577	24.6	95,240	21.3	122,886	23.5
Hong Kong	18,672	5.6	10,788	2.4	19,082	3.7
Germany	15,894	4.8	25,669	5.8	39,238	7.5
New Zealand	9,212	2.8	11,685	2.6	22,771	4.4
Netherlands	8,207	2.5	8,630	1.9	13,201	2.5
Belgium	–	0.0	6,328	1.4	10,202	2.0
France	1,907	0.6	5,545	1.3	2,125	0.4
Others	1,622	0.5	10,001	2.2	16,104	3.0
	331,240	100.0	447,343	100.0	521,989	100.0

During the Track Record Period, the U.S., Australia and the U.K. were the three largest markets of the Group and contributed to approximately 28.6%, 24.4% and 23.5% of the Group's turnover in 2010 respectively. With a view to diversifying its overseas market and reaching new customers, the Group has been participating in various international book fairs so as to further expand its customer base. During the Track Record Period, total turnover contributed by European countries other than the U.K. such as Germany, the Netherlands, Belgium and France has increased from approximately 7.9% of the Group's turnover in 2008 to approximately 10.4% in 2009, and further grew to approximately 12.4% in 2010.

The following table illustrates the breakdown of the Group's turnover during the Track Record Period with respect to different types of books:

For the year ended 31 December	Children's books		Educational text books and materials		Leisure and lifestyle books		Total
	HK$'000	*(% to total sales)*	*HK$'000*	*(% to total sales)*	*HK$'000*	*(% to total sales)*	*HK$'000*
2008	39,455	(11.9)	37,275	(11.3)	254,510	(76.8)	331,240
2009	43,089	(9.7)	82,965	(18.5)	321,289	(71.8)	447,343
2010	43,749	(8.4)	101,786	(19.5)	376,454	(72.1)	521,989

During the Track Record Period, leisure and lifestyle books contributed the largest proportion of the sales, accounting for approximately 76.8%, 71.8% and 72.1% of sales respectively. Given that the Group is principally engaged in the provision of book printing services, the amount of printing products produced by the Group during the Track Record Period was subject to strategies of the customers, popularity of books and market trends. In addition, the Group has established stable relationships with reputable and sizable customers and will continue to provide printing services to those customers and cater for their needs in the future.

During the Track Record Period, the Group turnover of childrens' books increased from approximately HK$39.4 million in 2008 to approximately HK$43.1 million in 2009 and further increased to approximately HK$43.7 million in 2010. Educational text books and materials increased from approximately HK$37.3 million in 2008 to approximately HK$82.9 million in 2009 and further increased to approximately HK$101.8 million in 2010, whilst leisure and lifestyle books and others increased from approximately HK$254.5 million in 2008 to approximately HK$321.3 million in 2009 and further increased to approximately HK$376.5 million in 2010. Such growth in turnover was mainly due to organic growth in markets, which in turn, resulted in increases in sales orders.

The Group has recorded an increase in the proportion of revenues from educational text books and materials from approximately 11.3% 2008 to approximately 18.5% in 2009. Such increase was mainly due to the commencement of business relationships between the Group and several European based book publishers (the "**European Book Publishers**") in December 2008 which are principally engaged in the publication of educational text books and reference materials in Europe. During the Track Record Period, those customers contributed to approximately HK$1.1 million, HK$45.7 million and HK$64.2 million to the Group's revenue in 2008, 2009 and 2010 respectively.

Direct operating costs

The following table sets forth the breakdown of direct operating costs for the periods indicated:

	2008		**2009**		**2010**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Raw materials and consumables used	172,760	65.3	241,560	71.9	290,877	69.3
Processing fees	26,537	10.0	33,944	10.1	42,715	10.2
Other production costs	23,704	9.0	29,324	8.7	37,391	8.9
Subcontracting fees with independent sub-contractors	25,841	9.8	10,290	3.1	22,051	5.3
Depreciation expenses	11,923	4.5	16,984	5.0	22,081	5.3
Staff costs	3,574	1.4	4,023	1.2	4,423	1.0
	264,339	100	336,125	100.0	419,538	100.0

Raw materials and consumables used are the most significant sources of direct costs of the Group with paper being the major raw material for the printing business of the Group. During the Track Record Period, the cost of paper consumed amounted to approximately HK$122.9 million, HK$163.8 million and HK$213.5 million, representing approximately 71.1%, 67.8% and 73.4% respectively of the total cost of raw materials and consumables. The increase in the cost of paper was mainly due to the increase in purchase volumes during the three years ended 31 December 2010. During the Track Record Period, the average price of reel paper decreased by approximately 19.5% in 2009 as compared to 2008 and increased approximately 7.9% in 2010 as compared to that in 2009. In 2009, the average price of sheet paper decreased by approximately 13.5% as compared to 2008 and increased approximately 11.5% in 2010 as compared to that in 2009. The price of reel paper and sheet paper dropped in 2009 mainly due to the global financial crisis beginning in the fourth quarter of 2008.

Processing fees are one of the significant direct operating costs of the Group which comprise mainly staffs costs of the Processing Facility. During the Track Record Period, processing fees amounted to approximately HK$26.5 million, HK$33.9 million and HK$42.7 million, representing approximately 10.0%, 10.1% and 10.2% respectively of the total direct operating costs during the Track Record Period. The increase in processing fees from 2008 to 2010 was mainly due to the increase in book production orders placed with the Processing Facilities. During the Track Record Period, the processing fee per impression was approximately HK7.34 cents, HK5.39 cents and HK6.54 cents. The decrease in processing fee per impression from 2008 to 2009 was mainly due to the increase in the maximum printing capacity (with plate changes) utilisation rate of the Processing Facility from approximately 60.5% to 101.0%. The increase in processing fee per impression from 2009 to 2010 was mainly due to decrease in the maximum printing capacity (with plate changes) utilisation rate from approximately 101.0% to 94.1%.

Other production costs (the "**Other Production Costs**") in relation to the Processing Facility also contribute to a significant part of the Group's direct operating costs. During the Track Record Period, Other Production Costs amounted to approximately HK$23.7 million, HK$29.3 million and HK$37.4 million, representing approximately 9.0%, 8.7% and 8.9% respectively of the total direct operating costs. The increase in Other Production Costs from 2008 to 2010 was due to increases in (i) transportation expenses from approximately HK$3.4 million in 2008 to approximately HK$4.9 million in 2010; (ii) lease expenses, relating to subsidies for construction costs, repairs and maintenance in relation to the Processing Facility from approximately HK$3.1 million in 2008 to approximately HK$7.0 million in 2010; (iii) utilities expenses of the Processing Facility from approximately HK$10.0 million in 2008 to approximately HK$15.7 million in 2010; (iv) advertising and entertainment expenses from approximately HK$1.1 million in 2008 to approximately HK$2.4 million in 2010; (v) machinery maintenance expenses from approximately HK$1.8 million in 2008 to approximately HK$2.5 million in 2010; and (vi) miscellaneous and consumables from approximately HK$3.2 million in 2008 to approximately HK$3.9 million in 2010.

Sub-contracting fees with independent sub-contractors were another significant part of the Group's costs of sales. During the Track Record Period sub-contracting fees amounted to approximately HK$25.8 million, HK$10.3 million and HK$22.1 million, representing approximately 9.8%, 3.1% and 5.3% respectively of the total direct operating costs during the Track Record Period. The Group acquired new printing and case-in machinery at a cost of HK$57.2 million in 2008 and HK$8.2 million in 2009. Accordingly, the production capacity of the Processing Facility was significantly increased after the new printing and case-in machinery was installed and operating at full capacity in 2009. Sub-contracting fees paid to independent sub-contracting decreased accordingly.

During the Track Record Period, depreciation expenses amounted to approximately HK$11.9 million, HK$17.0 million and HK$22.1 million, representing approximately 4.5%, 5.0% and 5.3% of the total cost of sales respectively. Such increases in depreciation were a result of the additional printing and case-in machineries purchased by the Group in 2009.

The following table illustrates the gross profit margin during the Track Record Period with respect to different types of books:

For the year ended 31 December	Children's books	Educational text books and materials	Leisure and lifestyle books	Total
2008	29.9%	27.3%	17.7%	20.2%
2009	38.7%	32.6%	21.0%	24.9%
2010	33.1%	25.0%	16.6%	19.6%

The Group's turnover is mainly denominated in Australian dollars, US dollars, Pound Sterling, Euros and Hong Kong dollars. Given the time gaps between the sales orders placed by the customers and the issuing of invoices following the completion of production, the appreciation or depreciation of foreign exchange during such period may affect the gross profit performance of the Group. The time gap between the placing of sales order and issuing of invoices is typically around three months, although in certain circumstances it can be as short as two weeks and as long as twelve months.

In 2009, gross profit margins of children books, educational text books and materials and leisure and lifestyle books increased by approximately 29.4%, 19.4%, 18.6% respectively from 2008 which was mainly due to the appreciation of the Australian dollar against the Hong Kong dollar during time gaps between the sales orders placed by the customers and delivery of invoices in 2009.

In 2010, gross profit margins of children's books, educational text books and materials and leisure and lifestyle books decreased by approximately 14.5%, 23.3%, 21.0% respectively from 2009 to 2010. As a result of the appreciation of the Australian dollar against the Hong Kong dollar in 2009, the Group was able to record noticeably high gross profit margin for the year ended 31 December 2009. However, in 2010 as the Australian dollar ceased to appreciate as significantly as in 2009, the gross profit margin in 2010 returned to a level that was comparable to 2008. In addition, the Group recorded the lowest gross profit margin during the Track Record Period for educational text books and materials of approximately 25.0% in 2010 due to the cessation of appreciation of the Australian dollar and the relatively low gross profit margin of educational text books and materials provided to the European Book Publishers. In 2008, the Group gained a new customer which has reduced the overall gross profit margins for educational text books and materials. In spite of the small increment in gross profit margin in 2009 as a result of the appreciation of the Australian dollar, the overall reduction in gross profit margin is reflected in 2010.

Selling and distribution expenses

The following table sets forth the breakdown of the selling and distribution expenses for the periods indicated:

	2008		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Freight & transportation expenses	24,889	58.9	24,460	58.5	33,540	71.5
Sales commission	4,045	9.6	5,734	13.7	1,646	3.5
Staff costs	12,032	28.5	9,907	23.7	9,847	21.0
Advertising & promotion expenses	195	0.5	77	0.2	240	0.5
Insurance expenses	1,071	2.5	1,629	3.9	1,612	3.5
	42,232	100.0	41,807	100.0	46,885	100.0

Freight and transportation expenses represent the costs of transporting products to customers. During the Track Record Period, freight and transportation expenses remained stable from 2008 to 2009 as the increase in sales orders was offset by the decrease in the costs of transportation. However, freight and transportation expenses increased from approximately HK$24.5 million in 2009 to approximately HK$33.5 million in 2010 due to the increase in sales orders from 2009 to 2010.

Sales commission represents commission paid to (i) local and overseas agents who successfully referred business to the Group; and (ii) 1010 Printing (USA) Inc. ("**1010 USA**"). During the Track Record Period, sales commission increased from approximately HK$4.0 million in 2008 to approximately HK$5.7 million in 2009 and decreased to approximately HK$1.6 million in 2010. The increase in 2009 was due to the increase in business referred by the sales agents and commission paid to 1010 USA. The decrease in 2010 was due to decrease in business referred by the sales agents and the closure of 1010 USA.

Staff costs decreased from approximately HK$12.0 million in 2008 to approximately HK$9.9 million in 2009 and further decreased to approximately HK$9.8 million in 2010. During the Track Record Period, the Group's management decided to focus its efforts on increasing business with its larger customers and to reduce its business with smaller clients. As a result, the Group was able to retain a more compact sales team to manage and develop the business with its larger customers. The decrease in staff costs was therefore due to the reduction in the number of sales persons from 21 in 2008 to 12 in 2010. Since the increase in revenue of the Group during the Track Record Period was mainly caused by the increase in purchase orders from its major customers and the Company decided to control its staff costs by focusing resources on its target customers such as the sizable and reputable customers and identified markets, the Company was of the view that it could maintain the profitability of the Group, which in turn, caused the decrease in staff costs during the Track Record Period.

Administrative expenses

The following table sets forth the breakdown of the administrative expenses for the periods indicated:

	2008		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Administration service fee paid to Recruit Group	360	2.4	1,200	6.8	1,800	13.0
Audit and other professional fees	712	4.8	1,234	7.0	816	5.9
Depreciation expenses	1,525	10.2	1,645	9.3	2,283	16.4
Computer maintenance and services fees	532	3.6	604	3.4	1,291	9.3
Exchange loss	7,224	48.5	–	–	–	–
Loss on financial liabilities at fair value through profit and loss	–	–	7,330	41.3	1,220	8.8
Management fee paid to Recruit Group	–	–	1,200	6.8	1,500	10.8
Rental and utilities	1,515	10.2	1,543	8.7	1,604	11.6
Travelling and accommodation	1,283	8.6	1,572	8.8	1,602	11.6
Other office expenses and sundries	1,754	11.7	1,399	7.9	1,749	12.6
	14,905	100.0	17,727	100.0	13,865	100.0

Administrative service fees paid to the Recruit Group represent the salaries of administrative staff of the Recruit Group charged to the Group. The fee increased from approximately HK$0.4 million in 2008 to approximately HK$1.2 million in 2009 and further increased to approximately HK$1.8 million in 2010 due to the expansion of the Group which require more administrative staff from the Recruit Group.

Depreciation expenses represent depreciation of office furniture and equipment of the Group. Such expenses increased from approximately HK$1.5 million in 2008 to approximately HK$1.6 million in 2009 and further increased to approximately HK$2.3 million in 2010 which was due to the addition of furniture and equipment during the Track Record Period.

Computer maintenance and service fees represent maintenance and related expenses in relation to the computers of the Group. Such expenses increased from approximately HK$0.5 million in 2008 to approximately HK$0.6 million in 2009 and further increased to approximately HK$1.3 million in 2010 which was due to the increase in the number of computers during the Track Record Period.

The Group recorded an exchange loss of approximately HK$7.2 million in 2008 due to the exchange losses on foreign currency accounts receivables which was caused by the significant depreciation of most of the foreign currencies relevant to the Group against the Hong Kong dollar in 2008.

Loss in the fair value of financial liability through profit and loss account represents the loss arising from revaluating foreign currency forward contracts entered into by the Group for hedging its accounts receivables. The decrease in loss in fair value of financial liabilities through profit or loss from approximately HK$7.3 million in 2009 to approximately HK$1.2 million in 2010 was due to decrease in loss recognised in settling the foreign currency forward contracts. The Group entered into a number of forward contracts with the banks to sell Australian dollars at a fixed rate. The comparatively high loss in settlement of the forward contracts in 2009 was due to the significant appreciation of Australian dollars. As the Australian dollars ceased to appreciate as significantly as in 2010, the loss in fair value assets in 2010 reduced accordingly.

Rental and utilities expenses were stable during the Track Record Period, accounting for approximately HK$1.5 million in 2008, approximately HK$1.5 million in 2009 and approximately HK$1.6 million in 2010.

Travelling and accommodation expenses were stable during the Track Record Period accounting for approximately HK$1.3 million and approximately HK$1.6 million and approximately HK$1.6 million respectively.

Other office expenses and sundries represent miscellaneous expenses of the Group such as bank charges, insurance expenses, stationery, telephone and other communication expenses.

Other expenses

Other expenses for the year ended 31 December 2008, 2009 and 2010 mainly consisted of impairment loss of trade receivable. For the year ended 31 December 2009, the impairment loss of trade receivable was approximately HK$1.9 million.

Profit for the year attributable to the owners of the Company

Profit for the year attributable to the owners of the Company grew during the Track Record Period, from approximately HK$15.1 million in 2008 to approximately HK$55.1 million in 2009 and further increased to approximately HK$61.7 million in 2010. Net profit margins (calculated as profit for the year attributable to owners of the Company divided by turnover) during the Track Record Period were approximately 4.6%, 12.3% and 11.8% respectively.

Discussion on operating results

Year ended 31 December 2010 compared to year ended 31 December 2009

Turnover

For the year ended 31 December 2010, the Group recorded revenue of approximately HK$522.0 million, an increase of approximately 16.7% from revenue of approximately HK$447.3 million in 2009. The increase was primarily due to the increase in Group sales orders.

Direct operating costs and gross profit

The Group's direct operating costs increased by approximately 24.8% from approximately HK$336.1 million in 2009 to approximately HK$419.5 million in 2010 as a result of the continuing expansion of the Group's business. Factors contributing to the increase include increases of (i) the cost of paper and other raw materials from approximately HK$241.6 million in 2009 to approximately HK$290.9 million in 2010 which were mainly due to increases in the volume of paper and raw materials used for the printing business; (ii) processing fees from approximately HK$33.9 million in 2009 to approximately HK$42.7 million in 2010; (iii) depreciation expenses from approximately HK$17.0 million to approximately HK$22.1 million due to new printing and case-in machineries purchased in 2009; and (iv) Other Production Costs from approximately HK$29.3 million in 2009 to approximately HK$37.4 million in 2010. The increase in Other Production Costs was primarily due to increases in (i) transportation expenses from approximately HK$3.5 million to approximately HK$4.9 million; (ii) lease expenses, relating to subsidies for construction costs, repairs and maintenance in relation to the Processing Facility from HK$5.5 million to approximately HK$7.0 million; (iii) advertising and entertainment expenses from HK$1.0 million to approximately HK$2.4 million; (iv) utilities expenses of the Processing Facility from approximately HK$13.3 million to approximately HK$15.7 million; (v) machinery maintenance expenses from approximately HK$2.0 million to approximately HK$2.5 million; and (vi) miscellaneous and other expenses from approximately HK$3.1 million to approximately HK$3.9 million.

For the year ended 31 December 2010, sub-contracting fees with independent sub-contractors increased by approximately 114.3% from approximately HK$10.3 million in 2009 to approximately HK$22.1 million in 2010. The increase was mainly due to the increase in sales orders.

As mentioned above, the Group's turnover is mainly denominated in Australian dollars, US dollars, Pound Sterling, Euros and Hong Kong dollars. Given the time gaps between the sales orders placed by the customers and the issuing of invoices following the completion of production, the appreciation or depreciation of foreign exchange during such period may affect the gross profit performance of the Group. The time gap between the placing of sales order and issuing of invoices is typically around three months long, although in certain circumstances it can be as short as two weeks and as long as twelve months. In 2010, gross profit margin decreased by approximately 5.3% from approximately 24.9% in 2009 to approximately 19.6%. As a result of the appreciation of the Australian dollar against the Hong Kong dollar in 2009, the Group was able to record noticeably high gross profit margin for the year ended 31 December 2009. However, as the Australian dollar ceased to appreciate as significantly as in 2010, the gross profit margin in 2010 returned to a level that was comparable to 2008.

Other income

For the year ended 31 December 2010, other income increased by approximately 74.4% as compared to 2009. This increase was mainly due to (i) better bad debt recovery of approximately HK$1.37 million from approximately HK$0.1 million in 2009 to approximately HK$1.4 million in 2010; and (ii) increase in gains from sales of scrapped paper and by products of approximately HK$10.6 million from approximately HK$7.1 million in 2009 to approximately HK$17.7 million in 2010. Increase in gains from sales of scrapped paper and by products was primarily caused by the increase in the prices of raw materials and paper.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 12.1% from approximately HK$41.8 million in 2009 to approximately HK$46.9 million in 2010. This increase was primarily caused by the increase in freight and transportation expenses of approximately HK$9.0 million from approximately HK$24.5 million in 2009 to approximately HK$33.5 million in 2010. The increase in freight and transportation expenses was due to the increase in sales volume. Such increase was partially offset by the decrease in sales commission of approximately HK$4.1 million. The decease in sales commission was due to (i) the decrease in accepting business referred by sales agents and (ii) the closure of 1010 USA.

Administrative expenses

The Group's administrative expenses decreased by approximately 21.8% from approximately HK$17.7 million in 2009 to approximately HK$13.9 million in 2010. The decrease in administrative expenses was influenced by a mixture of (i) the increase of approximately HK$0.6 million in the salaries of administrative staffs from approximately HK$1.2 million in 2009 to approximately HK$1.8 million in 2010; (ii) the increase of approximately HK$0.3 million in other office expenses and sundries from approximately HK$1.4 million in 2009 to approximately HK$1.7 million in 2010; (iii) the increase of HK$0.7 million in depreciation expenses of fixed assets from approximately HK$1.6 million in 2009 to approximately HK$2.3 million in 2010; and (iv) the decrease of approximately HK$ 6.1 million in the loss on revaluating the foreign currency forward contracts for hedging the accounts receivables from approximately HK$7.3 million in 2009 to approximately HK$1.2 million in 2010.

Other expenses

The Group's other expenses decreased by approximately 71.5% from approximately HK$1.9 million in 2009 to approximately HK$0.5 million in 2010, mainly due to the decrease in impairment loss on trade receivable in 2010.

Finance costs

Finance costs decreased by approximately 34.8% from approximately HK$6.6 million in 2009 to approximately HK$4.3 million in 2010, in line with the decrease in interest expenses payable to the intermediate holding company of approximately HK$2.7 million from approximately HK$5.4 million in 2009 to approximately HK$2.7 million in 2010, as a result of the decrease in the outstanding amount payable to intermediate holding company.

Income tax expenses

The balance decreased by approximately 9.5% from approximately HK$5.2 million in 2009 to approximately HK$4.7 million in 2010. The effective tax rate of the Group was approximately 8.7% in 2009 and approximately 7.1% in 2010. The decrease in total income tax expenses from 2009 to 2010 was mainly due to the net effects of (i) the increase in Hong Kong profits tax from approximately HK$90,000 to approximately HK$1,811,000; and (ii) the decrease in changes of temporary differences between accounting values of the property, plant and equipment and their values for tax purposes for the year ended 31 December 2010 compared to that for the year ended 31 December 2009.

Accelerated tax depreciation represented the temporary difference between the carrying amounts of property, plant and equipment and their respective tax bases at the end of each reporting period. The decrease in the change of accelerated tax depreciation charged to profit or loss from approximately HK$3.7 million in 2009 to approximately HK$0.3 million in 2010 was due to smaller tax depreciation allowances claimed during the year ended 31 December 2010.

The increase in Hong Kong profits tax was directly related to the increase in the revenue and assessable profit in 2010.

Profit for the year attributable to owners of the Company

As a result of the foregoing, profit for the year attributable to owners of the Company increased by approximately 11.9% from approximately HK$55.1 million in 2009 to approximately HK$61.7 million in 2010.

Year ended 31 December 2009 compared to year ended 31 December 2008

Turnover

For the year ended 31 December 2009, the Group recorded revenue of approximately HK$447.3 million, an increase of approximately 35.1% from revenue of approximately HK$331.2 million in 2008. The increase was primarily due to the increase in Group sales orders.

Direct operating costs and gross profit margin

The Group's direct operating cost increased by approximately 27.2% from HK$264.3 million in 2008 to approximately HK$336.1 million in 2009 as a result of the continued expansion of the Group's business. Factors contributing to the increase include the increase of (i) the cost of paper and other raw materials from approximately HK$172.8 million in 2008 to approximately HK$241.6 million in 2009, which was mainly due to the increase in the volume of paper and raw materials used for the printing business; (ii) processing fees from approximately HK$26.5 million in 2008 to approximately HK$33.9 million in 2009; (iii) depreciation expenses from approximately HK$11.9 million to approximately HK$17.0 million due to new printing and case-in machineries purchased in 2009; and (iv) Other Production Costs from approximately HK$23.7 million in 2008 to approximately HK$29.3 million in 2009. The increase in Other Production Costs was primarily due to the increases in lease expenses, relating to subsidies for construction costs, repairs and maintenance in relation to the Processing Facility from approximately HK$3.1 million to approximately HK$5.5 million and utilities expenses of the Processing Facility from approximately HK$10.0 million to approximately HK$13.3 million.

For the year ended 31 December 2008, sub-contracting fees with independent sub-contractors decreased by approximately HK$15.5 million from approximately HK$25.8 million in 2008 to approximately HK$10.3 million in 2009. The decrease was mainly due to the increase in the Processing Facility's production capacity in 2009.

As explained above, given the time gaps between the sales orders placed by customers and the issuing of invoices following the completion of production, the fluctuations in relevant foreign exchange rates during such period may affect the gross profit performance of the Group. In 2009, gross profit margin increased by approximately 4.7% from approximately 20.2% in 2008 to approximately 24.9% mainly due to the appreciation of the Australian dollar against the Hong Kong dollar during time gaps between the sales orders placed by customers in Australia and delivery of invoices in 2009.

Other income

For the year ended 31 December 2009, other income increased by approximately 12.6% as compared to 2008. The increase was mainly due to the mixed effects of the (i) increase in foreign exchange appreciation from nil in 2008 to approximately HK$9.7 million; and (ii) decrease in gains from sales of scrapped paper and by-products from HK$11.5 million to HK7.1 million. As certain materials used in the book printing industry can be recycled, the Group is able to generate income from sales of scrapped paper and by-products such as used zinc plates. The Group is able to recover up to 33% of the materials purchase unit price of used zinc plates and scrapped paper from used materials merchants. As all zinc plates can be resold and production wastage and written off stock can be sold as scrapped paper, the Group is able to generate income from the recycling of used or scrapped materials. Foreign exchange gains were primarily caused by the significant appreciation on the accounts receivable denominated in foreign currencies at the end of 2008 and the decrease in gains from sales of scrapped paper and by-products was primarily caused by the improved production efficiency achieved at the Processing Facility which reduced the quantity of scrapped paper, as well as the decrease in paper price in 2009.

Selling and distribution expenses

Selling and distribution expenses decreased during the year by approximately 1.0% from approximately HK$42.2 million in 2008 to approximately HK$41.8 million in 2009. This decrease was mainly a result of the decrease in sales staff salaries of approximately HK$2.1 million from approximately HK$12.0 million in 2008 to approximately HK$9.9 million in 2009 which was partially offset by increases in sales commission of approximately HK$1.7 million and insurance expenses of approximately HK$0.6 million. The decrease in salaries of sales personnel was due to the decrease in the number of sales persons from 21 in 2008 to 16 in 2009. The increase was sales commission is mainly caused by the increase in commission paid to 1010 USA by approximately HK$1.3 million.

Administrative expenses

Administrative expenses increased by approximately 18.9% from approximately HK$14.9 million in 2008 to approximately HK$17.7 million in 2009. The increase in administrative expenses was influenced by a mixture of (i) the increase of approximately HK$0.8 million in administrative staff salaries from approximately HK$0.4 million in 2008 to approximately HK$1.2 million in 2009; (ii) the increase of approximately HK$7.3 million in the loss on revaluating the foreign currency forward contracts for hedging the accounts receivables from nil in 2008 to approximately HK$7.3 million in 2009; (iii) the increase in management fees paid to Recruit in connection with services rendered by Recruit for management of the printing business at cost of approximately HK$1.2 million from nil in 2008 to approximately HK$1.2 million in 2009; and (iv) the decrease of exchange losses on foreign currencies accounts receivable from approximately HK$7.2 million in 2008 to nil in 2009, which was caused by the significant depreciation of most of the foreign currencies relevant to the Group against the Hong Kong dollar in 2008.

