Prosperous Printing Company Limited
萬里印刷有限公司

(incorporated in Hong Kong with limited liability)

Stock Code: 8