Other expenses

Other expenses increased by approximately 817.2% from approximately HK$0.2 million in 2008 to approximately HK$1.9 million in 2009, which was due to the increase in impairment loss of trade receivable in 2009.

Finance costs

Finance costs decreased by approximately 23.1% from approximately HK$8.5 million in 2008 to approximately HK$6.6 million in 2009. The decrease of the balance is mainly a result of the following reasons (i) the increase in approximately HK$0.2 million of interest changes on bank borrowings wholly repayable within five years from approximately HK$0.8 million in 2008 to approximately HK$1.0 million in 2009, as a result of the increase in bank borrowings; and (ii) the decrease of approximately HK$1.8 million of interest expenses payable to the intermediate holding company from approximately HK$7.2 million in 2008 to approximately HK$5.4 million in 2009, as a result of the decrease in the outstanding amount due to the intermediate holding company.

Income tax expenses

Income tax expenses increased by approximately 364.5% from approximately HK$1.1 million in 2008 to approximately HK$5.2 million in 2009. The effective tax rate of the Group was approximately 7.0% in 2008 and approximately 8.7% 2009. The increase in income tax expenses was in line with the increase in assessable profits for the year.

Profit for the year attributable to owners of the Company

As a result of the foregoing, profit for the year attributable to owners of the Company increased by approximately 265.0% from approximately HK$15.1 million in 2008 to approximately HK$55.1 million in 2009.

Discussion of major balance sheet components

Analysis of inventory

The following table sets forth a breakdown of inventories of the Group:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	40,266	30,373	44,259
Work-in-progress	11,243	11,514	19,422
Finished goods	876	572	206
	52,385	42,459	63,887
Less: Provision for inventories write-down	(1,081)	(982)	(3,982)
	51,304	41,477	59,905

Paper accounted for the majority of inventories held by the Group (representing approximately 66.2%, 64.4% and 60.4% of inventories during the Track Record Period). As at 31 December 2010, over 90% of paper recorded as inventories of the Group was aged below one year. Work-in-progress products are mainly unfinished books on the production lines and the finished goods are mostly printed books. Since finished goods are usually shipped out once print production is completed, finished goods are maintained at a relatively low level in the Group's inventories. Inventory turnover days (being closing inventories of the year divided by total cost of sales and multiplied by 365 days) for each of the three years ended 31 December 2010 were approximately 71 days, 45 days and 52 days respectively.

The Group's inventories, which were mainly comprised of paper, are not subject to frequent obsolescence and technological changes. No material obsolescence of inventory has been identified during the Track Record Period. Nevertheless, procedures are in place to control the status and stock level of the inventory of the Group. In general, it is the Group's policy to keep inventory level of different raw materials to satisfy the production requirements of the Group, for instance, paper for up to 60 days, ink for up to 15 days and chemicals for 30 days. In addition, stock counts on all types of inventories are carried out on a periodical basis in order to identify any obsolete and defective inventory. In general, the Group is not subject to significant exposure of inventory obsolescence.

The increase in inventory level from 2009 to 2010 was to in order to manage with the increase in sales orders from major customers and the expected increase in paper price so as to mitigate its financial impact on the Group's production cost. The decrease in inventory level from 2008 to 2009 was primarily due to the decrease in paper price in 2009.

For the inventory balance as at 31 December 2010, inventory usage as at 31 May 2011 was approximately HK$53.4 million, of which approximately HK$33.8 million was comprised of raw materials; approximately HK$19.4 million was utilised in work in progress and approximately HK$0.2 million was comprised of finished goods.

Analysis of trade receivables and other receivables

Trade and other receivables constitute a major component of the Group's current assets throughout the Track Record Period. The increase in trade receivables of the Group was mainly due to the expansion of business which was in line with the growth in turnover of the Group and the extension of the credit terms to one of the Group's top five customers. Other receivables were primarily related to the deposits made on the purchase of new machinery.

Trade receivables turnover days of the Group (being calculated as the average of the beginning and closing trade receivables of the year/period divided by the total revenue and multiplied by 365 days) were approximately 92 days, 104 days, 122 days. Trade receivables turnover days were in line with the average credit terms granted by the Group. The increase in the trade receivable turnover days during the Track Record Period was due to the extension of the credit terms to one of Group's the Group's top five customers (the "**Customer**"). As at 31 May 2011, all trade receivables due from the Customer in respect of the year ended 31 December 2010 were fully settled.

In general, credit periods up to 45 to 180 days are granted to the Group's customers, while extensions of credit periods by an extra 30 to 60 days may be granted by the Group to certain customers with good payment history and frequent transactions. Such circumstances may be considered on a case by case basis with the authority of the executive Directors, the approval from the Group's credit insurers and an assessment of the impact on the Group's financial position. The Group's insurers would perform credit checks on the Group's customers before accepting clients and conduct annual reviews on accepted clients. If the insurers have any doubt on the financial credibility of any of the Group's customers, are unlikely to offer or extend any insurance terms on such credit. As such, any risk to the Group in relation to the extension of such credit terms is largely mitigated not only by the insurance companies' due diligence on the Group's customer but also the "payout" by the insurance companies in the event of payment defaults. These factors were considered in the extension of credit terms as mentioned above to the Customer. The Customer made a specific request to the Group for an extension of its credit terms as it was seeking to expand its business and operations and wanted greater flexibility in managing its working capital during mid-2009. The decision by the Group to grant such extension was commercially driven and based on the Customer's specific payment history, the Group's cash flow position and the approval of the Group's insurers. The Group is not aware of any financial difficulties faced by the Customer. As at 31 December 2010, the Group recorded approximately HK$2.0 million in overdue settlement of not more than 30 days with the Customer, which was, in general, settled upon its monthly settlement arrangements with the Group. Save as the above and an overdue sum of approximately HK$89,000 within 31 to 60 days as at 31 December 2010, which represents approximately 0.3% of its accounts receivables, the payments of the Customer were duly settled during their credit terms. As at 31 December 2010, the outstanding accounts receivable due from the Customer was approximately HK$32.7 million of which all sums had been settled. As at 31 May 2011, the outstanding accounts receivable from the Customer was approximately HK$14.8 million in respect of invoices issued between 1 January 2011 to 31 May 2011. During the Track Record Period, the Group has occasionally granted such extensions to other customers, albeit, in limited situations. The Directors are of the view that such extensions have no material financial impact to the Group.

During the Track Record Period, the Group strictly adhered to this credit policy. The sales personnel of the Group are responsible for monitoring the settlement from customers. In determining the amount of impairment, the Group takes into account the collectability, ageing status, creditworthiness and the past collection history of each debtor. The Group makes no general provision of trade receivables after than specific provisions. Impairment is made for specific trade receivables which are unlikely to be collected. If the financial condition of the customers deteriorates, resulting in an impairment of their ability to make payments, additional provision may be required. The Group has purchased export credit insurance to reduce the potential impairment loss in relation to uncollectible accounts.

The following table sets forth a breakdown of other receivables and deposits for the periods indicated:

	2008		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Deposits on acquisition of machinery	3,662	14.8	4,596	64.4	19,726	86.6
Deposits paid to paper supplier	7,733	31.4	–	–	118	0.5
Advances to Processing Facility	8,435	34.2	1	0.0	8	0.0
Others	4,836	19.6	2,543	35.6	2,937	12.9
	24,666	100.0	7,140	100.0	22,789	100.0

The decrease of other receivables in 2009 to approximately HK$7.1 million as compared to approximately HK$24.7 million in 2008 was due to the decrease in deposits paid to paper suppliers of the Group from approximately HK$7.7 million in 2008 to nil in 2009 and the decrease in advanced payments of the processing fees to the Processing Facility from approximately HK$8.4 million in 2008 to approximately nil in 2009. The decrease in deposits paid to paper suppliers of the Group was primarily caused by changes in payment terms of some suppliers from deposit in advance to cash upon delivery and the decrease in advanced payments of the processing fees paid to the Processing Facility was primarily caused by lease payments made in advance in 2008. The increase of other receivables in 2010 compared with that in 2009 was due to (i) the increase in number of new printing machineries purchased from twelve in 2009 to thirteen in 2010; and (ii) most of installments attributed to a new printing machine purchased in 2010 of approximately HK$13.0 million had been made to its suppliers given that most of new machineries purchased by the Company were required to be paid in several installments to such suppliers until completion of the trial run of the machines.

As at 31 May 2011, a total of approximately HK$181.5 million relating to trade receivables as at 31 December 2010 had been settled, of which approximately HK$0.3 million related to trade receivables due for over 90 days; approximately HK$53.7 million related to trade receivables due within 90 days and approximately HK$127.5 million related to trade receivables that were not yet past due.

Analysis of trade payables and other payable

Trade payables and invoice financing loans related primarily to the purchase of raw materials. The increase of the balances during the Track Record Period was mainly due to the expansion in the Group's book production which required more raw materials and supplies. Credit periods granted by the suppliers are 0-90 days.

During the Track Record Period, trade payables turnover days (being calculated as the average of the beginning and ending trade payables and other payables balance for the year/period, divided by the cost of sales for the year/period and multiplied by 365 days) were approximately 27 days, 38 days and 40 days, which were generally in line with the Group's payment terms. The increase in the trade payables turnover days during the Track Record Period was primarily due to the increase in credit terms granted by certain suppliers.

The following table sets forth a breakdown of other payables and accruals for the periods indicated:

	2008		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Volume rebate and commission	5,379	32.1	12,539	67.3	17,560	64.3
Accrued purchase and production costs	9,491	56.7	3,970	21.4	6,747	24.7
Accrued transportation fee	175	1.0	408	2.2	932	3.4
Other	1,707	10.2	1,701	9.1	2,066	7.6
	16,752	100.0	18,618	100.0	27,305	100.0

The increase of other payables in 2009 compared with that in 2008 was mainly due to increases in volume rebates to its customers from approximately HK$5.4 million to approximately HK$12.5 million, which was primarily caused by the increase in sales orders. This was partially deducted by the decrease in accrued purchase and production costs from approximately HK$9.5 million to approximately HK$4.0 million. The decrease in accrued purchase and production costs was due to the decrease in sub-contracting fees in 2009 which caused the decrease in year end accrual.

The increase of other payables in 2010 of approximately HK$18.6 million as compared to approximately HK$27.3 million in 2009 was due to increases in (i) the volume rebate and commission from approximately HK$12.5 million to approximately HK$17.6 million, which was primarily caused by the increase in sales orders; and (ii) the accrued purchase and production costs from approximately HK$4.0 million to approximately HK$6.7 million due to the expansion of business which increased production expenses and purchases.

As at 31 May 2011 a total of approximately HK$324,000 of trade payables as of 31 December 2010 had not yet been settled.

Analysis of secured bank loans

Secured bank loans and other borrowings constituted the largest component of the Group's current liabilities as at 31 December 2010. These amounts were mainly used to finance the purchase of machineries.

Working capital management policy

The Group actively and regularly reviews and manages its capital structure. Given that the turnover of trade receivables and inventories of the Group is slower than the turnover of the Group's trade payables, should short term working capital be required, the Group factors its trade receivables to the banks to reduce the cash turnaround time. The Group also closely monitors the settlement of trade receivables. The Group intends to maintain sufficient working capital by securing raw materials and extending credit to customers according to industry practice, which might be possible with higher level of borrowings.

For each of the three years ended 31 December 2010, the Group's gross trade receivables amounted to approximately HK$93.3 million, HK$163.0 million and HK$189.7 million, respectively. The Group generally offers credit terms to customers ranging from 45 to 180 days from the date of invoice. In certain situations, pending the approval of the Group's credit insurers, assessment of the customer's financial position, payment history of the customers, frequency of transactions and with the authority of the executive Directors, the Group may offer extensions of credits periods by an extra 30 to 60 days. On the other hand, the Group is generally granted credit terms from its suppliers ranging from nil to 90 days. Given the differences in the timing of credit periods granted to certain customers and suppliers, the Group may be exposed to strains on its working capital which could have a material adverse effect on the Group's operations and financial condition.

Bank borrowings of the Group increased from approximately HK$49.5 million to HK$83.3 million from 2008 to 2010. The Group recorded decreases in (i) net cash inflows from operating activities from approximately HK$86.0 million for year ended 31 December 2009 to net cash inflows of approximately HK$31.4 million for year ended 31 December 2010; and (ii) cash and cash equivalents from approximately HK$38.6 million as at 31 December 2009 to approximately HK$16.1 million as at 31 December 2010.

The Group is aware of the fact that its turnover of trade receivables and inventories is slower than its turnover of trade payables. In order to maintain sufficient working capital, the Group will closely monitor its cash flow movements. In particular, the Group has adopted the following working capital management policies:

– actively and regularly review and manage its capital structure;

– maintain a minimum cash balance of HK$10 million which is a buffer amount to be able to satisfy its general cash outflows for general operations for two months, excluding the cost of sales;

– factor its trade receivables to banks to reduce the cash turnaround time where appropriate and necessary;

– shorten the credit terms to customers and extend the credit terms from suppliers in the event that the Directors foresee that the Group may face difficulties with its cash flow as a result of its trading activities; and

– the always ensure that it is able to utilise its banking facilities to strengthen its working capital capacity.

Analysis of finance leases

Finance leases constituted another major component of the Group's non-current and current liabilities throughout the Track Record Period. The balance decreased from approximately HK$9.9 million as at 31 December 2008 to approximately HK$5.5 million as at 31 December 2009 and then increased to approximately HK$19.8 million as at 31 December 2010. The increase in the balance from 2009 to 2010 was mainly due to the increase in new finance leases raised in respect of purchases of new machineries to expand production capacity. The decrease in the balance from 2008 to 2009 was mainly due to repayment on those new machineries installed at the Processing Facility in 2009.

Analysis of amounts due to the intermediate holding company and fellow subsidiaries

For each of the three years ended 31 December 2010, total amounts due to the intermediate holding company and fellow subsidiaries amounted to approximately HK$179.2 million, HK$151.6 million and HK$2.4 million respectively.

As at 31 December 2008, total amounts due to the intermediate holding company and fellow subsidiaries were approximately HK$179.2 million and nil, respectively, which were mainly comprised of working capital borrowed from the Recruit Group.

As at 31 December 2009, total amounts due to the intermediate holding company and fellow subsidiaries were approximately HK$150.9 million and approximately HK$0.7 million, respectively, which were mainly comprised of working capital borrowed from the Recruit Group and office expenses paid by Recruit Group on behalf of the Group.

As at 31 December 2010, total amounts due to intermediate holding company and fellow subsidiaries were approximately HK$1.5 million and HK$0.9 million, respectively, which were mainly comprised of office expenses paid by Recruit Group on behalf of the Group.

As at the Latest Practicable Date, all payments to the intermediate holding company and fellow subsidiaries on behalf of the Group have been settled.

Financial assets/liabilities at fair value through profit or loss

Financial assets/liabilities at fair value through profit or loss represents fair values of the forward foreign exchange contracts intended to be held for hedging purposes. The appreciation of the foreign currencies against Hong Kong dollars caused the loss of fair value of the forward foreign exchange contracts whereas the depreciation of foreign currencies against Hong Kong dollars caused the gain in fair value of the forward foreign exchange contracts.

As at 31 December 2008, the Company recorded a gain of approximately HK$0.6 million in forward foreign exchange contracts which was mainly due to the depreciation of Pound Sterling. As at 31 December 2009 and 2010, the Company recorded a loss in fair value of the forward foreign exchange contracts of approximately HK$2.4 million and HK$5.2 million, respectively, both of which were mainly due to the appreciation in Australian dollars.

TAXATION

The Group carries on its business mainly in Hong Kong and is mainly subject to Hong Kong profits tax in respect of its profits arising in or derived from Hong Kong from such business.

During the Track Record Period, the Group conducted its printing business under the Processing Agreement. Pursuant to DIPN 21 issued by the IRD, in cases where a Hong Kong manufacturing business enters into a contract processing arrangement with a PRC entity where the production processes are carried out at a processing facility situated in the PRC and such business provided raw materials and machinery without consideration and to provide technical and managerial know-how, profits from the sale of goods that were manufactured by such PRC entity can be apportioned on a 50:50 basis and the chargeable profits so apportioned can be treated as non-taxable in Hong Kong. As such the Directors consider that it is reasonable for the Group to adopt the DIPN 21 for the tax assessment of 1010 PIL and to claim for apportionment of profit during the Track Record Period. In this connection, and pursuant the Processing Agreement entered into between the Processing Partner and 1010 PIL and the confirmation of the management of the Group that:

- the Processing Facility has been set up for providing subcontracting services to 1010 PIL since 2005;

- 1010 PIL is responsible for the supply of raw materials and machinery without consideration and to provide technical and managerial know-how while the Processing Partner is responsible for the provision of the Processing Facility and labour force;

- in return for the processing service, 1010 PIL shall pay a processing fee to the Processing Partner; and

- the legal title to the raw materials and finished goods remains with 1010 PIL throughout the manufacturing process,

the reporting accountants are of the view that, provided that the Group keeps sufficient documents to substantiate its involvement in the processing arrangement with the Processing Partner, the Group should be able to adopt the DIPN 21 for tax assessment purposes.

In addition, 1010 PIL also engaged unrelated subcontractors in the PRC and Hong Kong when required, however, as 1010 PIL has minimal involvement in the manufacturing activities of unrelated subcontractors, the relevant sales income from subcontractors should be treated as onshore and fully taxable. As at the Latest Practicable Date and as confirmed by the Directors, the Inland Revenue Department has not yet issued any enquiry letter or profit tax assessment/assessor's statement of loss to 1010 PIL.

Based on the facts that, (i) the manufacturing process relating to the business of Group is carried out by the Processing Facility in the PRC pursuant to the Processing Agreement; (ii) the Processing Facility is responsible for the processing, manufacturing or assembling the goods, while the Group is responsible for the provision of raw materials, the machinery and equipment, the design of products, skills and technological know-how in accordance with the terms of the Processing Agreement; and (iii) the Group is responsible for monitor the production process and operation of the Processing Facility and is responsible for quality control, the Directors, having been advised by BDO Limited, consider that it is reasonable for the Group to adopt the DIPN 21 for the tax assessment of the Group. The Group first applied DIPN 21 to claim for apportionment of profit in 2003/04 being the first assessable year of the Group since its incorporation. During the Track Record Period and up to the Latest Practicable Date, the Group has not received any objection or enquiry from the IRD in this respect.

Unless there is a material change in the taxation legislation or its interpretation in Hong Kong and the PRC, the Directors are of the view that, in the absence of any unforeseeable circumstances, DIPN 21 is applicable to the Group and such adoption by the Group for the tax assessment of the Group would unlikely be challenged by the IRD. Notwithstanding the above, in the event that the IRD considers the Group's mode of manufacturing operations under the processing agreements is not within the scope of the profits eligible for apportionment under the DIPN 21, the maximum taxes payable by the Group for each of the three financial years ended 31 December 2010 would be approximately HK$2.7 million, HK$11.8 million and HK$12.4 million respectively.

In respect of PRC law, the reporting accountants are also of the view that the Group's exposure to PRC corporate income tax under the Processing Agreement is remote. According to Guo Shui Han 2007 No 403 issued by the China tax bureau, it is noted that it is not the present intention of the PRC to tax Hong Kong entities for profits derived from this type of processing arrangement. Based on an interpretation published by Guangdong local tax bureau dated 5 August 2008, the tax bureau only taxed the Processing Partner based on the subcontracting charge but not the trading profits of 1010 PIL. Furthermore, the Directors have confirmed that 1010 PIL has never been challenged by the local tax authority in the PRC as to its potential treatment as a PRC entity permanent for tax purposes. Based on the processing arrangements under the Processing Agreement, the PRC Legal Advisers, consider it is unlikely that the Group would be subject to PRC enterprise income tax.

During each of the three years ended 31 December 2010, Hong Kong profits tax payable by the Group amounted to approximately HK$0.2 million, HK$0.1 million and HK$1.7 million respectively. During each of the three years ended 31 December 2010, tax expenses of the Group recognised as deferred tax charges amounted to approximately HK$0.9 million, HK$5.2 million and HK$3.1 million respectively. As a result, the effective tax rates of the Group during the Track Record Period were approximately 7.0%, 8.7% and 7.1% respectively. As the tax losses of the Group from previous years have been fully utilised, future assessable profits of the Group may not be offset and tax payable by the Group may increase.

No profits tax was provided for the Group's business in the U.K. as the business has suffered losses for the years ended 31 December 2009 and 2010 while it generated small assessable profit for the year ended 31 December 2008. As such it was subject to corporate tax in the U.K. at the rate of 21% on estimated assessable profits and U.K. corporate tax of HK$14,000 was provided for the year ended 31 December 2008. The U.S. business also suffered losses or generated immaterial assessable profits and as such, no U.S. profits tax was provided for during the Track Record Period. In addition the U.S. operations have been carved out of the Group and as such, any taxable profits might not be applicable to the Group. Although the business in Australia had no assessable profits for the years ended 31 December 2008 and 2009, it generated small assessable profit for the year ended 31 December 2010. As such it was subject to corporate tax in Australia at the rate of 30% on estimated assessable profits and Australia corporate tax of HK$3,000 was provided for the year ended 31 December 2010.

As confirmed by the Directors, the Group has complied with Hong Kong and PRC tax regulations and made all required tax filings under all relevant tax laws and regulations in the Hong Kong, PRC, Australia and U.K. jurisdictions, has paid all outstanding liabilities and has no disputes with any tax authorities.

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group entered into certain related party transactions which were based on the actual costs incurred by the related parties and determined in accordance with certain allocation bases. The related party transactions are summarised as follows:

Name of related parties	Nature of transactions	2008	2009	2010
		HK$'000	*HK$'000*	*HK$'000*
Recruit Holdings Limited	Interest expense	7,199	5,363	2,658
	Management fees paid	–	1,200	1,500
Recruit Information Technology Limited	Computer service fees paid	360	480	1,200
	Purchase of property, plant and equipment	52	3,000	–
Recruit Management Services Limited	Computer service fees paid	60	60	35
	Administration service fees paid	360	1,200	1,800
1010 Printing (USA) Inc.	Commission paid	79	1,400	–
Recruit Advertising Limited	Printing income	60	104	50
Central Publishing Limited	Printing income	–	41	–

Interest expense

Interest expense was charged based on the outstanding loan balance at 5-7%, 3% and 3% per annum for each of the three years ended 31 December 2010 respectively, which was determined based on the cost of borrowing of the Recruit Group.

Based on the above, the Sponsor considers that the allocation basis of the interest expense was fair and reasonable.

Management fee

Management fees paid to Recruit, representing mainly staff costs and other general expenses incurred by Recruit, were primarily allocated on a cost reimbursement basis. Staff costs were allocated to the Group based on (i) the estimated time spent on managing the printing business by the directors of Recruit; and (ii) the actual hourly rates of the directors of Recruit calculated on the basis of their actual remuneration. Other general expenses were allocated based on the percentage as represented by such directors' remuneration of Recruit allocated to the printing business over the total directors' remuneration of Recruit (2008: 5%, 2009: 25%, 2010: 30%). The sum of staff costs and other general expenses were charged to the Group as management fees for the years ended 31 December 2009 and 2010. No management fees were charged to the Group for the year end 31 December 2008 because of the immaterial amount involved.

Based on the above, the Sponsor considers that the allocation basis of the management fees was fair and reasonable.

Computer service fee and administration service fee

Recruit Information Technology Limited provided computer services (i.e. information technology services) whereas Recruit Management Services Limited provided general administrative services. The costs incurred by Recruit Information Technology Limited and Recruit Management Services Limited were mainly staff salaries. Similar to the management fees, the relevant staff salaries of these two related companies were allocated to the Group based on the cost reimbursement basis. In particular, staff costs of Recruit Information Technology Limited and Recruit Management Services Limited were allocated to the Group based on (i) the estimated time spent on providing the relevant services by the staff of Recruit Information Technology Limited and Recruit Management Services Limited; and (ii) the actual hourly rates of the staff of Recruit Information Technology Limited and Recruit Management Services Limited calculated on the basis of their actual salaries. Other general expenses of Recruit Information Technology Limited and Recruit Management Services Limited were allocated based on the percentage as represented by such staff costs of Recruit Information Technology Limited and Recruit Management Services Limited allocated to the printing business over the total staff costs of Recruit Information Technology Limited and Recruit Management Services Limited (2008: 10%, 2009: 25%, 2010: 35%). The total allocated staff costs and other general expenses were then split between Recruit Information Technology Limited and Recruit Management Services Limited and charged to the Group as computer service fees and administration service fees respectively.

Based on the above, the Sponsor considers that the allocation basis of the computer service fees and administration service fees were fair and reasonable respectively.

Purchases of property, plant and equipment

Purchases of property, plant and equipment by the Group from Recruit Information Technology Limited relate to the transfer of certain computer equipment and office furniture and costs incurred by Recruit Information Technology Limited for the development of the Group's ERP system which were based on the prevailing market price.

Based on the above, the Sponsor considers that the allocation basis of the property, plant and equipment purchases was fair and reasonable.

Commission paid

Commission paid to 1010 Printing (USA) Inc. was based on 10% of sales generated by 1010 Printing (USA) Inc.

The Sponsor considers that the basis of commission for sales generated was fair and reasonable.

Printing income

The Group received income from Recruit Advertising Limited and Central Publishing Limited for printing services in respect of certain publications (being Recruit Career Expo supplements and tips for career advancement) and calendars for Recruit. The print services provided by the Group were based on the prevailing market price.

The Sponsor considers that the basis of printing income was fair and reasonable.

All related party transactions had been discontinued before the Latest Practicable Date.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group generally financed its operations through a combination of shareholders' loan, internally generated cash flows and bank borrowings. Following the completion of the Share Offer, the Group expects its capital and operating requirements to be funded principally through internally generated cash flows, the net proceeds from the Share Offer and cash on hand. The Directors believe that in the long term, the Group's operations will be funded by internally generated cash flows and, if necessary, additional equity financing or bank borrowings.

Net current assets

During the years ended 31 December 2008 and 2009, in order to expand the business and increase the production capacity, the Group acquired a significant amount of property, plant and equipment and such capital expenditure was financed by its intermediate holding company and bank borrowings. Property, plant and equipment are classified as non-current assets, while the amount due to the intermediate holding company (repayable on demand) and bank borrowings (with repayment on demand clauses) were classified as current liabilities. Accordingly, there were net current liabilities of the Group as at 31 December 2008 and 2009.

Based on the financial information of the Group as at 31 December 2010, the Group had net current assets of approximately HK$121.5 million. The current assets of the Group included inventories of approximately HK$59.9 million, trade and other receivables of approximately HK$211.3 million, amounts due from fellow subsidiaries of approximately HK$0.7 million and cash and cash equivalents of approximately HK$16.1 million.

As further detailed below, cash balances decreased in 2010 mainly due to the purchase of property, plant and equipment of HK$33.8 million and repayments of HK$29.8 million on the outstanding amounts due to the Group's intermediate holding company, which was offset by the proceeds of HK$21.8 million received from the issuance of new shares and cash inflow from operating activities of HK$31.4 million.

The current liabilities included trade and other payables of approximately HK$66.9 million, financial liabilities at fair value through profit or loss of approximately HK$5.2 million, bank borrowings of approximately HK$83.3 million, finance lease liabilities of approximately HK$7.0 million, amounts due to the intermediate holding company of approximately HK$1.5 million, amounts due to fellow subsidiaries of approximately HK$0.9 million and provision for taxation of approximately HK$1.7 million.

Net current assets as at 31 May 2011

As at 31 May 2011, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, the Group had net current assets of approximately HK$159.5 million, comprising current assets of approximately HK$310.2 million and current liabilities of approximately HK$150.7 million. The following table summarises the details of the Group's unaudited current assets and liabilities as at 31 May 2011:

	HK$'000
	(unaudited)
Current assets	
Inventories	70,346
Trade and other receivables	201,129
Cash and cash equivalents	38,695
	310,170
Current liabilities	
Trade and other payables	72,487
Financial liabilities at fair value through profit or loss	4,251
Bank borrowings	64,306
Finance lease liabilities	5,971
Provision for taxation	3,683
	150,698
Net current assets	159,472

Loan and banking facilities

As at 31 December 2010, total debts comprised of finance leases liabilities amounting to approximately HK$19.8 million, bank borrowings amounting to approximately HK$83.3 million and amounts due to the intermediate holding company and fellow subsidiaries amounting to approximately HK$2.4 million, were approximately HK$105.5 million, resulting in a gearing ratio (being total debt divided by total assets) of approximately 21.7%. The finance lease liabilities represented the amount of finance lease loans raised for the purchases of machineries, while the bank borrowings mainly represented loans for financing the purchase of machineries and a small-medium enterprise loan which is supported/guaranteed by the Hong Kong government.

At the close of business on 31 May 2011, unutilised banking facilities available to the Group amounted to approximately HK$145.0 million. As confirmed by the Directors, none of the loans or banking facilities contained cross-default provisions and the Group has never delayed or defaulted in any repayment of bank or other borrowings during the Track Record Period.

Capital structure

As at 31 December 2010, the Group had net assets of approximately HK$297.5 million, comprising non-current assets of approximately HK$199.5 million (comprising property, plant and equipment), net current assets of approximately HK$121.5 million and non-current liabilities of approximately HK$23.6 million (representing the finance leases liabilities of approximately HK$12.8 million and deferred taxation of approximately HK$10.7 million). For the years ended 31 December 2008 and 2009, the Group's capital expenditure was approximately HK$71.6 million and HK$50.7 million respectively, and amounts due to the intermediate holding company were approximately HK$179.2 million and HK$150.9 million respectively. Such capital expenditure was made by the Group in order to increase its production capacity, which, along with the reliance on advances from the Recruit Group to finance the Group's daily operation, resulted in the net current liabilities as at 31 December 2008 and 2009 respectively.

Capital expenditure

During the Track Record Period, the Group has incurred capital expenditure mainly for the purchase of property, plant and equipment amounting to approximately HK$71.6 million, HK$50.7 million and HK$57.8 million respectively.

The Group currently plans to use approximately HK$41.0 million for the purchase of new machineries and equipment, including, but not limited to, offset printing machines, digital printing machines and new hardcover line. The Directors believe that such capital expenditure budget will be sufficient for the Group's expected expenditure in year 2011.

The Group anticipates that the funds required for such capital expenditure will be financed by cash generated from operations and bank borrowings, as well as the net proceeds from the Share Offer. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of the Group's business plan, including, but not limited to, potential acquisitions, the progress of the Group's capital projects, market conditions, the outlook of future business conditions of the Group and potential acquisitions. As the Group will continue to expand, additional capital expenditure may be incurred and the Group may consider raising additional funds as and when appropriate. The ability of the Group in obtaining additional funding in the future is subject to a variety of uncertainties including, but not limited to, the future operation results of the Group, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and other countries in which the major customers of the Group operates in.

Capital commitments

As at 31 December 2010, the Group had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of approximately HK$16.3 million.

Contingent liabilities

As at 31 December 2010, the Group had no significant contingent liabilities or outstanding litigation.

Operating lease commitments

As at 31 December 2010, the Group had operating lease commitments in respect of non-cancellable operating leases on properties and production facilities of approximately HK$34.1 million, of which approximately HK$7.8 million is due within one year and approximately HK$26.3 million is due within two to five years.

Foreign exchange risk

The Group's turnover is mainly denominated in Australian dollars, US dollars, Pound Sterling, Euro and Hong Kong dollars, while its costs and expenses are mainly denominated in US dollars, Hong Kong dollars and Renminbi. The Group's exposure to exchange rate fluctuations results primarily from revenue generated from overseas sales and purchases from overseas suppliers, which are denominated in currencies other than US dollars and Hong Kong dollars, and the production and operating costs incurred in the PRC. During the Track Record Period, approximately 30.8%, 38.7% and 38.7% respectively of the Group's turnover were denominated in currencies other than US dollars and Hong Kong dollars. Since Hong Kong dollars are pegged with US dollars, no significant exposure is expected on US dollar transactions and balances.

The following table sets out the average foreign currency exchange rates against the Hong Kong dollars during the Track Record Period and the change in such rates during such period.

	USD	EUR	AUD	NZD	GBP	RMB
2008	7.79	11.46	6.64	5.56	14.43	1.12
2009	7.75	10.81	6.15	4.93	12.15	1.14
% change	-0.5%	-5.7%	–7.4%	–11.3%	–15.8%	1.8%
2010	7.77	10.31	7.15	5.61	12.01	1.15
% change	0.3%	-4.6%	16.3%	13.8%	–1.2%	0.9%

As disclosed above, the Group has from time to time entered into foreign currency exchange contracts to hedge against currency risk but not for speculative purposes. The Board reviews the Group's foreign currency risk position on a quarterly basis and gives guidance for foreign currency hedging. The finance department of the Group reviews the sales order book and trade receivables level weekly in light of the prevailing market situation to assess whether any foreign currency hedging is desirable. The finance department of the Group is required to seek the approval from one of the executive Directors, before the execution of any forward foreign exchange contracts. The executive Director in charge then reports to the Board on the hedging status during the quarterly meeting.

The Group only enters into contracts for hedging purposes with fixed rates and sums are selected by the Group's finance department and approved by one of the Directors. All contracts are settled by delivering foreign currency cash generated from the business. The maximum allowable exposure is approximately 50% of foreign exchange receivables (excluding USD) without hedging. In addition, the finance department of the Group closely monitors the exchange rates and communicates with the sales department to update the exchange rates when sales contracts are entered into. When material fluctuations in the exchange rate of a currency is noted (for instance, in the first half of 2010), the Group will strive for using US dollars for sales transactions. The Group also monitors closely the exchange rate of Renminbi in its costing and budgeting such that the Renminbi impact on production cost, due to exchange rate fluctuation, is incorporated in its pricing.

The following table sets out the details of foreign currencies held by the Group and the corresponding value of assets being hedged in the form of foreign exchange forward contracts outstanding as at each of the three years ended 31 December 2010 and as at the Latest Practicable Date.

	2008		2009		2010		Latest Practicable Date		
Currency held	Cash and accounts receivables	Forward contract	Cash and accounts receivables	Forward contract	Cash and accounts receivables	Forward contract	Confirmed order (Note 1)	Cash and accounts receivables	Forward contract
AUD (millions)	4.0	1.0	8.2	4.5	6.5	6.2	4.6	5.8	6.0
EUR (millions)	–	–	–	–	–	–	0.8	1.8	0.5
GBP (millions)	0.8	0.6	1.0	0.3	–	–	0.7	1.0	0.5
NZD (millions)	0.2	0.2	0.5	0.3	0.6	0.1	0.1	0.3	0.3

Notes:

1. As at the Latest Practicable Date the Group has confirmed the orders from certain customers but the invoices have not been issued by the Group yet.

2. The values of assets shown in the above table are illustrated by their respective currency.

For each of the three years ended 31 December 2010, the Group recorded exchange gain/(loss) of approximately (HK$7.2 million), HK$9.7 million and HK$9.6 million, respectively. During the same period, the Group recorded fair value gain/(loss) on forward foreign contracts of HK$0.5 million, (HK$7.3 million) and (HK$1.2 million), respectively.

The exchange gain or loss was caused by the changes of the fair values of trade receivables and foreign currencies at each of the three years ended 31 December 2010. The changes of fair values of trade receivable and foreign currencies were primarily due to changes of foreign exchange rates. The Group recorded an exchange loss in 2008 as a result of the significant drop in all foreign currencies in the last quarter of the year. However, it was able to recover some gains in 2009 due to the significant appreciation of most foreign currencies, especially the Australian dollar in the first quarter of 2009. In 2010, the Group again recorded a gain as a result of the appreciation of the Australian dollar, pound sterling and the New Zealand dollar in the second half of the year.

As the Group's forward contracts do not fulfil the requisite requirements to fall under the hedge accounting rules, the Group is not required to comply with such rules.

Cash flow information

The table below sets out a summary of the cash flow information during the Track Record Period:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Net cash (used in)/from operating activities	(20,002)	85,988	31,379
Net cash used in investing activities	(70,408)	(49,369)	(33,521)
Net cash from/(used in) financing activities	121,981	(34,512)	(20,282)
Cash and cash equivalents at end of the year	36,451	38,558	16,134

Operating activities

For the year ended 31 December 2008, net cash outflow from operating activities amounted to approximately HK$20.0 million which was mainly attributable to the operating profit before changes in working capital of approximately HK$36.9 million deducted by the increase in trade and other receivables and inventories of approximately HK$35.0 million and HK$18.7 million respectively. The increases in sales and trade and other receivables and inventories for the year end 31 December 2008 were mainly due to the growth in production during the year.

For the year ended 31 December 2009, net cash inflow in operating activities amounted to approximately HK$86.0 million which was mainly attributable to the operating profit before changes in working capital amounted to approximately HK$94.3 million, the increase in trade and other payables of approximately HK$37.9 million and decrease in inventories of approximately HK$9.9 million were deducted by the increase in trade and other receivables of approximately HK$52.5 million. The increases in trade and other receivables and trade and other payables were in line with the growth in turnover of the Group. As disclosed above, the decrease in inventory level was primarily due to the decrease in paper prices in 2009.

For the year ended 31 December 2010, net cash inflow from operating activities amounted to approximately HK$31.4 million. The net cash generated from operating activities primarily consisted of operating profit before changes in working capital of approximately HK$98.1 million and was partially offset by the decrease in trade and other payables of approximately HK$4.6 million, the increase in inventories of approximately HK$21.4 million and the increase in trade and other receivables of approximately HK$42.5 million. The increase in trade and other receivables and inventories were in line with the growth in turnover of the Group.

Investing activities

Net cash outflow in investing activities amounted to approximately HK$70.4 million, HK$49.4 million and HK$33.5 million during the Track Record Period respectively. The cash used in investing activities during the Track Record Period was mainly used in the purchase of property, plant and equipment amounting to approximately HK$71.6 million, approximately HK$50.7 million and approximately HK$33.8 million.

Financing activities

For the year ended 31 December 2008, net cash generated from financing activities amounted to approximately HK$122.0 million, which was mainly attributable to the increase in the amounts due to the intermediate holding company of approximately HK$82.3 million and proceeds from bank borrowings of approximately HK$51.7 million and partially offset by dividend paid of approximately HK$4.3 million and capital element of finance lease liabilities paid of approximately HK$4.2 million.

For the year ended 31 December 2009, net cash used in financing activities amounting to approximately HK$34.5 million was mainly attributable to the decrease in amounts due to the intermediate holding company (being approximately HK$33.7 million), repayments of bank borrowing of approximately HK$5.2 million and capital element of finance lease liabilities paid of approximately HK$4.4 million and which was partially offset by proceeds of bank borrowings of approximately HK$10.0 million.

For the year ended 31 December 2010, net cash used from financing activities amounted to approximately HK$20.3 million which was mainly attributable to the decrease in amounts due to the intermediate holding company of approximately HK$29.8 million, dividend paid of approximately HK$30.0 million, repayments on bank borrowings of approximately HK$10.1 million and capital element of finance lease liabilities paid of approximately HK$9.6 million and which was partially offset by proceeds of bank borrowings of approximately HK$39.1 million and proceeds from the issue of share capital equal to approximately HK$21.8 million.

INDEBTEDNESS

At the close of business on 31 May 2011, which is the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the publication of this prospectus, the Group had bank borrowings of approximately HK$64.3 million and finance lease liabilities of approximately HK$16.3 million.

At the close of business on 31 May 2011, unutilised banking facilities available to the Group amounted to approximately HK$145.0 million. As confirmed by the Directors, none of the loans or banking facilities contained cross-default provisions and the Group has never delayed or defaulted in any repayment of bank or other borrowings during the Track Record Period.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2011, any debt securities authorised or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rate of exchange prevailing as at 31 May 2011.

DISTRIBUTABLE RESERVE

As at 31 December 2010, the distributable reserve of the Group was approximately HK$216.5 million.

RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the Board would meet periodically to analyse and formulate strategies to manage the Group's exposure to a variety of risks arising from its operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner.

WORKING CAPITAL

The Directors are of the opinion that after taking into account the cash flow generated from the operating activities, the existing financial resources available to the Group including internally generated funds, the available banking facilities and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for its present requirements for the next 12 months from the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in the Group's financial or trading position since 31 December 2010 (being the date to which the Group's latest audited combined financial statements were prepared up) which was set out in the Accountants' Report.

DIVIDENDS

For each of the three years ended 31 December 2010, 1010 Group declared dividends of HK$4.3 million, nil and HK$30.0 million, respectively. Subsequent to the year ended 31 December 2010, 1010 Group also declared a dividend of HK$20.0 million. As at the Latest Practicable Date, all outstanding dividends payable had been fully settled. The Company may declare dividends after taking into account, among other things, the results of the Group, cash flows and financial condition and position, operating and capital requirements. The amount of distributable profits is based on HKFRS, the Memorandum and Bye-laws, the Companies Act, applicable laws and regulations and other factors that are relevant to the Group, including, but not limited to, the consent from certain banks which have credit lines with the Group.

The Company has not declared any dividend since incorporation and, currently, the Group has neither formulated any dividend policy nor determined any target dividend payout rate after Listing. Nevertheless, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

PROPERTY INTERESTS

The Group does not own any property. As at the Latest Practicable Date, all properties utilised by the Group were leased from Independent Third Parties on normal commercial terms following arm's length negotiations. BMI Appraisals, an independent property valuer, has valued the Group's property interests as at 30 April 2011 and is of the opinion that the value of its property interests is of no commercial value. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

At the Latest Practicable Date, the Directors confirm that there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted net tangible assets of the Group which is based on the audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2010 as shown in the Accountants' Report, is adjusted as follows:

The purpose of this statement of unaudited pro forma adjusted net tangible assets is to illustrate the net tangible assets of the Group as a result of the Listing based on the audited combined net tangible assets of the Group as at 31 December 2010. Please note that the above statement of unaudited pro forma adjusted net tangible assets is prepared for illustrative purposes only, and that because of its nature, it may not give a true picture of the Company's financial position or results. Please refer to Appendix II to this prospectus for the opinion of the reporting accountants in relation to the unaudited pro forma adjusted net tangible assets.

	Audited combined net tangible assets attributable to the owners of the Company as at 31 December 2010	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK cents*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Offer Price of HK$0.70 per Offer Share	297,503	71,500	369,003	73.80
Based on the Offer Price of HK$0.90 per Offer Share	297,503	96,500	394,003	78.80

Notes:

(1) The audited combined net tangible assets attributable to the owners of the Company as at 31 December 2010 are based on audited combined net assets attributable to owners of the Company as at 31 December 2010 as set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on 125,000,000 Offer Shares and the Offer Price of HK$0.70 or HK$0.90, being the low or high end of the stated Offer Price range per Offer Share, after deduction of the underwriting fees and related expenses payable of approximately HK$16 million as estimated by the directors of the Company in connection with the Share Offer and takes no account of any Shares which may be issued by the Company pursuant to Appendix V to this prospectus.

(3) The unaudited pro forma adjusted combined net tangible assets per Offer Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer. It does not take into account any Offer Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Offer Shares referred to in Appendix V to this prospectus or otherwise.

FUTURE PLANS

Please refer to the section headed "Business – Business strategies" in this prospectus for a detailed description of the Group's future plans.

USE OF PROCEEDS FROM THE SHARE OFFER

Based on the Offer Price of HK$0.80 per Offer Share (being the mid-point of the estimated range of the Offer Price), the net proceeds from the Share Offer are expected to be approximately HK$84 million after deducting the underwriting fees and commissions and estimated expenses payable by the Group in relation to the Share Offer.

The Directors intend to use the net proceeds for the following purposes:

- approximately HK$41 million (being approximately 48.8% of net proceeds) for the purchase of new machinery and equipment including new offset printing press, digital printing press(es) and new hardcover line(s), which is expected to be completed before the end of 2011 in order to, among other things, increase the Group's year-on-year maximum printing capacity (with plate changes) by approximately 13.0% and 8.9% for the years ending 31 December 2011 and 2012, respectively, as further detailed in the section headed "Business – Business strategies" in this prospectus;

- approximately HK$30 million (being approximately 35.7% of net proceeds) for the development of the PRC book publishing brokerage and promotion business. As a publishing broker and promoter, the Group will act as an intermediary for international book publishers and relevant licensed parties in the PRC. The Group will be responsible for co-ordinating the translation, printing and distribution of books in the PRC but shall not be engaged in any activities which may require specific licences or authorisations in the PRC. While the existing plan of the Group is to utilise such proceeds for the book publishing brokerage and promotion business in the PRC, investors should be aware that the Group's ability to execute such business plan may depend on the Group's ability to identify suitable PRC publishing partners that possess the requisite licences and rights to carry out the publishing business in the PRC. For more details on the Group's plans, please refer to the section headed "Business – Business strategies" in this prospectus;

- approximately HK$5 million (being approximately 6.0% of net proceeds) for the development of the Group's electronic book conversion services; and

- the remaining amount will be used for funding working capital and general corporate purposes.

If the Offer Price is fixed at HK$0.90, being the high end of the stated Offer Price range, the net proceeds will be increased by HK$12.5 million. The Directors currently intend to use such additional proceeds for the development of the PRC book publishing brokerage and promotion business.

If the Offer Price is fixed at HK$0.70, being the low end of the stated Offer Price range, the net proceeds will be decreased by HK$12.5 million. The Directors currently intend to reduce the proceeds used for the development of the PRC book published brokerage and promotion business.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if the Group is unable to effect any part of its future development plans as intended, the Group intends to place the net proceeds on deposit with banks or other financial institutions or held in government issued securities.

If there is any material modification to the use of proceeds as described above, the Company will issue an announcement in relation to the modification.

PUBLIC OFFER UNDERWRITERS

Joint Lead Managers

Investec Capital Asia Limited

Haitong International Securities Company Limited

Public Offer Underwriters

Kingston Securities Limited

Guosen Securities (HK) Capital Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering for subscription of 12,504,000 Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (ii) the agreement of the Offer Price on or before the Price Determination Date. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (on behalf of the Public Offer Underwriters) shall be entitled to terminate the Public Offer Underwriting Agreement upon the occurrence of any of the following events by notice in writing to the Company with immediate effect at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") if prior to the Termination Time,

(a) there comes to the notice of the Joint Lead Managers or any of the Public Offer Underwriters:

(i) any matter or event showing any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement given by, among others, the Company to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement (other than the Joint Lead Managers and the Public Offer Underwriters) which, in any such cases, is considered, in the sole and absolute opinion of the Joint Lead Managers, to be material in the context of the Share Offer; or

(ii) any statement contained in this prospectus, the Application Forms, the web proof information pack, the formal notice and any announcements issued by the Company in connection with the Share Offer (including any supplement or amendment to each of the said documents) has become or been discovered to be untrue, incorrect or misleading in any respect which is considered, in the sole and absolute opinion of the Joint Lead Managers, to be material in the context of the Share Offer; or

(iii) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being an event, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any respect, and which is considered, in the sole and absolute opinion of the Joint Lead Managers, to be material in the context of the Share Offer; or

(iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole opinion of the Joint Lead Managers, a material omission in the context of the Share Offer; or

(v) any event, act or omission which gives or is likely to give rise to any liability of the Company and any of the executive Directors or the Controlling Shareholders arising out of or in connection with the breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement; or

(vi) any breach by any party to the Public Offer Underwriting Agreement (other than the Joint Lead Managers and the Public Offer Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of the Joint Lead Managers, is material; or

(b) there shall have developed, occurred, existed, or come into effect any event or series of events, matter or circumstance whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the BVI, Bermuda, the United States, Australia, the United Kingdom or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(ii) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the PRC, the BVI, Bermuda, the United States, Australia, the United Kingdom or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group, the local, regional or international financial, equity securities, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

(iii) any change in the system under which the value of the HK dollars or Renminbi is linked to that of the US dollars; or

(iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, the BVI, Bermuda, the United States, Australia, the United Kingdom or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law, rule, or regulation to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of the Group; or

(vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the United States, Australia, the United Kingdom or any other country or organisation on Hong Kong, the PRC or any other jurisdiction relevant to the Group; or

(viii) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance service in or affecting the PRC, Hong Kong or any other jurisdiction relevant to the Group; or

(ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, tsunami, fire, flood, explosion, epidemic, terrorism (whether or not responsibility has been claimed), strike or lock-out; or

(x) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting Hong Kong, the PRC, the United States, Australia, the United Kingdom or any other jurisdiction relevant to the Group; or

(xi) a demand by any creditor for repayment or payment of any material indebtedness of any other member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xii) any material loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xiii) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xiv) any litigation or claim of importance of any third party being instigated or threatened against any member of the Group;

which, in the sole and absolute opinion of the Joint Lead Managers:

(1) is or will be, or is likely to be adverse to the business, financial, trading or other condition or prospects of the Group taken as a whole or any member of the Group; or

(2) has or will have or is likely to have an adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Share Offer; or

(3) for any other reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Share Offer as a whole.

For the above purpose:

(a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Lock-up undertakings to the Public Offer Underwriters

Undertakings by the Company

The Company has undertaken to the Joint Lead Managers (on behalf of all the Public Offer Underwriters) that, and the Controlling Shareholders have undertaken to the Joint Lead Managers (on behalf of all the Public Offer Underwriters) to procure that:

(a) except for the issue of Shares pursuant to the Share Offer or as otherwise with the Joint Lead Managers' prior written consent, and unless in compliance with the Listing Rules, the Company will not, and will procure none of its subsidiaries will, at any time during the period commencing from the date of this prospectus in which disclosure of its shareholding in the Company is made and ending on the date falling six months from the Listing Date (the "**First Six-Month Period**") (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital, debt capital or any securities of the Company or any of its subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or interest therein as described in paragraph (i) above; or (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above, whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

(b) in the event of the Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of the Company or any of its subsidiaries or any interest therein by virtue of the aforesaid exceptions or during the six-month period commencing from the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), the Company will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of the Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to the Joint Lead Managers (on behalf of all the Public Offer Underwriters) that:

(a) it will not, and will procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it will not, without the Joint Lead Managers' prior written consent and unless in compliance with the Listing Rules, at any time during the First Six-Month Period (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of the Company or any securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of the Company or any interest therein; or (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above, whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so;

(b) it will not, and will procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it will not, at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a Controlling Shareholder of the Company or would together with the other Controlling Shareholders cease to be, or regarded as, Controlling Shareholders of the Company; and

(c) until expiry of the Second Six-Month Period, in the event that it enters into any such transactions in paragraph (a)(i), (ii) or (iii) above or agrees or contracts to or publicly announces an intention to enter into any such transactions by virtue of the aforesaid exceptions, it will take all reasonable steps to ensure that such action will not create a disorderly or false market in the Shares or other securities of the Company.

Each of the Controlling Shareholders has jointly and severally undertaken to the Joint Lead Managers (on behalf of all the Public Offer Underwriters) that at any time during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling twelve months from the Listing Date, it will:

(i) when it pledges or charges any Shares or other securities or interests in the securities of the Company in respect of which it is the beneficial owner, immediately inform the Company, the Sponsor and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of the Company and nature of interest so pledged or charged; and

(ii) when it receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company, the Sponsor and the Stock Exchange in writing of any such indication.

The Company has undertaken to the Sponsor, and each of the Controlling Shareholders has jointly and severally undertaken to the Sponsor that it will procure the Company to, inform the Stock Exchange as soon as the Company has been informed of the matters mentioned in paragraphs (i) and (ii) immediately above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, the Controlling Shareholders have irrevocably and unconditionally undertaken to the Stock Exchange and the Company that they shall not, and shall procure that any registered holder(s) controlled by any of them or their nominees or trustees holding in trust for any of them not to, (i) in the First Six-Month Period, dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of the Company or any interests therein owned by any of them or in which any of them is, directly or indirectly, interested immediately after completion of the Share Offer; and (ii) in the Second Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a Controlling Shareholder of the Company (save, in either case, pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance) for a bona fide commercial loan).

The Controlling Shareholders have irrevocably and unconditionally undertaken to the Company and the Stock Exchange that they will, within a period of commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform the Company in writing of:

(a) any pledges or charges of any securities of the Company beneficially owned by them, whether directly or indirectly, in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such securities of the Company so pledged or charged; and

(b) any indication received by them, either verbal or written, from any pledgee or chargee of any securities of the Company pledged or charged that any of such securities will be disposed of.

Placing

In connection with the Placing, it is expected that the Company and the Controlling Shareholders will enter into the Placing Underwriting Agreement with the Joint Lead Managers and the Placing Underwriters, on terms and conditions that are substantially similar to those in the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, the Placing Shares initially being offered pursuant to the Placing. The Reserved Shares offered pursuant to the Preferential Offered will also be underwritten by the Placing Underwriters under the Placing Underwriting Agreement. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, the Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed ''Lock-up undertakings to the Public Offer Underwriters'' above in this section.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Public Offer Shares in accordance with the terms of the Public Offer Underwriting Agreement; the Placing Underwriters are expected to receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Placing Shares and the Reserved Shares in accordance with the Placing Underwriting Agreement. Out of such underwriting commissions, the Underwriters may pay any sub-underwriting commission in connection with the Share Offer. Assuming an Offer Price of HK$0.80 per Offer Share (being the mid-point of the indicative Offer Price range between HK$0.70 and HK$0.9), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK$2.5 million in total, which will be payable by the Company.

SPONSOR'S AND UNDERWRITERS' INTEREST IN THE COMPANY

The Sponsor will receive a documentation fee. The Joint Lead Managers and the other Underwriters will or are expected to receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Underwriting arrangements and expenses – Commission and expenses" above.

The Company has appointed Investec as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the year ending 31 December 2012.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of the Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

The Directors and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

THE SHARE OFFER

This prospectus is published in connection with the Public Offer and the Preferential Offer as part of the Share Offer. Investec is the Sponsor of the Share Offer; Investec and Haitong are the Joint Bookrunners and Joint Lead Managers of the Share Offer.

The Share Offer consists of (subject to adjustment):

- the Public Offer of 12,504,000 Shares as described below in the sub-section headed "The Public Offer" in this section;
- the Placing of 99,964,164 Shares as described below in the sub-section headed "The Placing" in this section; and
- the Preferential Offer, under which the Company is offering up to 12,531,836 Shares, being the Reserved Shares, for subscription by the Qualifying Recruit Shareholders as described below in the sub-section headed "The Preferential Offer" in this section.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both (except those eligible to apply for the Reserved Shares in the Preferential Offer may apply for the Public Offer Shares under the Public Offer). The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Preferential Offering is open only to Qualifying Recruit Shareholders.

The number of Shares to be offered under the Share Offer may be subject to re-allocation as described in the sub-section headed "Basis of Allocation" in this section.

PRICING

Offer Price range

The Offer Price will be not more than HK$0.90 per Offer Share and is expected to be not less than HK$0.70 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer and the Preferential Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

PRICE PAYABLE ON APPLICATION

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK$0.90 (plus the brokerage, the SFC transaction levy and the Stock Exchange trading fee) for each Public Offer Share. If the Offer Price is less than HK$0.90, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to the applicants whose applications are successful. Please refer to the section headed "Further terms and conditions of the Public Offer and the Preferential Offer – 8, Refund of application monies" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Placing Underwriters will solicit from prospective investors indications of interest in acquiring the Shares under the Placing. Prospective investors will be required to specify the number of the Placing Shares which they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, Friday, 15 July 2011.

The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (on behalf of the Underwriters) and the Company on the Price Determination Date, when market demand for the Public Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 15 July 2011 and in any event, no later than Friday, 22 July 2011.

If, for any reason, the Company and the Joint Lead Managers (on behalf of the Public Offer Underwriters) are unable to reach agreement on the Offer Price on or before Friday 22 July 2011, the Share Offer will not proceed.

REDUCTION IN OFFER PRICE RANGE AND/OR NUMBER OF PUBLIC OFFER SHARES

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Lead Managers (on behalf of the Underwriters) considers it appropriate, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer and the Preferential Offer, provided that it will not result in the Company not fulfilling the requirement under Rule 8.05(2)(d) of the Listing Rules.

In this case, the Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also be available on the website of the Company at **www.1010printing.com** and the website of the Stock Exchange at **www.hkexnews.hk**. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares and Reserved Share, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer and the Preferential Offer. Applicants under the Public Offer and the Preferential Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or number of Offer Shares is so reduced.

BASIS OF ALLOCATION

The Shares to be offered under the Share Offer (excluding the Reserved Shares) may, in certain circumstances, be reallocated as between these offerings at the sole discretion of the Joint Lead Managers.

Allocation of the Placing Shares pursuant to the Placing will be solely determined by the Joint Lead Managers and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of the Company and the Shareholders as a whole.

Allocation of the Public Offer Shares to the investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by the applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

ANNOUNCEMENT OF OFFER PRICE

The final Offer Price, level of applications in the Public Offer and the Preferential Offer, the level of indications of interest in the Placing, and the basis of allocations of the Public Offer Shares and the Reserved Shares are expected to be announced on Friday, 22 July 2011 in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), the website of the Company at **www.1010printing.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

Results of allocations in the Public Offer the Preferential Offer including the Hong Kong identity card/passport/Hong Kong business registration numbers of the successful applicants and the number of Public Offer Shares and Reserved Shares successfully applied for will be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares and Reserved Shares – III. Publication of results, despatch/collection of Share certificates and refunds of application monies" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFER

Acceptance of all applications for the Public Offer Shares and Reserved Shares pursuant to the Public Offer and the Preferential Offer will be conditional on among other matters:

- the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (subject only to allotment) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Main Board;
- the Offer Price having been duly agreed between the Company and the Joint Lead Managers (on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the relevant Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

The consummation of each of the Public Offer, the Placing and the Preferential Offer is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived (as applicable), prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer and the Preferential Offer will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company at **www.1010printing.com** and the website of the Stock Exchange at **www.hkexnews.hk** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "Further terms and conditions of the Public Offer and the Preferential Offer – 8. Refund of application monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE PUBLIC OFFER

The Company is initially offering 12,504,000 Offer Shares, representing approximately 10% of the 125,000,000 Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong at the Offer Price. The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of HK$5.0 million or less; and

- Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of more than HK$5.0 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application nor more than 6,252,000 Public Offer Shares (being 50% of the total Public Offer Shares initially available under the Public Offer will be rejected.

The allocation of Offer Shares (save for the Reserved Shares) between the Public Offer and the Placing is subject to the following adjustments:

- if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be 37,504,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Share Offer;

- if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Offer Shares available under the Public Offer will be 50,004,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Share Offer; and

- if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of Offer Shares available under the Public Offer will be 62,504,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Share Offer.

In such cases, the number of Offer Shares allocated to the Placing (save for the Reserved Shares) will correspondingly be reduced, and such additional Public Offer Shares will be reallocated to Pool A and Pool B in the Public Offer in such manner as the Joint Lead Managers deem appropriate.

Subject to the above, the Joint Lead Managers have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing or all or any unsubscribed Placing Shares to the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers.

Each applicant under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares (save in respect of the Reserved Shares applied for pursuant to the Preferential Offer), and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue or he or she has been or will be placed or allocated Offer Shares under the Placing (save in respect of the Reserved Shares applied for pursuant to the Preferential Offer).

The Company, the Directors and the Public Offer Underwriters will take reasonable steps to identify and reject applications under the Public Offer from the investors who have received Offer Shares under the Placing (save in respect of the Reserved Shares applied for pursuant to the Preferential Offer), and to identify and reject indications of interest in the Placing (save for the Preferential Offer) from the investors who have received Offer Shares under the Public Offer.

The Joint Lead Managers (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing (save in respect of the Reserved Shares applied for pursuant to the Preferential Offer), and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant application under the Public Offer and to ensure that it is excluded from any application for Offer Shares under the Public Offer.

The documents to be issued in connection with the Public Offer (comprising this prospectus and the Application Forms) will not be registered under any applicable securities legislation of any jurisdiction other than Hong Kong.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer and/or the Preferential Offer.

THE PLACING

The Placing will consist of initially 99,964,164 Offer Shares, representing approximately 80.0% of the total number of Offer Shares initially available under the Share Offer which will be offered by the Company outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional and institutional investors in Hong Kong. The Placing will include selective marketing of Offer Shares to professional, institutional, corporate and other investors (excluding retail investors) anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S under the U.S. Securities Act. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the paragraph headed "Pricing – Determination of the Offer Price" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

THE PREFERENTIAL OFFER

In order to enable shareholders of Recruit to participate in the Public Offer on a preferential basis as to allocation only, Qualifying Recruit Shareholders are being invited to apply for an aggregate of up to 12,531,836 Reserved Shares (representing approximately 10.0% of the Offer Shares initially available under the Public Offer and approximately 2.5% of the enlarged issued share capital of the Company upon completion of the Public Offer) in the Preferential Offer on the basis of an Assured Entitlement of 236 Reserved Shares for every whole multiple of 6,000 Recruit Shares held by them as at 4:30 p.m. on the Record Date. Any Qualifying Recruit Shareholders holding less than 26 Recruit Shares will not be entitled to apply for the Reserved Shares. The Reserved Shares are being offered out of the Placing Shares under the Placing, expected to be underwritten by the Placing Underwriters and are not subject to the clawback mechanism as described in the sub-section headed "The Public Offer" in this section.

The Assured Entitlements may represent Shares which are not in a multiple of a full board lot of 4,000 Shares. Dealings in odd lots of Shares may be at or below their prevailing market price.

A **BLUE** Application Form will be despatched on or before Monday, 11 July 2011 to each Qualifying Recruit Shareholder, as the case may be, with an Assured Entitlement together with an electronic copy of this prospectus on CD-ROM. Qualifying Recruit Shareholders are permitted to apply for a number of Reserved Shares which is equal to or less than their Assured Entitlements under the Preferential Offer. A valid application in respect of a number of Reserved Shares equal to or less than a Qualifying Recruit Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth in this prospectus and the **BLUE** Application Form. If an application is made for a number of Reserved Shares which is greater than the Assured Entitlement of a Qualifying Recruit Shareholder, the Assured Entitlement will be satisfied in full but the excess portion of such application will not be met and the excess application monies will be refunded. If an application is made for a number of Reserved Shares less than the Assured Entitlement of a Qualifying Recruit Shareholder, the applicant is **recommended** to apply for a number in one of the numbers of full board lots stated in the table of number of Shares that may be applied for and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each number of full board lots of Reserved Shares. If such applicant does not follow this recommendation when applying for less than the Assured Entitlement, the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of number of Shares that may be applied for and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant. The Joint Lead Managers, on behalf of the Underwriters, will allocate any Assured Entitlements not taken up by Qualifying Recruit Shareholders to the Placing.

In addition to any application for the Reserved Shares on a **BLUE** Application Form, Qualifying Recruit Shareholders will be entitled to make one application for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider via the **White Form eIPO** service. Qualifying Recruit Shareholders will receive no preference as to entitlement or allocation in respect of applications for Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the White Form eIPO Service Provider under the Public Offer.

Assured Entitlements of Qualifying Recruit Shareholders are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. The Reserved Shares being offered pursuant to the Preferential Offer are being offered out of the Placing Shares.

The procedures for application under, and the terms and conditions of, the Preferential Offer are set forth in the sections headed "How to apply for the Public Offer Shares and Reserved Shares" and "Further terms and conditions of the Public Offer and the Preferential Offer" in this prospectus and on the **BLUE** Application Form.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their licensed securities dealers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Public Offer and the Preferential Offer become unconditional at or before 8:00 a.m. on Monday, 25 July 2011, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 25 July 2011. The Shares will be traded in board lots of 4,000 Shares. The stock code of the Shares is 1127.

MIXED MEDIA OFFER

The Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of this prospectus are identical to the electronic form prospectus which can be accessed and downloaded from the websites of the Company at **www.1010printing.com**, under the "Investor Relations>Prospectus" section, and the Stock Exchange at **www.hkexnews.hk**, under the "HKExnews>Listed Company Information>Latest Listed Company Information" section, respectively.

Members of the public who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 30 June 2011 until 12:00 noon on Friday, 15 July 2011 at the following locations:

1. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong;

2. any of the following addresses of the Sponsor and/or the Public Offer Underwriters:

   Investec Capital Asia Limited, 3609, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; or

   Haitong International Securities Company Limited, 25/F, New World Tower, 16-18 Queen's Road Central, Hong Kong; or

   Guosen Securities (HK) Capital Company Limited, Suite 2802 One Exchange Square, 8 Connaught Place, Central, Hong Kong; or

   Kingston Securities Limited, 2801, 28/F One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

3. any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island:	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central, Hong Kong
Kowloon:	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui, Kowloon
New Territories:	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi, New Territories

During normal business hours from 9:00 a.m. on Thursday, 30 June 2011 until 12:00 noon on Friday, 15 July 2011, at least three copies of this printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in the paragraph headed "I. How to apply for the Public Offer Shares – 3. Where to collect this prospectus and Application Forms" in this section.

I. HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and are 18 years of age or older.

Save as under the circumstances permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or any person(s) for whose benefit you are applying are/is:

- an existing beneficial owner of Shares;
- the chief executive or a Director of the Company or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a Connected Person of the Company or a person who ill become a Connected Person of the Company immediately upon completion of the Share Offer;
- a legal or natural person of the PRC (other than Hong Kong, Macau and Taiwan) (except qualified domestic institutional investors);
- inside the United States (as defined in Regulation S under the U.S. Securities Act) and you are not a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act;
- a person who does not have a Hong Kong address; or
- have been allocated or have applied for Shares under the Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer).

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Company, the Joint Lead Managers or the Underwriters (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

If you wish to apply for Public Offer Shares online through the designated website at **www.eipo.com.hk**, referred to herein as the "**White Form eIPO**" service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and

- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

The Company, the Joint Lead Managers and the **White Form eIPO** Service Provider, in their capacity as the Company's agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

You should also note that you may apply for the Offer Shares under the Public Offer or indicate an interest for the Offer Shares under the Placing, but may not do both (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer).

2. CHANNELS OF APPLYING FOR THE PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by one of the following channels:

- using a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name;

- instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at **www.eipo.com.hk** if you want the Public Offer Shares to be issued in your own name;

- using a **YELLOW** Application Form if you want the Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or

- instead of using a **YELLOW** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the White Form eIPO Service Provider under the **White Form eIPO** service.

3. WHERE TO COLLECT THIS PROSPECTUS AND APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 am on Thursday, 30 June 2011 until 12:00 noon on Friday, 15 July 2011 from:

(a) Any of the following addresses of the Public Offer Underwriters:

Investec Capital Asia Limited, 3609, 36/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong; or

Haitong International Securities Company Limited, 25/F, New World Tower, 16-18 Queen's Road Central, Hong Kong; or

Guosen Securities (HK) Capital Company Limited, Suite 2802 One Exchange Square, 8 Connaught Place, Central, Hong Kong; or

Kingston Securities Limited, 2801, 28/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

(b) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch Name	**Address**
Hong Kong Island:	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central, Hong Kong
	Yun Ping Road Branch	G/F to 2/F, Fortune Centre, 4-48 Yun Ping Road, Causeway Bay, Hong Kong
Kowloon:	Kwun Tong Branch	1A Yue Man Square, Kwun Tong, Kowloon
	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui, Kowloon
New Territories:	Yuen Long Branch	140, Yuen Long Main Road, Yuen Long, New Territories
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi, New Territories

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 30 June 2011 until 12:00 noon on Friday, 15 July 2011 from:

(a) the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

(b) your licensed securities dealers who may also have such Application Forms and this prospectus available.

4. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain an Application Form as described in the paragraph headed "3. Where to collect this prospectus and Application Forms" above.

(b) Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

(c) Each application form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out in the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out in the Application Form.

(d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations, as, respectively, referred to in sub-paragraph (a) of the paragraph headed "7. When may applications be made" below.

In order for an application made on a **YELLOW** Application Form to be valid:

(a) You, as the applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(b) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant), the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(c) If the application is made by an individual CCASS Investor Participant:

  (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

  (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(d) If the application is made by a joint individual CCASS Investor Participant:

  (i) the Application Form must contain all joint CCASS Investor Participants' names and their Hong Kong identity card numbers; and

  (ii) the CCASS Investor Participant's I.D. must be inserted in the appropriate box in the Application Form.

(e) If the application is made by a corporate CCASS Investor Participant:

(i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

(ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of the participant I.D. or other similar matters may render the application invalid.

5. HOW TO APPLY THROUGH WHITE FORM eIPO

(a) General

(i) If you are an individual and meet the criteria set out in "1. Who can apply for the Public Offer Shares" above, you may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO**, the Offer Shares will be issued in your own name.

(ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application maybe rejected by the designated White Form eIPO Service Provider and may not be submitted to the Company.

(iii) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(iv) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated White Form eIPO Service Provider to transfer the details of your application to the Company and the Company's Hong Kong Share Registrar.

(v) You may submit an application through the **White Form eIPO** service in respect of a minimum of 4,000 Public Offer Shares. Each electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(vi) You should give electronic application instructions through **White Form eIPO** at the times set out in the section headed "7. When may applications be made – (b) **White Form eIPO**" below.

(vii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Friday, 15 July 2011, or such later time as described under the sub-paragraph headed "7. When may applications be made – (e) Effects of bad weather conditions on the opening of the application lists" below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

(viii) Warning: The application for Public Offer Shares through the White Form eIPO service is only a facility provided by the designated White Form eIPO Service Provider to public investors. The Company, the Directors, the Joint Lead Managers, the Sponsor and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to the Company or that you will be allotted any Public Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form. See the paragraph headed "8. How many applications may be made" below.

(b) Environmental protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "1010 PRINTING GROUP LIMITED" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of the "Source of DongJiang – Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form. Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf. You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company, the Joint Lead Managers and the Hong Kong Share Registrar.

(b) Minimum subscription amount and permitted numbers

You may give electronic application instructions in respect of a minimum of 4,000 Public Offer Shares. Each electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

(c) Warning

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either:

(i) submit a WHITE or YELLOW Application Form; or

(ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 15 July 2011, or such later time as described under the paragraph headed "7. When may applications be made – (e) Effect of bad weather conditions on the opening of the application lists" below.

7. WHEN MAY APPLICATIONS BE MADE

(a) Applications using WHITE or YELLOW Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited listed under the paragraph headed "3. Where to collect this prospectus and Application Forms" above at the following times:

Thursday, 30 June 2011	–	9:00 a.m. to 5:00 p.m.
Saturday, 2 July 2011	–	9:00 a.m. to 1:00 p.m.
Monday, 4 July 2011	–	9:00 a.m. to 5:00 p.m.
Tuesday, 5 July 2011	–	9:00 a.m. to 5:00 p.m.
Wednesday, 6 July 2011	–	9:00 a.m. to 5:00 p.m.
Thursday, 7 July 2011	–	9:00 a.m. to 5:00 p.m.
Friday, 8 July 2011	–	9:00 a.m. to 5:00 p.m.
Saturday, 9 July 2011	–	9:00 a.m. to 1:00 p.m.
Monday, 11 July 2011	–	9:00 a.m. to 5:00 p.m.
Tuesday, 12 July 2011	–	9:00 a.m. to 5:00 p.m.
Wednesday, 13 July 2011	–	9:00 a.m. to 5:00 p.m.
Thursday, 14 July 2011	–	9:00 a.m. to 5:00 p.m.
Friday, 15 July 2011	–	9:00 a.m. to 12:00 noon

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Friday, 15 July 2011, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "(e) Effect of bad weather conditions on the opening of the application lists" below.

(b) White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 30 June 2011 until 11:30 a.m. on Friday, 15 July 2011 or such later time as described under the sub-paragraph headed "(e) Effect of bad weather conditions on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 15 July 2011, the last application date, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "(e) Effect of bad weather conditions on the opening of the application lists" below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(c) Electronic application instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants should input electronic application instructions at the following times on the following dates:

Thursday, 30 June 2011	–	9:00 a.m. to 8:30 p.m.(1)
Saturday, 2 July 2011	–	8:00 a.m. to 1:00 p.m.(1)
Monday, 4 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Tuesday, 5 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Wednesday, 6 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Thursday, 7 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Friday, 8 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Saturday, 9 July 2011	–	8:00 a.m. to 1:00 p.m.(1)
Monday, 11 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Tuesday, 12 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Wednesday, 13 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Thursday, 14 July 2011	–	8:00 a.m. to 8:30 p.m.(1)
Friday, 15 July 2011	–	8:00 a.m.(1) to 12:00 noon

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 June 2011 until 12:00 noon on Friday, 15 July 2011 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on Friday, 15 July 2011, the last application day, or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "(e) Effect of bad weather conditions on the opening of the application lists" below.

(d) Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 15 July 2011, except as provided in the sub-paragraph headed "(e) Effect of bad weather conditions on the opening of the application lists" below.

Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(e) Effect of bad weather conditions on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 15 July 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists of the Public Offer do not open and close on Friday, 15 July 2011 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected timetable" in this prospectus, such dates mentioned in the section headed "Expected timetable" in this prospectus may be affected. An announcement will be made in such event.

8. HOW MANY APPLICATIONS MAY BE MADE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Public Offer Shares if and only if you are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application** instructions to HKSCC via CCASS (if you are a CCASS Participant) and; (ii) lodging more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner (or, in the case of joint beneficial owners, for each beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Recruit Shareholder applying for Reserved Shares under the Preferential Offer on a **BLUE** Application Form, as beneficial owner, you may also make one application for the Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application to the White Form eIPO Service Provider at **www.eipo.com.hk**. However, in respect of any application for Offer Shares using the above-mentioned methods, you will not enjoy any preferential treatment accorded to you under the Preferential Offer as described in the section headed "Structure and Conditions of the Share Offer – The Preferential Offer" in this prospectus.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at **www.eipo.com.hk** and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

For further information, please see the section headed "Further terms and conditions of the Public Offer and the Preferential Offer – 5. Multiple applications" in this prospectus.

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK$0.90 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 4,000 Public Offer Shares, you will pay HK$3,636.29. The Application Forms have tables showing the exact amount payable for certain numbers of Public Offer Shares up to 6,252,000 Public Offer Shares. Your application must be for a minimum of 4,000 Public Offer Shares. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price and related brokerage, the SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. You must pay the amount payable upon application for the Public Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

II. HOW TO APPLY FOR THE RESERVED SHARES

1. WHO CAN APPLY FOR THE RESERVED SHARES

Qualifying Recruit Shareholders are entitled to apply on the basis of an Assured Entitlement of 236 Reserved Shares for every whole multiple of 6,000 Recruit Shares held by them as at 4:30 p.m. on the Record Date. You can apply for Reserved Shares if you or any person(s) for whose benefit you are applying are a Qualifying Recruit Shareholder, and

(i) if you are an individual, are 18 years of age or older; and

(ii) if you are a firm, the application must be in the names of the individual members, not the firm's name.

(iii) if you are a body corporate, the application form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Lead Managers (or their agents or nominees) may accept it at its discretion, and subject to any conditions it think fit, including production of evidence of the authority of the attorney.

The Reserved Shares are not available to persons who are or persons for whose benefit an application is made are (i) legal or natural persons of the PRC (except qualified domestic institutional investors); (ii) inside the United States (as defined in Regulation S under the U.S. Securities Act) and are not a persons described in paragraph (h)(3) of the Rule 902 of Regulation S under the U.S. Securities Act; or (iii) a person who does not have a Hong Kong address.

2. CHANNEL OF APPLYING FOR THE RESERVED SHARES

An application for Reserved Shares under the Preferential Offer may only be made by Qualifying Recruit Shareholders using a **BLUE** Application Form which is being despatched to Qualifying Recruit Shareholders by the Company. Using the **BLUE** Application Form, Qualifying Recruit Shareholders may apply on an assured basis for a number of Reserved Shares less than or equal to their Assured Entitlement, which will be specified on their individual **BLUE** Application Form.

A valid application for a number of Reserved Shares equal to or less than a Qualifying Recruit Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth on the **BLUE** Application Form assuming that the conditions of the Preferential Offer are satisfied. If an application is made for a number of Reserved Shares greater than the Assured Entitlement of a Qualifying Recruit Shareholder, the Assured Entitlement will be satisfied in full but the excess portion of such application will not be met and the excess application monies will be refunded. If an application is made for a number of Reserved Shares less than the Assured Entitlement of a Qualifying Recruit Shareholder, the applicant is recommended to apply for a number in one of the numbers of full board lots stated in the table of number of shares that can be applied for and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each number of full board lots of Reserved Shares; if such applicant does not follow this recommendation when applying for less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of number of shares that can be applied for and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant. The Joint Lead Managers, on behalf of the Underwriters, will allocate any Assured Entitlements not taken up by Qualifying Recruit Shareholders to the Placing.

Qualifying Recruit Shareholders who have applied for Reserved Shares under the Preferential Offer on a **BLUE** Application Form, as beneficial owner, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the White Form eIPO service for the Public Offer Shares in the Public Offer. However, Qualifying Recruit Shareholders will receive no preference as to entitlement or allocation in respect of applications for Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC or through the White Form eIPO Service Provider under the Public Offer.

3. DESPATCH OF THE PROSPECTUS AND BLUE APPLICATION FORMS

A **BLUE** Application Form, together with an electronic copy of this prospectus on CD-ROM, will be despatched on or before Monday, 11 July 2011 to Qualifying Recruit Shareholders by the Company at your address recorded on Recruit's register of members as at 4:30 p.m. on the Record Date if you are a Qualifying Recruit Shareholder with an Assured Entitlement. Persons who held their Recruit Shares as at 4:30 p.m. on the Record Date in CCASS indirectly through a broker or custodian, and wish to participate in the Preferential Offer, should instruct their broker or custodian to apply for the Reserved Shares on their behalves no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC or HKSCC Nominees, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Recruit Shares as at 4:30 p.m. on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offer, should give their instructions to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees. Qualifying Recruit Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or at its hotline 2862 8555.

4. HOW TO APPLY BY USING A BLUE APPLICATION FORM

(a) Complete the **BLUE** Application Form in English in ink, and sign it. There are detailed instructions on each **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.

(b) Each **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the **BLUE** Application Form.

(c) Lodge the **BLUE** Application Form in one of the collection boxes by the time and at one of the locations as described in the paragraph headed "II. How to apply for the Reserved Shares – 5. When may applications be made" in this section.

5. WHEN MAY APPLICATIONS BE MADE

(a) Applications on BLUE Application Forms

Your completed **BLUE** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed in the paragraph headed "I. How to apply for the Public Offer Shares – 3. Where to collect this prospectus and Application Forms" above or at the office of Computershare Hong Kong Investor Services Limited at 17M Floor, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at the following times:

Monday, 11 July 2011	–	9:00 a.m. to 4:30 p.m.
Tuesday, 12 July 2011	–	9:00 a.m. to 4:30 p.m.
Wednesday, 13 July 2011	–	9:00 a.m. to 4:30 p.m.
Thursday, 14 July 2011	–	9:00 a.m. to 4:30 p.m.
Friday, 15 July 2011	–	9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Friday, 15 July 2011, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "II. How to apply for the Reserved Shares – 5. When may applications be made – (c) Effect of bad weather conditions on the opening of the application lists' in this section.

(b) Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 15 July 2011, save as provided in the sub-paragraph headed "(c) Effect of bad weather conditions on the opening of the application lists" below.

Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(c) Effect of bad weather conditions on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 15 July 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those signals in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

6. HOW MANY APPLICATIONS MAY BE MADE

You should see the sub-section headed "I. How to apply for the Public Offer Shares – 8. How many applications may be made" in this section for the situations where you may make more than one application for the Offer Shares.

III. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

The Company expects to announce the basis of allotment, and the results of applications under the Public Offer and the Preferential Offer on Friday, 22 July 2011 in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), on the Company's website at **www.1010printing.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and/or the Preferential Offer will be made available at the times and date and in the manner specified below:

- results of the allocations for the Public Offer and the Preferential Offer will be available on the Company's website at **www.1010printing.com** and the website of the Stock Exchange at **www.hkexnews.hk** on Friday, 22 July 2011;

- results of the allocations for the Public Offer and the Preferential Offer will be available from the results of allocation website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Friday, 22 July 2011 to 12:00 midnight on Thursday, 28 July 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- results of the allocations will be available from the Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 22 July 2011 to Monday, 25 July 2011; and

- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Friday, 22 July 2011 to Saturday, 23 July 2011 and on Monday, 25 July 2011 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed I. How to apply for the Public Offer Share – "3. Where to collect this prospectus and Application Forms" in this section.

Refund cheques for surplus application monies (if any) under **WHITE**, **YELLOW** or **BLUE** Application Forms and Share certificates for successful applicants under **WHITE** or **BLUE** Application Forms and **White Form eIPO** are expected to be posted and/or available for collection (as the case may be) on or before Friday, 22 July 2011.

Share certificates for the Offer Shares are expected to be issued on Friday, 22 July 2011 but will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Public Offer and the Preferential Offer have become unconditional in all respects and the right of termination described in the section entitled "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus has not been exercised.

For further information on arrangements for the despatch/collection of Share certificates and refunds of application monies, please refer to the section headed "Further terms and conditions of the Public Offer and the Preferential Offer" in this prospectus.

1. GENERAL

1.1 If you apply for Public Offer Shares in the Public Offer and/or Reserved Shares in the Preferential Offer, you will be agreeing with the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) as set out below.

1.2 If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

1.3 If you give electronic application instructions to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk**, you will have authorised the designated **WHITE Form eIPO** Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **WHITE Form eIPO** service.

1.4 In this section, references to "you", "applicant(s)", "joint applicant(s)" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for Public Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

1.5 Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC and/or the **White Form eIPO** Service Provider prior to making any application for Public Offer Shares and/or the Reserved Shares.

2. OFFER TO SUBSCRIBE FOR THE PUBLIC OFFER SHARES AND RESERVED SHARES

2.1 You offer to subscribe for at the Offer Price the number of the Public Offer Shares and/or Reserved Shares indicated in your Application Form or by giving electronic application instructions to HKSCC or by applying online through **White Form eIPO** Service Provider under the **White Form eIPO** Service (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form and the additional information provided by the **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk** for the **White Form eIPO** service.

2.2 For applicants using **WHITE**, **YELLOW** or **BLUE** Application Form or through **White Form eIPO** service, a refund cheque or e-Refund payment instructions in respect of the surplus application monies (if any) representing the Public Offer Shares and/or Reserved Shares applied for but not allocated to you or representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto) is expected to be sent to you by ordinary post at your own risk to the address stated on your Application Form or your application payment account (if any) on or before Friday, 22 July 2011.

For applications made via the **White Form eIPO** service where payment of applications monies are made through single bank account, e-Refund payment instructions in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage, the SFC transaction levy and Stock Exchange trading fee attributable thereto), is expected to be despatched to the application payment accounts on or before Friday, 22 July 2011.

For applicants applying through the **WHITE Form eIPO** service by paying the application monies through multiple bank accounts, the refund cheque(s) in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and/or representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you by ordinary post at your own risk to the address stated on your application instructions to the designed **WHITE Form eIPO** Service Provider on or before Friday, 22 July 2011.

Details of the procedure for refunds relating to each of the Public Offer and/or the Preferential Offer methods are contained in the paragraphs headed "7. If your application for Public Offer Shares and/or Reserved Shares is successful (in whole or in part)", "8. Refund of application monies" and "10. Additional information for applicants applying by giving electronic application instructions to HKSCC" below.

2.3 Any application may be rejected in whole or in part.

2.4 Applicants under the Public Offer and/or Preferential Offer should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance as applied by section 342E of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

2.5 The section of the Application Form headed "Personal data" applies to any personal data held by the Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

3. ACCEPTANCE OF YOUR OFFER

3.1 The Public Offer Shares and/or Reserved Shares will be allocated after the application lists close. The Directors expect to announce the Offer Price, the level of applications under the Public Offer and the Preferential Offer, the final number of Public Offer Shares and Reserved Shares and the basis of allocations of the Public Offer Shares and the Reserved Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Friday, 22 July 2011.

3.2 The results of allocations of the Public Offer Shares under the Public Offer and Reserved Shares under the Preferential Offer, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Public Offer Shares and Reserved Shares successfully applied for, will be made available on Friday, 22 July 2011 in the manner described in the section headed "How to apply for the Public Offer Shares and Reserved Shares – III. Publication of results, despatch/collection of Share certificates and refunds of application monies" in this prospectus.

3.3 The Company may accept your offer to subscribe (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

3.4 If the Company accepts your offer to subscribe (in whole or in part), there will be a binding contract under which you will be required to subscribe the Public Offer Shares and/or Reserved Shares in respect of which your offer has been accepted if the conditions of the Public Offer are satisfied or the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

3.5 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other rights which you may have.

4. EFFECT OF MAKING ANY APPLICATION

4.1 By completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

(A) **instruct** and **authorise** the Company and/or the Joint Lead Managers (or their respective agents or nominees), each acting as an agent of the Company, to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Offer Shares allotted to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Bye-Laws and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

(B) **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Offer Shares allotted to you, and as required by the Memorandum and the Bye-Laws;

(C) **represent, warrant** and **undertake** that (a) you are not, and none of the other person(s) (if any) whose benefit you are applying is a U.S. person (as defined in Regulation S under the U.S. Securities Act);

(D) **represent, warrant** and **undertake** that you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S under the U.S. Securities Act) when completing the Application Form and are not a U.S. Person (as defined in Regulation S under the U.S. Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of the Regulation S under the U.S. Securities Act;

(E) **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and will not rely on any other information or representation save as set out in any supplement to this prospectus;

(F) **agree** that the Company, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement to this prospectus and only then to the extent such liability is held to exist by a court with competent jurisdiction);

(G) **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it if other than as provided in this prospectus and the Application Form;

(H) (if the application is made for your own benefit for Public Offer Shares) **warrant** that the application is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider via **White Form eIPO** service;

(I) (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

(J) (if you are an agent for another person to make an application for Public Offer Shares) **warrant** reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider via **White Form eIPO** service, and that you are duly authorised to sign the Application Form or to give **electronic application instructions** as that other person's agent;

(K) **agree** that once your application is accepted, your application will be evidenced by the results of the Public Offer and/or Preferential Offer made available by the Company;

(L) **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for, taken up or indicated an interest in, or received or been placed or allotted (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer);

(M) **warrant** the truth and accuracy of the information contained in your Application;

(N) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(O) **undertake** and **agree** to accept the Offer Shares applied for, or any lesser number allotted to you under the application;

(P) **authorise** the Company to place your name(s) or HKSCC Nominees, as the case may be, on the Company's register of members as the holder(s) of any Public Offer Shares and/or Reserved Shares allocated to you, and the Company and/or the Company's agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except if you have applied for 1,000,000 Public Offer Shares or Reserved Shares or more and have indicated in your Application Form your wish to collect your refund cheque (where applicable) and Share certificates (where applicable) in person);

(Q) **agree** to disclose to the Company, the Company's Hong Kong Share Registrar, receiving bankers, the Joint Lead Managers, the Underwriters and their respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;

(R) **represent, warrant** and **undertake** that the allotment of or application for the Offer Shares to you or by you or for whose benefit the application is made would not require the Company, the Joint Lead Managers and the Underwriters to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

(S) **agree** that the processing of your application, including the despatch of refund cheque(s) (if any), may be done by any of the Company's receiving bankers and is not restricted to the bank at which your Application Form is lodged;

(T) **confirm** that you are aware of the restrictions on the Share Offer of the Public Offer Shares and/or Reserved Shares described in this prospectus;

(U) **understand** that these declarations and representations will be relied upon by the Company and the Joint Lead Managers in deciding whether or not to allot any Public Offer Shares and/or Reserved Shares in response to your application;

(V) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

(W) **agree** with the Company and each Shareholder, and the Company agrees with each of the Shareholders, to observe and comply with the Companies Act, the Companies Ordinance, the Memorandum and the Bye-Laws;

(X) **agree** with the Company and each Shareholder that the Shares in the Company are freely transferable by the holder thereof;

(Y) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and your Application Form and agree to be bound by them; and

(Z) **authorise** the Company to enter into a contract on your behalf with each of the Directors and officers of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders as stipulated in the Bye-Laws.

4.2 If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the undertakings, confirmations and agreements referred to in paragraph 4.1 above, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

(A) **agree** that any Offer Shares allotted to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;

(B) **agree** that each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Offer Shares to be withdrawn from CCASS and transferred into your name (or, if your are a joint applicant, to be first named applicant) at your own risk and costs; and (3) to cause such allotted Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the Share certificates for such allotted Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

(C) **agree** that each of HKSCC and HKSCC Nominees may adjust the number of allotted Public Offer Shares issued in the name of HKSCC Nominees;

(D) **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

(E) **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

4.3 If you apply by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

(A) **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

(B) **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Offer Price per Offer Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and

(C) (where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares) in addition to the undertakings, confirmations and agreements set out in paragraph 4.1 above (as applicable), instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the **WHITE** Application Form, and the following:

(I) **agree** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf or your CCASS Investor Participant stock account;

(II) **undertake** and **agree to** accept the Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

(III) **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for, taken up or indicated an interest in, or received or been placed or allotted (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer);

(IV) (if the electronic application instructions are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

(V) (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the benefit of that other person and that you are duly authorised to give those instructions as that other person's agent;

(VI) **understand** that the above declaration will be relied upon by the Company, the Directors and the Joint Lead Managers in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

(VII) **agree** that the Company, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement to this prospectus and only then to the extent such liability is held to exist by a court with competent jurisdiction);

(VIII) **authorise** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of your **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

(IX) **confirm that** you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(X) **confirm that** you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your broker or custodian to give **electronic application instructions** on your behalf;

(XI) **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

(XII) **agree** to disclose to the Company, the Company's Hong Kong Share Registrar, receiving bankers, the Joint Lead Managers, the Underwriters and their respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;

(XIII) **agree** that any application made by HKSCC Nominees on your behalf pursuant to the **electronic application instructions** given by you is irrevocable on or before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that the Company will not offer any Public Offer Shares to any person on or before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(XIV) **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;

(XV) **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares; and

(XVI) **agree** with the Company, for itself and for the benefit of each of the shareholders of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the shareholders of the Company, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Act, the Companies Ordinance, the Memorandum and the Bye-Laws.

4.4 If you apply for the Reserved Shares using a **BLUE** Application Form, in addition to the confirmations and agreements referred to in paragraph 4.1 above, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent on behalf of each person for whom you act as agent warrant that, in making an application, you acting is/are Qualifying Recruit Shareholder(s); and

4.5 The Company, the Joint Lead Managers, the Underwriters, the **White Form eIPO** Service Provider and their respective directors and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in your application.

4.6 All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. MULTIPLE APPLICATIONS

5.1 It will be a term and condition of all applications that by completing and delivering an Application Form, you:

(A) (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via **White Form eIPO** service;

(B) (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via **White Form eIPO** service, and that you are duly authorised to sign the Application Form as that other person's agent.

5.2 Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

(A) make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via **White Form eIPO** service;

(B) apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via **White Form eIPO** service;

(C) apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White**

Form eIPO Service Provider via **White Form eIPO** service for more than 6,252,000 Offer Shares, being 50% of the Public Offer Shares initially made available for public subscription under the Public Offer; or

(D) have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Placing Shares under the Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer).

5.3 All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions** but other than an application (if any) made on a **BLUE** Application Form in the capacity as a Qualifying Recruit Shareholder).

If an application is made by an unlisted company and:

(A) the principal business of that company is dealing in securities; and

(B) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

For these purposes:

- "Unlisted company" means a company with no equity securities listed on the Stock Exchange.

- "Statutory control" in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES OR RESERVED SHARES

You should note that under any of the following circumstances, Public Offer Shares and/or Reserved Shares will not be allotted to you or your application is liable to be rejected:

6.1 If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) or the designated **White Form eIPO** Service Provider through **White Form eIPO** service gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider and an application has been made on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares and/or Reserved Shares to any person on or before the end of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) except by means of one of the procedures referred to in this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

6.2 If the Company, the Joint Lead Managers or the White Form eIPO Service Provider (where applicable) or their respective agents or nominees exercise their discretion to reject your application:

The Company, the Joint Lead Managers (as agent for the Company), the **White Form eIPO** Service Provider or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for such rejection or acceptance.

6.3 If your application is rejected:

Your application may be rejected if:

(A) your application is a multiple or a suspected multiple application;

(B) your Application Form is not completed correctly;

(C) you or the person for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Placing Shares in the Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer);

(D) you apply for more than 50% of the Public Offer Shares initially being offered under the Public Offer;

(E) your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;

(F) your application form is not completed correctly and in accordance with the instructions;

(G) your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;

(H) the Underwriting Agreements do not become unconditional;

(I) the Underwriting Agreements are terminated in accordance with their respective terms; or

(J) the Company and/or the Joint Lead Managers believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations.

6.4 If the allotment of Public Offer Shares and/or Reserved Shares is void:

The allotment of Public Offer Shares and/or Reserved Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW**

Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

(A) within three weeks from the closing date of the application lists; or

(B) within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

6.5 If you make application under the Public Offer as well as the Placing:

By filling in any of the Application Forms or giving electronic instructions to HKSCC or to the **White Form eIPO** Service Provider, you agree not to apply for Placing Shares in the Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer). Reasonable steps will be taken to identify and reject applications under the Public Offer from investors who have received Placing Shares in the Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer), and to identify and reject indications of interest in the Placing (except in respect of the Reserved Shares applied for pursuant to the Preferential Offer) from investors who have received Public Offer Shares in the Public Offer;

6.6 The Share Offer does not become unconditional:

Your application may not be accepted if:

- the Offer Price is not agreed;
- the Public Offer Underwriting Agreement does not become unconditional in accordance with its terms; or
- the Public Offer Underwriting Agreement is terminated in accordance with its terms.

7. IF YOUR APPLICATION FOR THE PUBLIC OFFER SHARES AND/OR RESERVED SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the Public Offer Shares and/or Reserved Shares.

No receipt will be issued for sums paid on application.

You will receive one Share certificate for all the Public Offer Shares issued and allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS, in which case Share certificates will be deposited directly into CCASS) and one Share certificate for all of the Reserved Shares issued to you under the Preferential Offer.

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Public Offer and the Preferential Offer have become unconditional in all respects and the right of termination described in the section headed "Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

7.1 If you apply using a WHITE or BLUE Application Form:

If you apply for 1,000,000 Public Offer Shares or more on a **WHITE** Application Form or 1,000,000 Reserved Shares or more on a **BLUE** Application Form and have indicated your intention in your Application Form to collect your Share certificate(s) (where applicable) and/or refund cheque (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect it/them (where applicable) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 22 July 2011 or such other date as notified by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or 1,000,000 Reserved Shares or if you apply for 1,000,000 Public Offer Shares or 1,000,000 Reserved Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Friday, 22 July 2011, by ordinary post and at your own risk.

7.2 If you apply using a YELLOW Application Form:

If you apply for Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Friday, 22 July 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the section headed "How to apply for the Public Offer Shares and Reserved Shares – III. Publication of results, despatch/collection of Share certificates and refunds of application monies" in this prospectus on Friday, 22 July 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 22 July 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same procedure as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch of Share certificates/refund cheques/e-Refund payment instructions, which is expected to be on Friday, 22 July 2011 by ordinary post and at your own risk.

7.3 If you apply through White Form eIPO:

If you apply for 1,000,000 Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) (where applicable) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 22 July 2011, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/refund cheques/e-Refund payment instructions.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** on Friday, 22 July 2011 by ordinary post and at your own risk.

For applicants applying through the **White Form eIPO** service by paying the application monies through a single bank account, the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and/or representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto) will be refunded to you through e-Refund payment instructions to the application payment account on or before Friday, 22 July 2011.

For applicants applying through the **White Form eIPO** service by paying the application monies through multiple bank accounts, the refund cheque(s) in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and/or representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you by ordinary post at your own risk to the address stated on your application instructions to the designed **White Form eIPO** Service Provider on or before Friday, 22 July 2011.

Please also note the additional information relating to the refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in the paragraph headed "9. Additional information for applicants applying through **White Form eIPO**" below.

8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, will be refunded if:

(A) your application is rejected, not accepted or accepted in part only or if you do not receive any Public Offer Shares and/or Reserved Shares for any of the reasons set out above in the paragraph headed "6. Circumstances in which you will not be allotted Public Offer Shares or Reserved Shares" in this section;

(B) the Offer Price as finally determined is less than the Offer Price of HK$0.90 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;

(C) the conditions of the Public Offer and the Preferential Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer – Conditions of the Public Offer and the Preferential Offer" in this prospectus; or

(D) any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for the Company's benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Joint Lead Managers, cheques for applications for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Friday, 22 July 2011 in accordance with the various arrangements as described herein. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. Refund cheques will be crossed "Account Payee Only" and made out to you, or if you are joint applicants, to the first named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data will also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO

For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the **White Form eIPO** Service Provider, the **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the **White Form eIPO** Service Provider on the designated website at **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out in the paragraph headed "8. Refund of application monies" above shall be made pursuant to the arrangements described in the paragraph headed "7. If your application for Public Offer Shares is successful (in whole or in part) – 7.3 If you apply through **White Form eIPO**" above.

10 ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

10.1 Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

10.2 Deposit of Share certificates into CCASS and refund of application monies

(A) No temporary documents of title will be issued. No receipt will be issued for application monies received.

(B) If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Friday, 22 July 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

(C) The Company expects to publish the application results of the CCASS Participants' applications together with the results of the Public Offer on Friday, 22 July 2011 in the manner described in the section headed "How to apply for the Public Offer and Reserved Shares – III. Publication of results, despatch/collection of Share certificates and refunds of application monies" in this prospectus. You should check the results published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 22 July 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

(D) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

(E) If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 22 July 2011. Immediately following the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

(F) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Offer Price per Offer Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 22 July 2011. No interest will be paid thereon.

The following is the text of a report, prepared for the purpose of inclusion in this document, received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.

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香港干諾道中111號
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30 June 2011

The Directors
1010 Printing Group Limited
Investec Capital Asia Limited

Dear Sirs,

We set out below our report on the financial information relating to 1010 Printing Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods") prepared on the basis of preparation set forth in Section II below, for inclusion in the prospectus of the Company dated 30 June 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board of the Stock Exchange").

The Company was incorporated in Bermuda on 9 March 2011 under the Bermuda Companies Act as an exempted limited liability company. The principal activity of the Company is investment holding. The Group is principally engaged in the provision of printing services. On 20 June 2011, the Company became the holding company of the subsidiaries now comprising the Group pursuant to a group reorganisation (the "Reorganisation") as set out in subsection headed "A. Further information about the Company – 4. Corporate reorganisation" in Appendix V to the Prospectus.

As at the date of this report, no audited financial statements have been prepared for the Company as the Company was newly incorporated and has not carried out any significant business transactions except for the Reorganisation as set out in note 1 of Section II below. All companies comprising the Group have adopted 31 December as their financial year end date.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong private company). The particulars of the subsidiaries are set out below:

Name of company	Date of incorporation	Place of incorporation and kind of legal entity	Class of shares	Issued and fully paid share capital	Percentage of issued capital held by the Company^	Principal activities and place of operations	*Notes*
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$81,000,000	100%	Investment holding, Hong Kong	(i)
1010 Printing International Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of printing services, Hong Kong	(i)
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of printing services, Hong Kong	(i)
1010 Printing (UK) Limited	2 January 2007	United Kingdom, limited liability company	Ordinary	GBP1,000	99%	Print agency, United Kingdom	(ii)
Anson Worldwide Limited	8 November 2002	British Virgin Islands ("BVI"), limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong	(iii)
1010 Printing (Australia) Pty Limited	10 October 2008	Australia, limited liability company	Ordinary	AUD2	100%	Provision of printing services, Australia	(iv)
1010 Printing Limited	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of printing services, Hong Kong	(v)

^ *Except 1010 Group Limited, all subsidiaries are indirectly held by the Company.*

Notes:

(i) The statutory financial statements of these companies for each of the two years ended 31 December 2008 and 2009 were audited by Grant Thornton (now known as JBPB & Co.), Certified Public Accountants, Hong Kong and those for the year ended 31 December 2010 were audited by BDO Limited, Certified Public Accountants, Hong Kong in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accounts (the "HKICPA"). These statutory financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

(ii) The financial statements of this company for each of the three years ended 31 December 2008, 2009 and 2010 were audited by David Howard Chartered Accountants and Registered Auditors, certified public accountants registered in the United Kingdom. These financial statements were audited in accordance with International Standards on Auditing (UK and Ireland) and prepared in accordance with Financial Reporting Standard for Smaller Entities (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

(iii) This company was acquired by the Group in 2009. No audited financial statements have been prepared for this company as there are no statutory or local audit requirements in its jurisdiction of incorporation. We have, however, reviewed all relevant transactions undertaken by this company during the Relevant Periods and carried out such procedures as we considered necessary for inclusion of the financial information relating to this company in this report.

(iv) This company became a subsidiary of the Group in 2009. The statutory financial statements for the period from 10 October 2008 (date of its incorporation) to 31 December 2008 and those for each of the two years ended 31 December 2009 and 2010 were audited by Phil Davis & Company, certified public accountants registered in Australia. All these statutory financial statements were audited in accordance with Australian Auditing Standards and prepared in accordance with the relevant accounting principles and financial regulations applicable to Australia.

(v) The statutory financial statements of this company for the period from 5 February 2010 (date of its incorporation) to 31 December 2010 were audited by BDO Limited, Certified Public Accountants, Hong Kong in accordance with HKSA issued by the HKICPA. These statutory financial statements were prepared in accordance with HKFRSs issued by the HKICPA.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements"), based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods, and the combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010 together with the notes thereto (collectively the "Combined Financial Information") have been prepared based on the Underlying Financial Statements on the basis set out in note 1 of Section II below, for the purpose of preparing this report for inclusion in the Prospectus. No adjustments on the Underlying Financial Statements for the Relevant Periods are considered necessary for the purpose of preparing the Combined Financial Information. The Combined Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The directors of the Company are responsible for the preparation of the Combined Financial Information which give a true and fair view and the contents of the Prospectus in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Combined Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion on the Combined Financial Information, based on our audit, and to report our opinion to you.

For the purpose of this report, we have carried out an independent audit on the Combined Financial Information for the Relevant Periods in accordance with HKSA issued by the HKICPA and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, the Combined Financial Information, for the purpose of this report, prepared on the basis set out in note 1 of Section II below, gives a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and of the combined results and cash flows of the Group for the Relevant Periods.

I. COMBINED FINANCIAL INFORMATION

1. Combined Statements of Comprehensive Income

		Year ended 31 December		
		2008	2009	2010
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*5*	331,240	447,343	521,989
Direct operating costs		(264,339)	(336,125)	(419,538)
Gross profit		66,901	111,218	102,451
Other income	*7*	15,022	16,918	29,504
Selling and distribution costs		(42,232)	(41,807)	(46,885)
Administrative expenses		(14,905)	(17,727)	(13,865)
Other expenses		(209)	(1,917)	(546)
Finance costs	*8*	(8,515)	(6,551)	(4,272)
Profit before income tax	*9*	16,062	60,134	66,387
Income tax expense	*12*	(1,126)	(5,230)	(4,731)
Profit for the year		14,936	54,904	61,656
Other comprehensive income, including reclassification adjustments				
Exchange loss on translation of financial statements of foreign operations		(443)	(294)	(182)
Other comprehensive income for the year, including reclassification adjustments and net of tax		(443)	(294)	(182)
Total comprehensive income for the year		14,493	54,610	61,474
Profit for the year attributable to:				
Owners of the Company		15,105	55,131	61,677
Non-controlling interests		(169)	(227)	(21)
		14,936	54,904	61,656
Total comprehensive income attributable to:				
Owners of the Company		14,777	54,858	61,495
Non-controlling interests		(284)	(248)	(21)
		14,493	54,610	61,474

2. Combined Statements of Financial Position

		As at 31 December		
		2008	2009	2010
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*15*	135,230	166,113	199,517
Current assets				
Inventories	*16*	51,304	41,477	59,905
Trade and other receivables	*17*	117,777	168,134	211,336
Financial assets at fair value through profit or loss	*18*	570	–	–
Amounts due from fellow subsidiaries	*24*	830	648	688
Cash and cash equivalents	*19*	36,451	38,558	16,134
		206,932	248,817	288,063
Current liabilities				
Trade and other payables	*20*	33,630	71,492	66,865
Financial liabilities at fair value through profit or loss	*18*	–	2,360	5,174
Bank borrowings	*21*	49,500	54,328	83,316
Finance lease liabilities	*22*	4,365	4,358	7,003
Amounts due to intermediate holding company	*23*	179,231	150,859	1,509
Amounts due to fellow subsidiaries	*24*	–	720	940
Provision for taxation		220	84	1,744
		266,946	284,201	166,551
Net current assets/(liabilities)		(60,014)	(35,384)	121,512
Total assets less current liabilities		75,216	130,729	321,029
Non-current liabilities				
Finance lease liabilities	*22*	5,513	1,103	12,814
Deferred tax liabilities	*25*	2,400	7,628	10,747
		7,913	8,731	23,561
Net assets		67,303	121,998	297,468

		As at 31 December		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY				
Share capital	*26*	33,000	33,000	81,000
Reserves	*28*	34,154	89,012	216,503
Equity attributable to owners of the Company		67,154	122,012	297,503
Non-controlling interests		149	(14)	(35)
Total equity		67,303	121,998	297,468

3. Combined Statements of Changes in Equity

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Retained profit	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	33,000	–	(7)	23,674	56,667	433	57,100
Dividend paid *(note 13)*	–	–	–	(4,290)	(4,290)	–	(4,290)
Transactions with owners	–	–	–	(4,290)	(4,290)	–	(4,290)
Profit for the year	–	–	–	15,105	15,105	(169)	14,936
Other comprehensive income							
Currency translation loss	–	–	(328)	–	(328)	(115)	(443)
Total comprehensive income for the year	–	–	(328)	15,105	14,777	(284)	14,493
At 31 December 2008 and 1 January 2009	33,000	–	(335)	34,489	67,154	149	67,303
Acquisition of non-controlling interest	–	–	–	–	–	85	85
Transactions with owners	–	–	–	–	–	85	85
Profit for the year	–	–	–	55,131	55,131	(227)	54,904

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Retained profit	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other comprehensive income							
Currency translation loss	–	–	(273)	–	(273)	(21)	(294)
Total comprehensive income for the year	–	–	(273)	55,131	54,858	(248)	54,610
At 31 December 2009 and 1 January 2010	33,000	–	(608)	89,620	122,012	(14)	121,998
Increase in share capital *(note 26)*	48,000	96,000	–	–	144,000	–	144,000
Dividend paid *(note 13)*	–	–	–	(30,004)	(30,004)	–	(30,004)
Transactions with owners	48,000	96,000	–	(30,004)	113,996	–	113,996
Profit for the year	–	–	–	61,677	61,677	(21)	61,656
Other comprehensive income							
Currency translation loss	–	–	(182)	–	(182)	–	(182)
Total comprehensive income for the year	–	–	(182)	61,677	61,495	(21)	61,474
At 31 December 2010	81,000	96,000	(790)	121,293	297,503	(35)	297,468

4. Combined Statements of Cash Flows

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before income tax	16,062	60,134	66,387
Adjustments for:			
Impairment of trade receivables	209	1,917	546
Impairment of trade receivables written back	(518)	(45)	(1,421)
Depreciation	13,448	18,629	24,364
(Gain)/Loss on financial assets/liabilities at fair value through profit or loss	(458)	7,330	1,220
Interest income	(178)	(24)	(89)
Interest element of finance lease payments	526	183	584
Interest expenses	7,989	6,368	3,688
Loss/(Gain) on disposals of property, plant and equipment	318	(77)	(155)
Provision for inventories (written back)/made	(463)	(99)	3,000
Operating profit before working capital changes	36,935	94,316	98,124
(Increase)/Decrease in inventories	(18,741)	9,926	(21,428)
Increase in trade and other receivables	(35,006)	(52,480)	(42,512)
(Increase)/Decrease in amounts due from fellow subsidiaries	(830)	182	(40)
(Decrease)/Increase in trade and other payables	(1,958)	37,862	(4,627)
(Decrease)/Increase in financial liabilities at fair value through profit or loss	–	(4,400)	1,594
Increase in amounts due to fellow subsidiaries	–	720	220
Cash (used in)/generated from operations	(19,600)	86,126	31,331
Income taxes (paid)/refunded	(402)	(138)	48
Net cash (used in)/from operating activities	(20,002)	85,988	31,379
Cash flows from investing activities			
Interest received	178	24	89
Proceeds on disposals of property, plant and equipment	1,000	1,312	198
Purchases of property, plant and equipment	(71,586)	(50,705)	(33,808)
Net cash used in investing activities	(70,408)	(49,369)	(33,521)

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities			
Increase/(Decrease) in amounts due to intermediate holding company	82,329	(33,735)	(29,826)
Dividend paid	(4,290)	–	(30,004)
Proceeds of bank borrowings	51,700	10,000	39,100
Proceeds from issuance of share capital	–	–	21,818
Repayments of bank borrowings	(2,200)	(5,172)	(10,112)
Interest on bank borrowings paid	(790)	(1,005)	(1,030)
Capital element of finance lease liabilities paid	(4,242)	(4,417)	(9,644)
Interest element of finance lease payments	(526)	(183)	(584)
Net cash from/(used in) financing activities	121,981	(34,512)	(20,282)
Net increase/(decrease) in cash and cash equivalents	31,571	2,107	(22,424)
Cash and cash equivalents at beginning of the year	4,880	36,451	38,558
Cash and cash equivalents at end of the year	36,451	38,558	16,134

II. NOTES TO THE COMBINED FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in Bermuda on 9 March 2011 under the Bermuda Companies Act as an exempted limited liability company. The Company is an investment holding company. Particulars of the subsidiaries (together with the Company are collectively referred to the Group) have been set out in the foregoing section. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

Pursuant to the Reorganisation as detailed in the subsection headed "A. Further information about the Company – 4. Corporate reorganisation" in Appendix V to the Prospectus, in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 20 June 2011. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group is regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, for the purpose of this report, the Combined Financial Information has been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5, "Merger Accounting for Common Control Combination" issued by the HKICPA.

The Combined Financial Information has been presented as if the current group structure had been in existence throughout the Relevant Periods or from the respective dates of incorporation of the companies comprising the Group, where there is a shorter period.

As a part of Reorganisation, all assets and liabilities of Mega Form Inc. Limited and 1010 Printing (USA) Inc. (the "Excluded Companies") have been transferred out of the Group to a fellow subsidiary. For the purpose of this report, the Combined Financial Information has been prepared as if the transfer had taken place on 1 January 2008 (i.e. at the beginning of the Relevant Periods). Accordingly, the results of Excluded Companies during the Relevant Periods and all assets and liabilities directly related to the Excluded Companies have been carved out and excluded in the Combined Financial Information during the Relevant Periods as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	79	1,400	–
Loss for the year	(600)	(45)	(20)
Total assets	230	42	28
Total liabilities	(830)	(687)	(693)
Net liabilities	(600)	(645)	(665)

All significant intra-group transactions and balances have been eliminated on combination.

No statement of financial position of the Company was presented as the Company has not yet in existence during each of the Relevant Periods.

The Combined Financial Information incorporates the financial statements of the Company and its subsidiaries made up to 31 December each year.

The Combined Financial Information is presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

In the opinion of the directors, the ultimate holding company and intermediate holding company of the Company is ER2 Holdings Limited and Recruit Holdings Limited ("Recruit Holdings") respectively. Recruit Holdings is a listed company on the Main Board of the Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Combined Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC) – Int") issued by the HKICPA. The Combined Financial Information also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

The significant accounting policies that have been used in the preparation of the Combined Financial Information are summarised below. These policies have been consistently applied throughout the Relevant Periods unless otherwise stated.

The Combined Financial Information has been prepared under historical cost convention except for financial assets and liabilities at fair value through profit or loss, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Combined Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the Combined Financial Information, are disclosed in note 4.

2.2 Carve out policy

The Combined Financial Information excludes the assets, liabilities, revenue and expenses of the Excluded Companies.

The assets and liabilities of the Excluded Companies are substantially identifiable and did not require allocations and most of the results from the operations of the Excluded Companies could be directly captured.

2.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All significant intra-group transactions, balances, income and expenses, and unrealised gains on transactions have been eliminated on combination. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Non-controlling interests represent equity in a subsidiary not attributable, directly or indirectly to the Company.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from the equity attributable to owners of the Company. Profit or loss and total comprehensive income attributable to non-controlling interests are presented separately in the combined statement of comprehensive income as an allocation of the Group's financial performance.

2.4 Foreign currency translation

In the individual financial statements of the combining entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the combined financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the end of reporting period. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure are recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off their costs over their estimated useful lives, using straight-line method, at the following rates per annum:

Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% – 50% or over the lease term, whichever is shorter
Computer equipment and systems	33%
Motor vehicles	20%
Machinery	6.6% – 20%

The assets' depreciation methods, estimated useful lives and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

2.6 Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.13 to these financial statements.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment and impairment is recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtors;

– A breach of contract, such as a default of delinquency in interest for principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

For financial assets other than financial assets at fair value through profit or loss and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.7 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work-in-progress and finished goods, comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.9 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments (the "initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the period in which they are incurred.

2.10 Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, financial liabilities at fair value through profit or loss, finance lease liabilities and amounts due to group companies.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.16).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.9).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

Financial liabilities at fair value through profit or loss

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivate contract is entered into and subsequently re-measured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Trade and other payables and amounts due to group companies

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.11 Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Printing income is recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

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

– Dividend income is recognised when the right to receive payment is established.

2.14 Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. All assets are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment loss is charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

2.15 Employee benefits

Retirement benefit schemes

The Group contributes to the defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' relevant income. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the schemes.

The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Share-based employee compensation

The Group's intermediate holding company, Recruit Holdings operates equity-settled share-based compensation plans to remunerate its employees and directors.

For the share options granted by Recruit Holdings to the directors and employees of the Group, the share-based compensation is recharged as an expense in the Group's statement of comprehensive income with a corresponding credit to amount due to intermediate holding company.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.16 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors for their decisions about resource allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the directors are determined following the Group's major products and service lines.

During the Relevant Periods, the Group has identified only one reportable segment, which is the provision of printing services. No segment information is presented other than the analysis of sales and non-current assets by geographical markets.

2.19 Related parties

For the purposes of the Combined Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW OR AMENDED HKFRSs

At the date of this report, HKICPA issued a number of new and amended HKFRSs that are not yet effective. The Group has not early adopted them.

The directors of the Company are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the Combined Financial Information. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

HKFRS 9 Financial instruments

(i) Financial assets

This standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. It reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors of the Company are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

(ii) Financial liabilities

Most of the requirements in HKAS 39 for the classification and measurement of financial liabilities, and de-recognition of financial assets and financial liabilities have been carried forward unchanged to HKFRS 9. However changes have been made where an entity chooses to measure its own debts at fair value. HKFRS 9 now requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income. The only exception to this new requirement is where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss. Under HKAS 39 there is no requirement to identify change in fair value due to change in the entity's own credit risk.

The other key change is the elimination of the exception from fair value measurement of derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument. HKFRS 9 requires them to be measured at fair value. HKAS 39 allows those derivatives the fair value of which cannot be reliably measured to be stated at cost.

(iii) Derecognition of financial assets and financial liabilities

The requirements relating to de-recognition of financial assets and financial liabilities have been brought forward from HKAS 39.

HKFRS 9 published to date is first mandatory for annual accounting periods beginning on or after 1 January 2013. Entities are required to apply the standard retrospectively in accordance with HKAS 8, changes in accounting estimates and errors together with the specific transition provisions in the standard on the Group's results and financial position in the first year of application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the end of reporting period.

(ii) Estimated impairment of receivables and advances

The policy for impairment of receivables and advances of the Group is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iii) Depreciation

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(iv) Current taxation and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final outcome of the tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE

Revenue, which is also the Group's turnover, represents printing income earned during the Relevant Periods.

6. SEGMENT INFORMATION

The directors have identified that, during the Relevant Periods, the Group has only one reportable segment, which is the provision of printing services. The analysis of Group's revenue and non-current assets by geographical location is as follows:

Revenue – based on the country in which the customer is located, are analysed as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
United States	101,172	150,758	149,169
Australia	92,977	122,699	127,211
United Kingdom	81,577	95,240	122,886
Hong Kong (domicile)	18,672	10,788	19,082
Germany	15,894	25,669	39,238
New Zealand	9,212	11,685	22,771
Netherlands	8,207	8,630	13,201
Belgium	–	6,328	10,202
France	1,907	5,545	2,125
Others	1,622	10,001	16,104
	331,240	447,343	521,989

Non-current assets – based on the assets' physical location, are analysed as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Mainland China	133,373	160,257	195,887
Hong Kong (domicile)	1,491	5,678	3,478
United Kingdom	366	98	71
Australia	–	80	81
	135,230	166,113	199,517

7. OTHER INCOME

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Net foreign exchange gain	–	9,683	9,619
Gain from sales of scrapped paper and by-products	11,466	7,068	17,724
Compensation from suppliers	1,800	–	–
Gain on financial assets at fair value through profit or loss	458	–	–
Impairment of trade receivables written back	518	45	1,421
Interest income	178	24	89
Gain on disposals of property, plant and equipment	–	77	155
Others	602	21	496
	15,022	16,918	29,504

Compensation from suppliers was the amount compensated to the Group as the goods delivered by the suppliers was of unsatisfactory standards and the related deliveries were also delayed.

8. FINANCE COSTS

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	790	1,005	1,030
Interest expenses payable to intermediate holding company	7,199	5,363	2,658
Finance lease charges	526	183	584
	8,515	6,551	4,272

9. PROFIT BEFORE INCOME TAX

	Year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):			
Auditors' remuneration	187	285	402
Impairment of trade receivables	209	1,917	546
Cost of inventories recognised as expense	161,982	227,438	263,280
Including provision of inventories (written back)/made	(463)	(99)	3,000
Depreciation of property, plant and equipment *(Note)*	13,448	18,629	24,364
Exchange loss/(gain)	7,224	(9,683)	(9,619)
Loss/(Gain) on disposals of property, plant and equipment	318	(77)	(155)
(Gain)/Loss on financial assets/liabilities at fair value through profit or loss	(458)	7,330	1,220
Minimum lease payments paid under operating leases in respect of rented properties and production facilities	4,544	6,871	8,606
Staff costs *(note 11)*	15,966	15,129	16,070

Note:

Depreciation expenses of HK$22,081,000 (2009: HK$16,984,000; 2008: HK$11,923,000) and HK$2,283,000 (2009: HK$1,645,000; 2008: HK$1,525,000) have been included in direct operating costs and administrative expenses respectively.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid or payable to the directors of the Company by the companies now comprising the Group for each of the Relevant Periods are as follows:

	Fee	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contribution	Equity-settled share-based payment expense	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010						
Executive directors:						
Mr. Yang Sze Chen, Peter	–	500	250	–	180	930
Mr. Lau Chuk Kin	–	–	–	–	–	–
Ms. Choi Ching Kam, Dora	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Yeung Ka Sing	–	–	–	–	–	–
Prof. Lee Hau Leung	–	–	–	–	–	–
Mr. Tsui King Chung, David	–	–	–	–	–	–
Dr. Ng Lai Man, Carmen	–	–	–	–	–	–
	–	500	250	–	180	930
Year ended 31 December 2009						
Executive directors:						
Mr. Yang Sze Chen, Peter	–	500	250	–	–	750
Mr. Lau Chuk Kin	–	–	–	–	–	–
Ms. Choi Ching Kam, Dora	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Yeung Ka Sing	–	–	–	–	–	–
Prof. Lee Hau Leung	–	–	–	–	–	–
Mr. Tsui King Chung, David	–	–	–	–	–	–
Dr. Ng Lai Man, Carmen	–	–	–	–	–	–
	–	500	250	–	–	750

	Fee	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contribution	Equity-settled share-based payment expense	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008						
Executive directors:						
Mr. Yang Sze Chen, Peter	–	–	–	–	–	–
Mr. Lau Chuk Kin	–	–	–	–	–	–
Ms. Choi Ching Kam, Dora	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Yeung Ka Sing	–	–	–	–	–	–
Prof. Lee Hau Leung	–	–	–	–	–	–
Mr. Tsui King Chung, David	–	–	–	–	–	–
Dr. Ng Lai Man, Carmen	–	–	–	–	–	–
	–	–	–	–	–	–

Equity-settled share-based payment expenses are measured according to the accounting policies as set out in note 2.15 to the Combined Financial Information. Particulars of the share options granted to the directors of the Company under the share option schemes of Recruit Holdings, the intermediate holding company, are set out in note 27 to the Combined Financial Information.

During the Relevant Periods, none of the directors of the Company waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the directors of the Company as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included one director for the year ended 31 December 2010 whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining four, five and five individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	4,537	3,218	3,406
Discretionary bonuses	713	725	755
Retirement benefit scheme contributions	36	84	36
Equity-settled share-based payments	132	132	216
	5,418	4,159	4,413

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December 2008	2009	2010
Emolument bands			
Nil – HK$1,000,000	3	5	1
HK$1,000,001 – HK$3,000,000	2	–	3

During the Relevant Periods, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Wages, salaries and other benefits	14,895	14,237	14,892
Equity-settled share-based payments	197	326	626
Retirement benefit scheme contributions	874	566	552
	15,966	15,129	16,070

12. INCOME TAX EXPENSE

Hong Kong profits tax had been provided at 16.5% on the estimated assessable profits for each of the Relevant Periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the Relevant Periods at the rates of taxation prevailing in the countries in which the Group operates. Pursuant to the rules and regulations of Bermuda and the BVI, the Company and Anson Worldwide Limited are not subject to any income tax in Bermuda and the BVI respectively.

	Year ended 31 December 2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong profits tax			
Current year	226	90	1,811
Under provision in prior years	1	–	–
	227	90	1,811
Overseas profits tax			
Current year	14	–	3
Over provision in prior years	(7)	(88)	(202)
	7	(88)	(199)
Deferred tax *(note 25)*			
Current year	978	5,228	3,119
Attributable to reduction in tax rate	(86)	–	–
	892	5,228	3,119
	1,126	5,230	4,731

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	16,062	60,134	66,387
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	2,634	9,892	10,906
Tax effect of non-taxable revenue	(1,493)	(240)	(2,249)
Tax effect of non-deductible expenses	1,055	894	476
Tax effect of profit not subject to tax under 50:50 arrangement	(978)	(5,228)	(4,200)
Effect on opening deferred tax balances arising from a reduction in tax rate	(86)	–	–
Over provision in prior years	(6)	(88)	(202)
Income tax expense	1,126	5,230	4,731

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5% for the years ended 31 December 2008, 2009 and 2010. Movements of deferred tax liabilities during the Relevant Periods are set out in note 25 to the Combined Financial Information.

13. DIVIDENDS

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interim dividends	4,290	–	30,004

The dividends during the Relevant Periods represented those declared by 1010 Group Limited prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for this report.

14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as described in note 1 above.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Leasehold improvements *HK$'000*	Computer equipment and systems *HK$'000*	Motor vehicles *HK$'000*	Machinery *HK$'000*	Total *HK$'000*
At 1 January 2008							
Cost	1,494	881	14,405	2,661	1,256	78,909	99,606
Accumulated depreciation	(511)	(222)	(6,236)	(747)	(520)	(12,808)	(21,044)
Net book amount	983	659	8,169	1,914	736	66,101	78,562
Year ended 31 December 2008							
Opening net book amount	983	659	8,169	1,914	736	66,101	78,562
Exchange differences	(28)	–	–	(9)	(115)	–	(152)
Additions	591	859	14,654	1,316	129	54,037	71,586
Disposals	(45)	–	(213)	–	–	(1,060)	(1,318)
Depreciation	(358)	(276)	(4,043)	(1,164)	(325)	(7,282)	(13,448)
Closing net book amount	1,143	1,242	18,567	2,057	425	111,796	135,230
At 31 December 2008							
Cost	1,975	1,740	28,408	3,958	1,211	131,517	168,809
Accumulated depreciation	(832)	(498)	(9,841)	(1,901)	(786)	(19,721)	(33,579)
Net book amount	1,143	1,242	18,567	2,057	425	111,796	135,230
Year ended 31 December 2009							
Opening net book amount	1,143	1,242	18,567	2,057	425	111,796	135,230
Exchange differences	15	–	4	9	14	–	42
Additions	208	765	6,775	3,901	601	38,455	50,705
Disposals	(5)	(5)	–	(2)	(237)	(986)	(1,235)
Depreciation	(426)	(437)	(3,176)	(1,415)	(134)	(13,041)	(18,629)
Closing net book amount	935	1,565	22,170	4,550	669	136,224	166,113

	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment and systems HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
At 31 December 2009							
Cost	2,181	2,496	35,187	7,862	1,090	168,703	217,519
Accumulated depreciation	(1,246)	(931)	(13,017)	(3,312)	(421)	(32,479)	(51,406)
Net book amount	935	1,565	22,170	4,550	669	136,224	166,113
Year ended 31 December 2010							
Opening net book amount	935	1,565	22,170	4,550	669	136,224	166,113
Exchange differences	3	–	1	2	(3)	–	3
Additions	1,268	702	5,454	657	545	49,182	57,808
Disposals	–	(5)	–	–	(3)	(35)	(43)
Depreciation	(558)	(570)	(4,127)	(2,076)	(218)	(16,815)	(24,364)
Closing net book amount	1,648	1,692	23,498	3,133	990	168,556	199,517
At 31 December 2010							
Cost	3,452	3,191	40,643	8,522	1,521	217,832	275,161
Accumulated depreciation	(1,804)	(1,499)	(17,145)	(5,389)	(531)	(49,276)	(75,644)
Net book amount	1,648	1,692	23,498	3,133	990	168,556	199,517

Net book amounts of property, plant and equipment include the net carrying amounts of HK$17,309,000, HK$15,654,000 and HK$37,615,000 as at 31 December 2008, 2009 and 2010 respectively, held under finance leases.

16. INVENTORIES

	As at 31 December		
	2008 HK$'000	2009 HK$'000	2010 HK$'000
Raw materials	40,266	30,373	44,259
Work-in-progress	11,243	11,514	19,422
Finished goods	876	572	206
	52,385	42,459	63,887
Less: Provision for inventories write-down	(1,081)	(982)	(3,982)
	51,304	41,477	59,905

For the years ended 31 December 2008 and 2009, the Group reversed a provision of HK$463,000 and HK$99,000 respectively, which had been made in the previous periods. These provisions were released as the related inventories were sold above the cost. For the year ended 31 December 2010, the Group made the provision for inventories of HK$3,000,000. These amounts were included in "direct operating costs" in the statement of comprehensive income.

17. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	93,326	163,000	189,678
Less: provision for impairment of receivables	(215)	(2,006)	(1,131)
	93,111	160,994	188,547
Other receivables and deposits	24,666	7,140	22,789
	117,777	168,134	211,336

As at 31 December 2009, trade receivables of AUD1,467,000, equivalent to HK$9,536,000, were pledged to a bank to secure the bank borrowings.

The directors of the Company consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The movement in the provision of trade receivables is as follows:

	For the year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	539	215	2,006
Amount written off during the year	(15)	(81)	–
Impairment loss recognised	209	1,917	546
Impairment loss written back	(518)	(45)	(1,421)
Balance at the end of the year	215	2,006	1,131

All trade receivables are subject to credit risk exposure. At the end of each reporting period, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2008, 2009 and 2010, the Group determined trade receivables of HK$215,000, HK$2,006,000 and HK$1,131,000 as impaired respectively and as a result, impairment loss of HK$209,000, HK$1,917,000 and HK$546,000 has been recognised as at 31 December 2008, 2009 and 2010 respectively. The impaired trade receivables are due from customers experiencing financial difficulties that have been in default or delinquency of payments.

Ageing analysis of trade receivables, net of provisions as at the end of each reporting period, based on the invoice date, is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	29,445	48,503	49,773
31 – 60 days	17,300	27,875	33,653
61 – 90 days	11,984	22,299	23,376
91 – 120 days	14,071	23,840	27,191
121 – 150 days	17,507	27,594	31,826
151 – 180 days	1,962	10,883	19,334
181 – 210 days	230	–	3,238
Over 210 days but less than 1 year	539	–	156
Over 1 year	73	–	–
Total trade receivables	93,111	160,994	188,547

The Group allows a credit period from 45 to 180 days to its customers for the Relevant Periods.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

In addition, some of the unimpaired trade receivables are past due as at the end of each reporting period. Ageing analysis of trade receivables past due but not impaired is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	58,862	130,470	133,036
1 – 30 days past due	14,426	15,400	39,366
31 – 90 days past due	19,128	14,766	15,571
Over 90 days past due but less than one year	695	358	574
	34,249	30,524	55,511
	93,111	160,994	188,547

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customer that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

18. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

This relates to the forward foreign exchange contracts which are intended to be held for trading in nature. Its fair value has been measured as described in note 33(f) to the Combined Financial Information.

19. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Bank and cash balances	36,451	38,558	16,134

Cash at bank earns interest at floating rates based on the daily bank deposit rates during the Relevant Periods.

20. TRADE AND OTHER PAYABLES

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	16,878	52,874	39,560
Other payables and accruals	16,752	18,618	27,305
	33,630	71,492	66,865

As at the end of each reporting period, ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
0 – 30 days	7,195	23,212	24,601
31 – 60 days	4,513	17,454	9,701
61 – 90 days	4,535	7,180	3,079
91 – 120 days	–	4,042	836
Over 120 days	635	986	1,343
	16,878	52,874	39,560

Credit terms granted by the suppliers are generally 0-90 days. All amounts are short term and hence the carrying values of trade payables approximate their fair values.

21. BANK BORROWINGS

	As at 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Interest-bearing borrowings	49,500	54,328	83,316

The interest-bearing bank borrowings include term loans that contain clauses which give the lenders the unconditional right to call the loans at any time at their discretion. None of the portion of term loans due from repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

Based on the agreed scheduled repayment set out in the loan agreements, the Group's bank borrowings are due for repayment, at the end of each reporting period, as follows:

	As at 31 December		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Within one year	5,172	18,846	31,624
In the second year	8,846	13,790	21,624
In the third to fifth year	35,482	21,692	30,068
Wholly repayable within 5 years	49,500	54,328	83,316

Original principal amount of the bank borrowings as at 31 December 2008 was HK$51.7 million. These borrowings were repayable in 5 years through monthly instalments and secured by the corporate guarantees from Recruit Holdings, the intermediate holding company and minority shareholders of 1010 Group Limited, a subsidiary of the Company.

Bank borrowings as at 31 December 2009 included (1) the outstanding bank loans brought forward from 2008 (see above); and (2) bank factoring loan with principal amounts of HK$10 million which are secured by the underlying factoring trade receivables of AUD1,467,000 (2008: Nil) with recourse and is repayable within one year.

Bank borrowings as at 31 December 2010 included (1) the outstanding bank loans brought forward from 2008 (see above); (2) short term revolving credit facility of HK$10 million which is repayable within one year and (3) several bank loans with total principal amounts of HK$39.1 million which include bank borrowings of HK$12 million under the loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region. These bank loans were repayable in 5 years through monthly instalments. All bank borrowings are secured by the corporate guarantees from Recruit Holdings, the intermediate holding company and minority shareholders of 1010 Group Limited, a subsidiary of the Company. These corporate guarantees will be released after Listing.

Effective interest rate of the bank borrowings ranged from 2.78% to 6.34% per annum, 2.05% to 2.35% per annum and 2.15% to 2.24% per annum each of the years ended 31 December 2008, 2009 and 2010 respectively.

22. FINANCE LEASE LIABILITIES

Analysis of the obligations under finance lease is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Due within one year	4,555	4,434	7,434
Due in the second to fifth years	5,597	1,102	13,190
	10,152	5,536	20,624
Future finance charges on finance lease	(274)	(75)	(807)
Present value of finance lease liabilities	9,878	5,461	19,817

The present value of finance lease liabilities is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Due within one year	4,365	4,358	7,003
Due in the second to fifth years	5,513	1,103	12,814
	9,878	5,461	19,817
Less: Portion due within one year included under current liabilities	(4,365)	(4,358)	(7,003)
Non-current portion included under non-current liabilities	5,513	1,103	12,814

The Group entered into finance lease for various items of machineries and motor vehicles. These leases run for initial period of three to five years. These leases do not have option to renew or any contingent rental provisions.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

23. AMOUNTS DUE TO INTERMEDIATE HOLDING COMPANY

The balances are unsecured, interest bearing at 3% (2009: 3%; 2008: 5%) per annum, except for the amount of HK$9,000 as at 31 December 2009, which is interest-free, and are repayable on demand.

24. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

The balances are non-trading in nature, unsecured, interest-free and repayable on demand.

25. DEFERRED TAX LIABILITIES

Movements of major deferred tax liabilities/(assets) recognised in the statement of financial position during the Relevant Periods are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	4,016	(2,508)	1,508
Charged/(Credited) to profit or loss	2,666	(1,774)	892
At 31 December 2008 and 1 January 2009	6,682	(4,282)	2,400
Charged to profit or loss	3,734	1,494	5,228
At 31 December 2009 and 1 January 2010	10,416	(2,788)	7,628
Charged to profit or loss	331	2,788	3,119
At 31 December 2010	10,747	–	10,747

Accelerated tax depreciation represented the temporary difference between the carrying amounts of property, plant and equipment and their respective tax bases at the end of each reporting period. The decrease in the change of accelerated tax depreciation charged to profit or loss from approximately HK$3.7 million in 2009 to approximately HK$0.3 million in 2010 was due to smaller tax depreciation allowances claimed during the year ended 31 December 2010.

26. SHARE CAPITAL

The Company was incorporated in Bermuda on 9 March 2011 with an authorised share capital of HK$100,000 dividend into 10,000,000 ordinary shares of HK$0.01 each. 1 ordinary share was allotted and issued to the subscriber on 16 March 2011. Further details on the Company's share capital are set out in the section headed "Share capital" in the Prospectus.

For the purpose of this report, share capital of the Group as at 31 December 2008, 2009 and 2010 represented the issued share capital of 1010 Group Limited, the holding company of other companies comprising the Group, at the end of each reporting period as follows:

	As at 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Authorised:			
2,000,000,000 ordinary shares of HK$0.1 each (2009: 500,000,000 ordinary shares of HK$0.1 each; 2008: 50,000,000 ordinary shares of HK$1 each)	50,000	50,000	200,000
Issued and fully paid:			
810,000,000 ordinary shares of HK$0.1 each (2009: 330,000,000 ordinary shares of HK$0.1 each; 2008: 33,000,000 ordinary shares of HK$1 each)	33,000	33,000	81,000

Pursuant to the extraordinary resolution dated 21 December 2009, the authorised share capital of 1010 Group Limited of 50,000,000 ordinary shares of HK$1 each was subdivided into 500,000,000 ordinary shares of HK$0.1 each. Accordingly, its issued share capital of 33,000,000 ordinary shares of HK$1 each was subdivided into 330,000,000 ordinary shares of HK$0.1 each.

Pursuant to the extraordinary resolution dated 1 March 2010, the authorised share capital of 1010 Group Limited was increased from HK$50,000,000 to HK$200,000,000 by the creation of 1,500,000,000 ordinary shares of HK$0.1 each. On 7 April 2010, 480,000,000 ordinary shares of HK$0.1 each were issued at HK$0.3 per share to two existing shareholders. 407,273,000 ordinary shares were subscribed by Recruit (BVI) Limited, the immediate holding company of 1010 Group Limited and the proceeds of HK$122,182,000 were settled through its current accounts with Recruit Holdings Limited. The remaining 72,727,000 ordinary shares were subscribed by Mr. Chen Huang Zhi, one of the minority shareholders of 1010 Group Limited, and the proceeds of HK$21,818,000 were settled by cash. These ordinary shares ranked pari passu with the then existing shares in all respect.

27. SHARE-BASED EMPLOYEE COMPENSATION

The share option scheme of Recruit Holdings (the "Share Option Scheme") was adopted pursuant to a resolution passed on 13 July 2007 and will expire on 12 July 2017. The purpose of the Share Option Scheme is to reward participants who have contributed to Recruit Holdings and its subsidiaries (collectively referred to as the "Recruit Group") and to encourage participants to work towards enhancing the value of the Recruit Group and its shares for the benefit of the Recruit Group and its shareholders as a whole. The board of directors of Recruit Holdings may, at its discretion, offer to directors, employees of any member of the Recruit Group, any advisors and service providers of any member of the Recruit Group, options to subscribe for shares in Recruit Holdings at a price not less than the highest of: (i) the closing price of the shares of Recruit Holdings on the Stock Exchange on the date of offer of the option; (ii) the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option irrespective of numbers of share options granted. The options vest on the condition that the grantee is a director or employee of any member of the Recruit Group or any advisor and service provider of any member of the Recruit Group from the date of options grant to the commencement date of the exercisable period of the options. The options are exercisable at any time during the period to be determined and notified by the board of directors of Recruit Holdings to the grantee at the time of making an offer in respect of any particular option which shall not expire later than 10 years from the date of grant.

The share-based employee compensation was settled by the issue of Recruit Holdings' ordinary shares. The Recruit Group had no legal or constructive obligation to repurchase or settle the options other than in Recruit Holdings' ordinary shares. Details of the share options granted under the Share Option Scheme are as follows:

Share option type	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*
2008 (a)	18 August 2008	18 August 2008 to 17 August 2009	18 August 2009 to 17 August 2013	0.93
2008 (b)	18 August 2008	18 August 2008 to 17 August 2010	18 August 2010 to 17 August 2013	0.93
2010 (a)	11 June 2010	11 June 2010 to 10 June 2011	11 June 2011 to 10 June 2015	1.60
2010 (b)	11 June 2010	11 June 2010 to 10 June 2012	11 June 2012 to 10 June 2015	1.60
2010 (c)	23 June 2010	23 June 2010 to 22 June 2011	23 June 2011 to 22 June 2015	1.636
2010 (d)	23 June 2010	23 June 2010 to 22 June 2012	23 June 2012 to 22 June 2015	1.636

Movements of the share options under the Share Option Scheme held by the directors of the Company and the Group's employees for each of the years ended 31 December 2008, 2009 and 2010 are as follows:

Grantees	Share option type	Number of share options Outstanding at 1 January 2008	Granted during the year	Outstanding at 31 December 2008
Ms. Choi Ching Kam, Dora	2008 (a)	–	300,000	300,000
	2008 (b)	–	300,000	300,000
Employees	2008 (a)	–	2,100,000	2,100,000
	2008 (b)	–	2,100,000	2,100,000
Total		–	4,800,000	4,800,000

Grantees	Share option type	Number of share options Outstanding at 1 January 2009	Lapsed during the year	Outstanding at 31 December 2009
Ms. Choi Ching Kam, Dora	2008 (a)	300,000	–	300,000
	2008 (b)	300,000	–	300,000
Employees	2008 (a)	2,100,000	(900,000)	1,200,000
	2008 (b)	2,100,000	(900,000)	1,200,000
Total		4,800,000	(1,800,000)	3,000,000

Grantees	Share option type	Number of share options Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Outstanding at 31 December 2010
Mr. Yang Sze Chen, Peter	2010 (c)	–	600,000	–	600,000
	2010 (d)	–	600,000	–	600,000
Ms. Choi Ching Kam, Dora	2008 (a)	300,000	–	–	300,000
	2008 (b)	300,000	–	–	300,000
	2010 (c)	–	300,000	–	300,000
	2010 (d)	–	300,000	–	300,000
Employees	2008 (a)	1,200,000	–	(300,000)	900,000
	2008 (b)	1,200,000	–	–	1,200,000
	2010 (a)	–	525,000	–	525,000
	2010 (b)	–	525,000	–	525,000
	2010 (c)	–	750,000	–	750,000
	2010 (d)	–	750,000	–	750,000
Total		3,000,000	4,350,000	(300,000)	7,050,000

Notes:

(i) The closing price of the shares of Recruit Holdings quoted on the Stock Exchange on 15 August 2008, 10 June 2010 and 22 June 2010, being the business date immediately before the date on which the share options were granted, was HK$0.88, HK$1.60 and HK$1.62 respectively.

(ii) The fair value of the options granted under the Share Option Scheme on 18 August 2008, 11 June 2010 and 23 June 2010, measured at the date of grant, was approximately HK$818,000, HK$399,000 and HK$1,032,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**18 August 2008**	**11 June 2010**	**23 June 2010**
Expected volatility (based on the annualised historical volatility of the closing price of the shares of Recruit Holdings from 1 September 2005 to the date of grant)	46.71%	43.64%	43.60%
Expected life (in years)	4	4	4
Risk-free interest rate (being the approximate yield of Exchange Fund on the grant date)	3.320%	1.298%	1.298%
Expected dividend yield	8.60%	5.00%	4.94%

Based on the fair values derived with the above pricing models, HK$197,000, HK$326,000 and HK$626,000 of share-based employee compensation expenses were charged to profit or loss for each of the years ended 31 December 2008, 2009 and 2010 respectively. For the share options granted by Recruit Holdings to the directors of the Company and the Group's employees, Recruit Holdings recharged the Group based on the fair value of share options granted and over the vesting periods under the respective schemes.

No on-going financial impacts on the Group are expected to arise from the share option scheme of Recruit as Recruit will not recharge the Group after the Listing.

28. RESERVES

Movements in the reserves of the Group for the Relevant Periods have been set out in the combined statement of changes in equity in this report.

29. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	5,027	6,758	7,788
In the second to fifth years inclusive	20,276	27,274	26,273
After five years	28,963	28,698	–
	54,266	62,730	34,061

The Group leases a number of properties and production facilities under operating leases. The leases run for an initial period ranged from one to ten years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

30. CAPITAL COMMITMENTS

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for in respect of acquisition of property, plant and equipment	15,320	30,987	16,334

31. NOTE TO THE COMBINED STATEMENT OF CASH FLOWS

Major non-cash transactions

For each of the years ended 31 December 2008, 2009 and 2010 the Group paid interest expenses of HK$7,199,000, HK$5,363,000 and HK$2,658,000 respectively to its intermediate holding company through its current account and these amounts were credited to the amounts due to intermediate holding company.

For the year ended 31 December 2010, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$24,000,000 (2009 and 2008: Nil).

For the year ended 31 December 2010, 1010 Group Limited increased its issued share capital by issuing 480,000,000 ordinary shares of HK$0.1 each at HK$0.3 per share to Recruit Group and another existing shareholder. The amount paid by Recruit Group of HK$122,182,000 was settled through its current accounts and debited to the amounts due to intermediate holding company. The amount paid by another existing shareholder of HK$21,818,000 was paid by cash.

32. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on combination and are not disclosed in this note. In addition to those balances and transactions detailed in notes 23 and 24 to the Combined Financial Information or elsewhere in this report, details of significant transactions between the Group and other related parties during the Relevant Periods are disclosed as follows:

(a) Related party transactions

		Year ended 31 December		
Name of related parties	**Nature of transactions**	**2008**	**2009**	**2010**
		HK$'000	*HK$'000*	*HK$'000*
Intermediate holding company				
Recruit Holdings	Interest expense (i)	7,199	5,363	2,658
	Management fee paid (ii)	–	1,200	1,500
Fellow subsidiaries				
Recruit Information Technology Limited	Computer service fees paid (iii)	360	480	1,200
	Purchases of property, plant and equipment (v)	52	3,000	–
Recruit Management Services Limited	Computer service fees paid (iii)	60	60	35
	Administration service fees paid (iii)	360	1,200	1,800
1010 Printing (USA) Inc.	Commission paid (iv)	79	1,400	–
Recruit Advertising Limited	Printing income (v)	60	104	50
Central Publishing Limited	Printing income (v)	–	41	–

(i) Interest expense was charged based on the outstanding loan balance at 5-7%, 3% and 3% per annum for the years ended 31 December 2008, 2009 and 2010 respectively, which was determined based on the cost of borrowing of the Recruit Group.

(ii) Management fees paid to Recruit Holdings, representing mainly the staff costs and other general expenses incurred by Recruit Holdings, were primarily allocated on a cost reimbursement basis. Staff costs were allocated to the Group based on (i) the estimated time spent on managing the printing business by the directors of Recruit Holdings and (ii) the actual hourly rates of the directors of Recruit Holdings calculated on the basis of their actual remuneration. Other general expenses were allocated based on the percentage as represented by such directors' remuneration of Recruit Holdings allocated to the printing business over the total directors' remuneration of Recruit Holdings (2008: 5%, 2009: 25%, 2010: 30%). The sum of staff costs and other general expense was charged to the Group as management fee for the years 2009 and 2010. No management fees were charged to the Group for the year 2008 because of the immaterial amount involved.

(iii) Recruit Information Technology Limited ("RIT") provided information technology services whereas Recruit Management Services Limited ("RMS") provided general administrative services during the Relevant Periods. The costs incurred by RIT and RMS were mainly staff salaries. Similar to the management fees, the relevant staff salaries of these two related companies were allocated to the Group based on a cost reimbursement basis. In particular, staff costs of RIT and RMS were allocated to the Group based on (i) the estimated time spent on providing the relevant services by the staff of RIT and RMS and (ii) the actual hourly rates of the staff of RIT and RMS calculated on the basis of their actual salaries. Other general expenses of RIT and RMS were allocated based on the percentage as represented by such staff costs of RIT and RMS allocated to the printing business over the total staff costs of RIT and RMS (2008: 10%, 2009: 25%, 2010: 35%). The total allocated staff costs and other general expenses were then split between RIT and RMS and charged to the Group as computer service fees and administration service fees respectively.

(iv) Commission paid to 1010 Printing (USA) Inc. was based on 10% of sales generated by 1010 Printing (USA) Inc.

(v) Printing income and purchase of property, plant and equipment were based on the prevailing market price.

In the opinion of the directors, the related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms.

The directors of the Company are of the opinion that all the above transactions will be discontinued after the listing of the Company's share on the Stock Exchange.

(b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the Relevant Periods are set out in note 10(a) to the Combined Financial Information.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to a variety of risks which resulted from its operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out as follows:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's financial assets are summarised in note 33(f) below.

The directors of the Company consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for less than 34% of total sales during the Relevant Periods. In this regards, the Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The Group also continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 17 to the Combined Financial Information.

The Group has deposited all its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major reputable banks located in Hong Kong.

(b) Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Most of the sales transactions of the Group are denominated in United States Dollars ("US$"), Australian Dollars ("AUD") and HK$ and there are expenses and capital expenditures denominated in Renminbi ("RMB"), US$ and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, AUD and RMB.

To mitigate the impact of exchange rate fluctuations, the Group continuously assesses and monitors the exposure to foreign currency risk. During the Relevant Periods, management of the Group had used foreign currency forward contracts to mitigate the exposure to foreign exchange risk.

Foreign currency denominated financial assets and liabilities are as follows:

2008	*US$'000*	*RMB'000*	*AUD'000*
Trade and other receivables	6,844	8,950	3,855
Cash and cash equivalents	3,718	2	116
Trade and other payables	(8)	(7,667)	–
	10,554	1,285	3,971
Notional amounts of forward foreign exchange contracts	1,245	–	(1,000)
	11,799	1,285	2,971

2009	*US$'000*	*RMB'000*	*AUD'000*
Trade and other receivables	11,153	500	7,533
Cash and cash equivalents	2,135	3	599
Trade and other payables	(662)	(2,879)	–
	12,626	(2,376)	8,132
Notional amounts of forward foreign exchange contracts	4,417	–	(4,500)
	17,043	(2,376)	3,632

2010	*US$'000*	*RMB'000*	*AUD'000*
Trade and other receivables	14,476	–	6,244
Cash and cash equivalents	1,123	3	203
Trade and other payables	(2,027)	(3,303)	(94)
	13,572	(3,300)	6,353
Notional amounts of forward foreign exchange contracts	992	–	(6,153)
	14,564	(3,300)	200

The following table illustrates the sensitivity of the Group's profit after income tax for the years and retained profit to the changes in the foreign exchange rates in the Group entities' functional currencies against the respective foreign currencies for each of the year ended 31 December 2008, 2009 and 2010. The percentage change in foreign exchange rates is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of reporting period was determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of the year and held constant throughout the year. Changes in foreign exchange rates have no impact on the Group's other components of equity.

	Year ended 31 December					
	2008		2009		2010	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profit *HK$'000*	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profit *HK$'000*	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profit *HK$'000*
US$	1%	914	0.01%	13	0.2%	230
	(1%)	(914)	(0.01%)	(13)	(0.2%)	(230)
RMB	6%	85	0.3%	(8)	2.9%	(112)
	(6%)	(85)	(0.3%)	8	(2.9%)	112
AUD	24%	3,814	34%	8,027	10%	141
	(24%)	(3,814)	(34%)	(8,027)	(10%)	(141)

Exposures to foreign exchange rates vary during the Relevant Periods depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates, or with fixed interest rates but measured at fair value except for deposits held in banks, certain bank borrowings, finance lease liabilities and amounts due to intermediate holding company. Cash at banks earn interest at floating rates based on the daily bank deposits rates during the Relevant Periods. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The terms of repayment of bank borrowings, finance lease liabilities and amounts due to intermediate holding company are set out in notes 21, 22 and 23 to the Combined Financial Information respectively.

During the Relevant Periods, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The Group has net current assets of HK$121,512,000 (2009: net current liabilities of HK$35,384,000; 2008: net current liabilities of HK$60,014,000) and net assets of HK$297,468,000 (2009: HK$121,998,000; 2008: HK$67,303,000) as at 31 December 2010 respectively. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the end of reporting period) and the earliest date the Group may be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity is required to pay, that is if the banks were to invoke the unconditional rights to call the loans with immediate effect.

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 3 months or on demand**	**More than 3 months but less than 1 year**	**More than 1 year but less than 5 years**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2010					
Non-derivative financial liabilities					
Trade and other payables	66,865	66,865	66,865	–	–
Term loans subject to repayment on demand clauses	83,316	83,316	83,316	–	–
Finance lease liabilities	19,817	20,624	2,686	4,748	13,190
Amounts due to intermediate holding company	1,509	1,509	1,509	–	–
Amounts due to fellow subsidiaries	940	940	940	–	–
	172,447	173,254	155,316	4,748	13,190
Derivative financial liabilities					
Gross settled forward foreign exchange contracts					
– cash outflow	(5,174)	(5,174)	(3,166)	(2,008)	–
	(5,174)	(5,174)	(3,166)	(2,008)	–
As at 31 December 2009					
Non-derivative financial liabilities					
Trade and other payables	71,492	71,492	71,492	–	–
Term loans subject to repayment on demand clauses	54,328	54,328	54,328	–	–
Finance lease liabilities	5,461	5,536	1,115	3,319	1,102
Amounts due to intermediate holding company	150,859	150,859	150,859	–	–
Amounts due to fellow subsidiaries	720	720	720	–	–
	282,860	282,935	278,514	3,319	1,102
Derivative financial liabilities					
Gross settled forward foreign exchange contracts					
– cash inflow	160	160	–	160	–
– cash outflow	(2,520)	(2,520)	(2,520)	–	–
	(2,360)	(2,360)	(2,520)	160	–

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2008					
Non-derivative financial liabilities					
Trade and other payables	33,630	33,630	33,630	–	–
Term loans subject to repayment on demand clauses	49,500	49,500	49,500	–	–
Finance lease liabilities	9,878	10,152	1,139	3,416	5,597
Amounts due to intermediate holding company	179,231	179,231	179,231	–	–
	272,239	272,513	263,500	3,416	5,597

The table that follows summarises the maturity analysis of those term loans with repayment-on-demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Term loans subject to repayment-on-demand clause based on scheduled repayments:					
31 December 2010	83,316	86,191	16,664	16,281	53,246
31 December 2009	54,328	56,147	11,515	8,169	36,463
31 December 2008	49,500	52,549	1,567	4,663	46,319

(e) Fair values

The directors of the Company consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

(f) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of reporting period are categorised as follows. See notes 2.6 and 2.10 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Current assets			
Financial assets at fair value through profit or loss	570	–	–
Loans and receivables:			
– Trade and other receivables	117,777	168,134	211,336
– Amounts due from fellow subsidiaries	830	648	688
– Cash and cash equivalents	36,451	38,558	16,134
	155,628	207,340	228,158
Financial liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	–	2,360	5,174
Financial liabilities measured at amortised cost:			
– Trade and other payables	33,630	71,492	66,865
– Bank borrowings	49,500	54,328	83,316
– Finance lease liabilities	4,365	4,358	7,003
– Amounts due to intermediate holding company	179,231	150,859	1,509
– Amounts due to fellow subsidiaries	–	720	940
Non-current liabilities			
Financial liabilities measured at amortised cost:			
– Finance lease liabilities	5,513	1,103	12,814
	272,239	285,220	177,621

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

		2008			
		Level 1	Level 2	Level 3	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Forward foreign exchange contracts	*Note*	–	570	–	570
Net fair values		–	570	–	570

		2009			
		Level 1	Level 2	Level 3	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities					
Forward foreign exchange contracts	*Note*	–	2,360	–	2,360
Net fair values		–	2,360	–	2,360

		2010			
		Level 1	Level 2	Level 3	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities					
Forward foreign exchange contracts	*Note*	–	5,174	–	5,174
Net fair values		–	5,174	–	5,174

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Note: Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the end of reporting period. Normally, the derivatives entered into by the Group are not traded on active markets as forward contracts are entered into to hedge against currency risk and not for speculative purposes. The fair values of such contracts are estimated using a valuation technique that maximizes the use of observable market inputs e.g. market currency and interest rates (Level 2). Most derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts.

34. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2008, 2009 and 2010 amounted to approximately HK$67,303,000, HK$121,998,000 and HK$297,468,000 respectively, which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

III. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2010:

(a) The Company was incorporated in Bermuda on 9 March 2011 with the authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each, of which 1 share was issued and allotted to Recruit (BVI) Limited on 16 March 2011.

(b) On 19 April 2011, 1010 Group Limited entered agreement with Recruit (BVI) Limited to transfer the entire interests in Mega Form Inc. Limited to Recruit (BVI) Limited at the consideration of HK$1.

(c) On 3 June 2011, 1010 Group Limited declared a special dividend of HK$20,000,000 which was paid on 7 June 2011.

(d) On 20 June 2011, the authorised share capital of the Company was increased from HK$100,000 to HK$10,000,000 by the creation of 990,000,000 ordinary shares of HK$0.01 each.

(e) On 20 June 2011, the Company entered the share swap agreements with all the shareholders of 1010 Group Limited to acquire the entire issued share capital of 1010 Group Limited. The Company issued 374,999,999 ordinary shares of HK$0.01 each to the shareholders of 1010 Group Limited as the consideration. Since then, the Company became the holding company of the subsidiaries now comprising the Group.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company nor any of the companies now comprising the Group in respect of any period subsequent to 31 December 2010.

Yours faithfully
BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the proposed listing might have affected the net tangible assets of the Group after the completion of the Share Offer as if the Share Offer had taken place on 31 December 2010.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position.

Although reasonable care has been exercised in preparing the said information, prospectus investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial positions of the financial periods concerned or any future periods.

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma adjusted combined net tangible assets of the Group have been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Placing as if it had taken place on 31 December 2010. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group after the Listing or at any future dates.

The unaudited pro forma adjusted combined net tangible assets of the Group as at 31 December 2010 is based on the audited combined net tangible assets attributable to the owners of the Company as at 31 December 2010 as shown in the Accountants' Report set out in Appendix I to this prospectus and the adjustments described below.

	Audited combined net tangible assets attributable to owners of the Company as at 31 December 2010	Add: Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK cents*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Offer Price of HK$0.70 per Offer Share	297,503	71,500	369,003	73.80
Based on the Offer Price of HK$0.90 per Offer Share	297,503	96,500	394,003	78.80

Notes:

(1) The audited combined net tangible assets attributable to owners of the Company as at 31 December 2010 are based on audited combined net assets attributable to owners of the Company as at 31 December 2010 as set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on 125,000,000 Offer Shares and the Offer Price of HK$0.70 or HK$0.90, being the low or high end of the stated Offer Price range per Share, after deduction of the underwriting fees and related expenses* payable of approximately HK$16 million as estimated by the directors of the Company in connection with the Share Offer and takes no account of any Shares which may be issued by the Company pursuant to Appendix V to this prospectus.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Share Offer. It does not take into account any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus or otherwise.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2010 in the computation of the unaudited pro forma adjusted consolidated net tangible assets.

* *Based on management's best estimation, the expenses included, amongst others, financial, legal and other professional advisory fees, underwriting commission, printing and translating and application for the proposed listing, which are directly attributable to the Placing and will be subject to further changes upon completion of the Placing.*

(B) LETTER FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information.

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香港干諾道中111號
永安中心25樓

30 June 2011

The Directors
1010 Printing Group Limited
Investec Capital Asia Limited

Dear Sirs

Report on the unaudited pro forma financial information to the directors of 1010 Printing Group Limited (the "Company")

We report on the unaudited pro forma statement of adjusted combined net tangible assets (the "Unaudited Pro Forma Financial Information") of the Company and its subsidiaries (collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purpose only, to provide information about how the proposed listing of the Company's shares might have affected the financial information presented, for inclusion on page II-1 to I-2 in section A under the heading of "Unaudited Pro Forma Financial Information" of Appendix II to the prospectus dated 30 June 2011 (the "Prospectus") issued by the Company in connection with proposed offering of 125,000,000 shares at the offer price of HK$0.7 or HK$0.9 per share of the Company (the "Share Offer") on the Main Board of The Stock Exchange of Hong Kong Limited. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page II-1 to II-2 in section A under the heading of "Unaudited Pro Forma Financial Information" of Appendix II to the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare 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" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form 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 solely 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.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

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

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2010 or at any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 April 2011 of the properties leased by the Group in Hong Kong, the United Kingdom and Australia.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

30 June 2011

The Directors
1010 Printing Group Limited
Suite 1704, 17/F
No. 625 King's Road
North Point
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from 1010 Printing Group Limited (the "Company") for us to value the properties leased by the Company and/or its subsidiaries (together referred to as the "Group") located in Hong Kong, United Kingdom (the "UK") and Australia. We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 April 2011 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of properties of the Group is categorized into the following groups:

Group I – Property leased by the Group in Hong Kong

Group II – Property leased by the Group in the UK

Group III – Property leased by the Group in Australia

VALUATION METHODOLOGY

In valuing the properties leased by the Group, we are of the opinion that they have no commercial value either because of their non-assignability in the open market or there are prohibitions against assignment and/or subletting contained in the tenancy agreements or the lack of marketable and substantial profit rents.

TITLE INVESTIGATION

We have not searched the titles of the properties and have not scrutinized the original title documents to verify ownership or to ascertain the existence of any amendments, which do not appear on the copies handed to us. However, we have been provided with a copy of the tenancy agreements of the properties leased by the Group. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the open market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning of effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on the Group's confirmation that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
MHKIS, MCIArb, AFA, SIFM, FCIM,
MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Notes:

Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 18 years' experience in valuations of properties in Hong Kong and Australia and over 5 years in the United Kingdom.

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 18 years' experience in valuations of properties in Hong Kong over 3 years in the United Kingdom and over 8 years' experience in Australia.

SUMMARY OF VALUES

No.	Property		Market Value in existing state as at 30 April 2011 *HK$*
Group I – Property leased by the Group in Hong Kong			
1.	Suite 1704 on 17th Floor, No. 625 King's Road, North Point, Hong Kong		No Commercial Value
		Sub-total:	**Nil**
Group II – Property leased by the Group in the UK			
2.	4 Crescent Stables, No. 139 Richmond Road, London, SW15 2TN, The United Kingdom		No Commercial Value
		Sub-total:	**Nil**
Group III – Property leased by the Group in Australia			
3.	Suite 1 (B), No. 41 Park Road, Milton, Queensland, Australia		No Commercial Value
		Sub-total:	**Nil**
		Total:	**Nil**

VALUATION CERTIFICATE

Group I – Property leased by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	**Market Value** in existing state as at 30 April 2011 *HK$*
1.	Suite 1704 on 17th Floor, No. 625 King's Road, North Point, Hong Kong	The property comprises an office unit on the 17th floor of a 26-storey office building (plus 2 levels of basement) which was completed in 1998. The saleable area of the property is approximately 1,648 sq.ft. (or about 153.1 sq.m.). Pursuant to a tenancy agreement and its deeds of assignment entered into between an independent third party landlord, various tenants (as assignors) and 1010 Printing International Limited (as assignee)("1010 PIL"), the property is leased to 1010 PIL for office use for a term commencing on 1 February 2011 and expiring on 26 April 2012 at a monthly rent of HK$46,140 exclusive of air-conditioning and management charges.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

Pursuant to the aforesaid tenancy agreement, the tenant of the property is 1010 Printing International Ltd., which is a wholly owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II – Property leased by the Group in the UK

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2011 *HK$*
2.	4 Crescent Stables, No. 139 Richmond Road, London, SW15 2TN, The United Kingdom	The property comprises a portion of a 3-storey commercial building which was completed in about 1988. The gross floor area of the property is approximately 1,033 sq.ft. (or about 96 sq.m.). Pursuant to a tenancy agreement entered into between an independent third party landlord and 1010 Printing UK Limited ("1010 UK") dated 1 May 2009, the property is leased to 1010 UK for office use for a term of 5 years commencing on 1 May 2009 and expiring 30 April 2014. The annual rent currently paid by the Group is GBP23,000.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

Pursuant to the aforesaid tenancy agreement, the tenant of the property is 1010 UK, which is a 98.5%-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III – Property leased by the Group in Australia

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 April 2011 *HK$*
3.	Suite 1 (B), No. 41 Park Road, Milton, Queensland, Australia	The property comprises a retail shop on the 1st floor of a 2-storey commercial building which was completed in the 1990's. The gross floor area of the property is approximately 68 sq.m. (or about 732 sq.ft.). Pursuant to a contract of lease and an extension of lease deed entered into between independent third party landlords and 1010 Printing (Australia) Pty Ltd ("1010 Australia") dated 13 February 2009 and 14 February 2010, the property is leased to 1010 Australia for commercial office use for a term of 2 years commencing on 13 February 2010 and expiring 12 February 2012. The annual rent currently paid by the Group is AUD29,613.15 exclusive of GST.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

Pursuant to the aforesaid contract of lease, the tenant of the property is 1010 Australia, which is a wholly-owned subsidiary of the Company.

Set out below is a summary of certain provisions of the memorandum of association (the "Memorandum of Association") and bye-laws (the "Bye-laws") of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the "board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 23 June 2011. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution – majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designed Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of

Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in Bermuda under the Companies Act as an exempted company on 9 March 2011. The Company has established its principal place of business in Hong Kong at Suite 1704, 17/F, 625 King's Road, North Point, Hong Kong and has registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 21 June 2011 with Mr. Lau Chuk Kin and Ms. Tan Lai Ming, who reside in Hong Kong, appointed as the authorised representatives of the Company for the acceptance of service of process in Hong Kong. As the Company was incorporated in Bermuda, it is subject to the Companies Act and its constitutional documents which comprise the Memorandum and the Bye-Laws. A summary of certain parts of the Company's constitution and relevant aspects of Bermuda company law is set forth in Appendix IV to this prospectus.

2. Changes in share capital of the Company

(a) The authorised share capital of the Company as at the date of its incorporation was HK$100,000 divided into 10,000,000 Shares of HK$0.01 each, of which 1 Share was issued and allotted nil paid to Recruit (BVI) on 16 March 2011.

(b) On 20 June 2011, Recruit (BVI), the sole shareholder of the Company resolved to increase the authorised share capital of the Company from HK$100,000 to HK$10,000,000 by the creation of an additional of 990,000,000 Shares.

(c) On 20 June 2011, in consideration of the acquisition by the Company of the entire issued share capital of 1010 Group, the Company issued and allotted 299,894,906, 56,818,055, 9,143,519 and 9,143,519 Shares to Recruit (BVI), Chen Huang Zhi, Cheung Ning and Pang Tak Hung respectively, all credited as fully paid, and credited as fully paid at par the one nil paid Share held by Recruit (BVI).

(d) Assuming that the Share Offer becomes unconditional, the authorised share capital of the Company will be HK$10,000,000 divided into 1,000,000,000 Shares and the issued share capital of the Company will be HK$5,000,000 divided into 500,000,000 Shares, all fully paid or credited as fully paid, with 500,000,000 Shares remaining unissued, immediately after completion of the Share Offer. Other than pursuant to the exercise of any options which may be granted under a share option scheme, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid and as mentioned in the paragraph headed "3. Written resolutions of the Shareholders" below, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of the Shareholders

(a) Resolutions in writing of the sole Shareholder passed on 20 June 2011 whereby:

(i) the authorised share capital of the Company was increased from HK$100,000 to HK$10,000,000 by the creation of an additional 990,000,000 Shares to rank pari passu with the then existing Shares in all respects;

(ii) the acquisition by the Company of the entire issued share capital of 1010 Group was approved and in consideration of the acquisition, the Directors were authorised to allot and issue 299,894,906, 56,818,055, 9,143,519 and 9,143,519 Shares respectively to Recruit (BVI), Chen Huang Zhi, Cheung Ning and Pang Tak Hung respectively, all credited as fully paid, and to credit as fully paid at par the one nil paid Share held by Recruit (BVI);

(b) Further resolutions in writing of the Shareholders passed on 23 June 2011 whereby:

(i) conditional upon the satisfaction of the conditions as stated in the section headed "Structure and conditions of the Share Offer" in the prospectus, the Share Offer was approved and the Directors were authorised to issue and allot the Offer Shares;

(ii) an unconditional general mandate was given to the Directors to allot, issue and deal with Shares (including the power to make an offer or agreement or grant an option which would or might require Shares to be allotted and issued), provided that the aggregate nominal value of the Shares allotted or agreed to be allotted pursuant to such general mandate, otherwise than pursuant to (1) a rights issue; or (2) pursuant to any scrip dividend schemes; or (3) the exercise of any subscription warrants which may be issued by the Company from time to time; or (4) pursuant to the exercise of options under a share option scheme; or (5) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-Laws, shall not exceed the sum of (1) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer; and (2) the total amount of the share capital of the Company repurchased by the Company (if any) pursuant to the repurchase mandate granted under resolution (iii) below, such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws or any applicable law to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(iii) a general unconditional mandate was given to the Directors authorising them to exercise all the powers of the Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer, such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws or any applicable law to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(iv) the unconditional general mandate mentioned in paragraph (ii) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (iii) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue and to be issued pursuant to the Share Offer; and

(v) the Bye-Laws were approved and adopted.

4. Corporate reorganisation

The companies comprising the Group underwent a reorganisation in preparation for the Listing. Following the Reorganisation, the Company has become the holding company of the Group. The Reorganisation involved the following:

(a) the Company was incorporated on 9 March 2011;

(b) on 16 March 2011, the one nil paid Share was issued to Recruit (BVI);

(c) the transfer of the entire equity interest in Mega Form Inc. Limited from 1010 Group to Recruit (BVI) at a consideration of HK$1;

(d) the increase in the authorised share capital of the Company from HK$100,000 to HK$10,000,000 by the creation of an additional 990,000,000 Shares on 20 June 2011; and

(e) the acquisition of the entire issued share capital of 1010 Group by the Company from Recruit (BVI), Chen Huang Zhi, Cheung Ning and Pang Tak Hung on 20 June 2011 in consideration of the issue and allotment of 299,894,906, 56,818,055, 9,143,519 and 9,143,519 Shares, all credited as fully paid, to Recruit (BVI), Chen Huang Zhi, Cheung Ning and Pang Tak Hung respectively and crediting as fully paid at par the one nil paid Share held by Recruit (BVI).

5. Changes in share capital of subsidiaries of the Company

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

Save as mentioned in the paragraph headed "4. Corporate reorganisation" in this appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

(a) Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their equity securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. The Company's sole listing will be on the Stock Exchange.

(Note: Pursuant to a resolution in writing passed by the shareholders of the Company on 23 June 2011, a general unconditional mandate ("**Repurchase Mandate**") was given to the Directors authorising any repurchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares of up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer, such mandate to expire on the earlier of (a) the conclusion of the next annual general meeting of the Company; (b) the date by which the annual general meeting of the Company is required by the Bye-Laws or any applicable law to be held; or (c) when revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the Bye-Laws and the applicable laws of Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchase by the Company may be made out of funds legally permitted to be utilised in this connection, including capital paid up on the relevant shares, or funds of the Company that would otherwise be available for dividend or distribution or the proceeds of a new issue of shares made for such purpose. Any premium payable on a repurchase over the par value of the Shares to be purchased must be paid out of either funds of the Company that would otherwise be available for dividend or distribution or out of the share premium or contributed surplus of the Company.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by a company must be fully paid up.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Bye-Laws, the Listing Rules and the applicable laws of Bermuda.

(d) Exercise of the Repurchase Mandate

Exercise of the Repurchase Mandate in full, on the basis of 500,000,000 Shares in issue immediately after completion of the Share Offer, could accordingly result in up to 50,000,000 Shares being repurchased by the Company during the course of the period prior to the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws or any applicable law to be held; or

(iii) the revocation or variation by an ordinary resolution of the Shareholders in a general meeting.

(e) General

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position to be disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors may from time to time be appropriate for the Company.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

No connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code and the provision may apply as a result of any such increase. If the Repurchase Mandate is fully exercised immediately following completion of the Share Offer, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 50,000,000 Shares (being 10% of the issued share capital of the Company based on the aforesaid assumptions). The percentage shareholding of Recruit (BVI), a Controlling Shareholder of the Company, will be increased to around 66.6% of the issued share capital of the Company immediately following the full exercise of the Repurchase Mandate. Save as aforesaid, the Directors are not aware of any consequences of the repurchases which would arise under the Takeovers Code. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as to result in an insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within two years immediately preceding the date of this prospectus and are or may be material:

a. an instrument of transfer and bought and sold notes dated 20 June 2011 whereby Recruit (BVI) transferred 647,773,000 shares in 1010 Group to the Company in consideration of the issue and allotment of 299,894,906 Shares and the crediting as fully paid the one nil-paid share;

b. an instrument of transfer and bought and sold notes dated 20 June 2011 whereby Chen Huang Zhi transferred 122,727,000 shares in 1010 Group to the Company in consideration of the issue and allotment of 56,818,055 Shares to him;

c. an instrument of transfer and bought and sold notes dated 20 June 2011 whereby Cheung Ning transferred 19,750,000 shares in 1010 Group to the Company in consideration of the issue and allotment of 9,143,519 Shares to him;

d. an instrument of transfer and bought and sold notes dated 20 June 2011 whereby Pang Tak Hang transferred 19,750,000 shares in 1010 Group to the Company in consideration of the issue and allotment of 9,143,519 Shares to him;

e. an instrument of transfer and bought and sold notes dated 19 April 2011 whereby 1010 Group transferred 1 share in Mega Form Inc. Limited to Recruit (BVI) at a consideration of HK$1.00;

f. the share swap agreement dated 20 June 2011 entered into between Recruit (BVI), Chen Huang Zhi, Cheung Ning, Pang Tak Hung and the Company for the transfer of the entire share capital of 1010 Group to the Company in consideration of and exchange for the issue and allotment of 299,894,906, 56,818,055, 9,143,519 and 9,143,519 Shares credited as fully paid respectively by the Company to Recruit (BVI), Chen Huang Zhi, Cheung Ning and Pang Tak Hung and the crediting as fully paid the one nil-paid Share held by Recruit (BVI);

g. the deed of reorganization dated 20 June 2011 entered into between Recruit (BVI), Chen Huang Zhi, Cheung Ning, Pang Tak Hung, 1010 Group and the Company for the purpose of agreeing, acknowledging and adopting the Reorganisation;

h. the Non-competition Deed, further details of which are set out in the section headed "Relationship with Controlling Shareholders – Independence from Recruit – (d) Non-competition undertakings" in this prospectus;

i. the Public Offer Underwriting Agreement, further details of which are set out in the section headed "Underwriting" in this prospectus;

j. the deed of indemnity dated 30 June 2011, further details of which are set out in "D. Other information – 1. Indemnity" in this appendix.

2. Intellectual property of the Group

2.1 Trademark

As at the Latest Practicable Date, the Group had the following registered trademark:

Trademark	Place of application	Registration Class	Registration no.	Registration date
	Hong Kong	16, 40 and 41	301749538	29 October 2010

Note:

1. Class 16: Diaries, books, cards, calendars, leaflet, booklets, comic books, postcard, journals, instructional manuals, boxes

   Class 40: Printing of the printed books and other paper materials

   Class 41: Publishing of the printed books and other paper materials

2.2 Domain names

As at the Latest Practicable Date, the Group had registered the following domain name:

Domain name	Registered owner	Expiry date
www.1010printing.com	1010 Group	21 June 2013

C. FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of interests

(a) DIRECTORS

Immediately following completion of the Share Offer, assuming that none of the Qualifying Recruit Shareholders take up any Reserved Shares under the Preferential Offer, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Long positions in Shares and underlying Shares

Name of Director	**Capacity**	**Number and class of securities** *(Note 1)*	**Appropriate percentage of issued Shares** *(%)*
Lau Chuk Kin *(Note 2)*	Interest in a controlled corporation	299,894,907 (L)	59.98

(ii) Long positions in the shares of Recruit, an associated corporation of the Company

Name of Director	**Capacity**	**Number and class of securities**	**Appropriate percentage of issued shares** *(%)*
Choi Ching Kam, Dora	Beneficial owner	300,000	0.09

Notes:

(1) The letter "L" denotes the Director's long position in the shares or underlying shares.

(2) Recruit (BVI), a 59.98% shareholder of the Company upon Listing, is wholly and beneficially owned by Recruit, which, as at the Latest Practicable Date, was owned as to 55.85% by City Apex Limited, as to 0.60% by ER2 Holdings Limited and as to 0.89% by Mr. Lau Chuk Kin personally. ER2 Holdings Limited is the ultimate holding company of City Apex Limited. Mr. Lau beneficially owned 67% of the issued share capital of ER2 Holdings Limited and accordingly, Mr. Lau is deemed to be interested in the Shares owned by Recruit (BVI) pursuant to Part XV of the SFO.

(b) ***SUBSTANTIAL SHAREHOLDERS***

So far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company), will, following completion of the Share Offer, assuming that none of the Qualifying Recruit Shareholders take up any Reserved Shares under the Preferential Offer, have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries:

Name	**Capacity**	**Number and class of securities** *(Note 1)*	**Approximate percentage of issued Shares** *(%)*
Recruit (BVI)	Beneficial owner	299,894,907 Shares (L)	59.98
Recruit *(Note 2)*	Interest in controlled corporation	299,894,907 Shares (L)	59.98
City Apex Limited *(Note 3)*	Interest in controlled corporation	299,894,907 Shares (L)	59.98
ER2 Holdings Limited *(Note 3)*	Interest in controlled corporation	299,894,907 Shares (L)	59.98
Chen Huang Zhi	Beneficial owner	56,818,055 Shares (L)	11.36

Notes:

(1) The letter "L" denotes the person's long position in the Shares of the Company.

(2) Recruit (BVI) is wholly and beneficially owned by Recruit.

(3) As at the Latest Practicable Date, Recruit was owned as to 55.85% by City Apex Limited which is in turn owned as to 77% by ER2 Holdings Limited. Each of City Apex Limited and ER2 Holdings Limited is therefore deemed to be interested in the Shares pursuant to Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any person who will, immediately following completion of the Share Offer, assuming that none of the Qualifying Recruit Shareholders take up any Reserved Shares under the Preferential Offer, have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries.

2. Particulars of the Directors' service contracts

(a) Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on the Listing Date and may be terminated by not less than three months' notice in writing served by either party on the other.

The annual basic salary payable to each of the executive Directors is as follows:

Executive Directors	*HK$*
Mr. Yang Sze Chen, Peter	1,200,000
Mr. Lau Chuk Kin	900,000
Ms. Choi Ching Kam, Dora	660,000

The basic salary of each of the executive Directors will be reviewed by the Board at the end of each financial year.

Each of the executive Directors will also be entitled to reimbursement for reasonable traveling, hotel, entertainment and other expenses properly incurred in the performance of his/her duties under the relevant service contract.

(b) Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years commencing on the Listing Date and may be terminated by giving three months' notice in writing in respect thereof by either party to the other.

The annual fees payable to each of the independent non-executive Directors is as follows:

Independent non-executive Directors	*HK$*
Mr. Yeung Ka Sing	180,000
Prof. Lee Hau Leung	120,000
Mr. Tsui King Chung, David	180,000
Dr. Ng Lai Man, Carmen	180,000

Each of the independent non-executive Directors will also be entitled to reimbursement for reasonable and out-of-pocket expenses (including traveling expenses) properly incurred in the performance of his/her duties under the relevant appointment letter.

3. Directors' remuneration

Remuneration and benefits in kind of approximately HK$0.9 million in aggregate were paid and granted by the Group to the Directors for the year ended 31 December 2010.

Under the current arrangements, the aggregate remuneration and benefits in kind which the Directors including independent non-executive Directors are entitled to receive for the financial year ending 31 December 2011, excluding the discretionary bonuses payable to the executive Directors, are expected to be approximately HK$2.5 million.

4. Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of the Company or any of its subsidiaries.

5. Corporate and personal guarantees

Recruit, Mr. Chen Huang Zhi, Mr. Cheung Ning and Mr. Pang Tak Hung have provided guarantees in favour of certain banks for banking facilities granted to certain members of the Group. The Directors have confirmed that the relevant banks have agreed in principle to release or replace all such guarantees with guarantees or other securities from the Company or other member of the Group after Listing.

6. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors or chief executive has any interest and short positions in the shares or debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, in each case once the Shares are listed;

(b) save as disclosed in the paragraph headed "2. Particulars of the Directors' service contracts" above, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any of the Group's members;

(c) none of the Directors and the experts named in the paragraph headed "D. Other information – 6. Consents of experts" in this appendix has an direct or indirect interest in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any of the Group's members, or are proposed to be acquired or disposed of by or leased to any of the Group's members;

(d) none of the Directors is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the Group's business taken as a whole;

(e) taking no account of any Shares which may be taken up or acquired under the Share Offer, assuming that none of the Qualifying Recruit Shareholders take up any Reserved Shares under the Preferential Offer, the Directors are not aware of any person who immediately following completion of Share Offer will have an interest or short position in the Shares and underlying Share which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meeting of the Company or any other member of the Group; and

(f) none of the experts named in the paragraph headed "D. Other information – 6. Consents of experts" in this appendix has 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.

D. OTHER INFORMATION

1. Indemnity

Recruit (BVI), Mr. Chen Huang Zhi, Mr. Cheung Ning and Mr. Pang Tak Hung (collectively, the "**Indemnifiers**") have entered into a deed of indemnity in favour of the Company to provide (conditional on the Share Offer becoming unconditional in accordance with the section headed "Structure and conditions of the Share Offer" in this prospectus on or before the date as stated therein) indemnities on a joint and several basis, to the extent applicable, in respect of, among other matters:

(i) any duty which is or becomes payable by any member of the Group by virtue of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Law of Hong Kong) (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death of any person and by reason of the assets of any member of the Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to any member of the Group at any time on or before the Listing Date;

(ii) any amount recovered against any member of the Group under the provisions of section 43(7) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) in respect of any duty payable under sections 43(1)(c) or 43(6) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) by reason of the death of any person and by reason of the assets of any member of the Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his death by reason of that person making or having made a relevant transfer to any member of the Group at any time on or before the Listing Date;

(iii) any amount of duty which any member of the Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) in respect of the death of any person in any case where the assets of another company or any of them are deemed for the purpose of estate duty to be included in the property passing on that person's death by reason of that person making or having made a relevant transfer to that other company and by reason of any member of the Group having received any distributed assets of that other company on their distribution within the meaning of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong), in each case at any time on or before the Listing Date, but only to the extent to which any member of the Group is unable to recover an amount or amounts in respect of that duty from any other person under the provisions of section 43(7)(a) of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside Hong Kong);

(iv) any amount of taxation falling on any member of the Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Listing Date, whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(v) any amount of surtaxes and penalties imposed on any member of the Group relating to any enterprise income tax liability or any tax obligations under the relevant PRC laws and regulation on or before the Listing Date; and

(vi) any losses, liabilities or damages suffered by any member of the Group arising out of or in connection with any non-compliance or alleged non-compliance by any member of the Group (if any) with any applicable rules and regulations in Hong Kong, the PRC, Bermuda, the BVI, the United Kingdom, the European Union (or any member thereof), Australia, the United States or any other part of the world in the course of its business of such non-compliance or alleged non-compliance occurred on or before the Listing Date.

The Indemnifiers shall however be under no liability thereunder: -

(i) to the extent that full provision has been made for such taxation or claims in the audited combined accounts of the Company or the audited accounts of the relevant member of the Group as at 31 December 2010 (the "**Accounts**");

(ii) for any liability falling on any member of the Group as a result of any event occurring or income or profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in respect of any accounting period commencing on or after 1 January 2011 unless such liability would not have arisen but for some act or omission or transactions entered into by the Indemnifiers or any member of the Group (whether alone or in conjunction with some other act, omission or transaction whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets;

(iii) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date thereof or carried out, made or entered into pursuant to a legally binding commitment created before the date thereof;

(iv) to the extent that such taxation or taxation claim arise(s) or is/are incurred as a consequence of any retrospective change in the law or regulations or practice by the Hong Kong Inland Revenue Department or the tax authorities of the PRC or any other tax or government authorities in any other part of the world coming into force after the date thereof or to the extent that such taxation or taxation claim arises or is increased by an increase in rates of taxation after the date thereof with retrospective effect; and to the extent that such claims arise(s) or is/are incurred as a consequence of any retrospective change in law or the interpretation or practice thereof in Hong Kong, the PRC, Bermuda, the BVI, the United Kingdom, the European Union (or any member thereof), Australia, the United States or any other part of the world coming into force after the date thereof;

(v) to the extent of any provision or reserve made for such claims in the Accounts which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied pursuant thereto to reduce the Indemnifiers' liability in respect of taxation or taxation claims shall not be available in respect of any such liability arising thereafter; and

(vi) to the extent that such liability is discharged by another person who is not any member of the Group and that no member of the Group is required to reimburse such person in respect of the discharge of such liability.

2. Litigation

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any of its members.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, on the Main Board, the Shares in issue and to be issued pursuant to the Share Offer as mentioned in this prospectus.

4. Preliminary expenses

The estimated preliminary expenses of the Company are approximately HK$16 million and are payable by the Company.

5. Promoters

The promoter of the Company is Recruit (BVI). No amount or benefit has been paid or given to the promoter in connection with the Share Offer or related transactions described in this prospectus within the two years preceding the date of this prospectus.

6. Consents of experts

Each of BDO Limited, BMI Appraisals, Conyers Dill & Pearman, DibbsBarker, Investec, Kidd Rapinet, The Law Firm of James Scott Yoh and Zhong Lun Law Firm, has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificates, letters, or opinions (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

Name	**Qualification**
BDO Limited	Certified Public Accountants
BMI Appraisals	Property valuers
Conyers Dill & Pearman	Bermuda Barristers & Attorneys
DibbsBarker	Australian legal advisers
Investec Capital Asia Limited	a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO
Kidd Rapinet	English legal advisers
The Law Firm of James Scott Yoh	U.S. legal advisers
Zhong Lun Law Firm	PRC legal advisers

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Bermuda

Under the present Bermuda law, transfers and other disposals of Shares are not subject to Bermuda stamp duty.

Consultation with professional advisers

Intended holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

9. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) there has been no material adverse change in the Group's financial position or prospects in the last 12 months; and

(iv) there has not been any interruption in the business of the Group which has had a material adverse effect on the financial position of the Group in the 24 months preceding the date of this prospectus.

(b) The Company has no founder shares, management shares or deferred shares.

(c) The register of members of the Company will be maintained in Bermuda by Butterfield Fulcrum Group (Bermuda) Limited and a Hong Kong register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by the Company's Hong Kong Share Registrar and may not be lodged in Bermuda.

(d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(e) Codan Services Limited is the Company's Bermuda resident representative, a company affiliated with Conyers Dill & Pearman, legal advisers on Bermuda law to the Company. Conyers Dill & Pearman will receive usual professional fees in connection with the incorporation of the Company and the Share Offer.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English version shall prevail.

DOCUMENTS DELIVERED AND TO BE DELIVERED TO THE REGISTRARS OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) copies of the **WHITE**, **YELLOW, GREEN and BLUE** Application Forms; (b) the written consents referred to in the paragraph headed "D. Other information – 6. Consents of experts" in Appendix V to this prospectus; and (c) copies of each of the material contracts referred to in the paragraph headed "B. Further information about the business – 1. Summary of material contracts" in Appendix V to this prospectus.

A copy of this prospectus, together with the related Application Forms, will be filed with the Registrar of Companies in Bermuda.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of P.C. Woo & Co. of 12/F, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours from 9:00 am to 5:00 pm up to and including the date which is 14 days from the date of this prospectus:

(1) the Memorandum and the Bye-Laws;

(2) the Accountants' Report;

(3) the audited combined financial statements of the companies now comprising the Group for each of the three years ended 31 December 2010;

(4) the report from BDO Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(5) the letter, summary of values and valuation certificates relating to the property interests of the Group prepared by BMI Appraisals, the texts of which are set out in Appendix III to this prospectus;

(6) the material contracts referred to in the paragraph headed "B. Further information about the business – 1. Summary of material contracts" of Appendix V to this prospectus;

(7) the written consents referred to in the paragraph headed "D. Other information – 6. Consents of experts" of Appendix V to this prospectus;

(8) the PRC legal opinions prepared by the PRC Legal Advisers in respect of certain aspects of the Group and its property interests;

(9) the Australian legal opinion prepared by DibbsBarker in respect of certain aspects of the Group and its property interests;

(10) the English legal opinions prepared by Kidd Rapinet in respect of certain aspects of the Group and its property interests;

(11) the U.S. legal opinion prepared by The Law Firm of James Scott Yoh in respect of certain aspects of the Group;

(12) the letter prepared by Conyers Dill & Pearman, summarising certain aspects of Bermuda company law referred to in Appendix IV to this prospectus;

(13) the service contracts and the appointment letters entered into between the Company and each of the Directors; and

(14) the Companies Act.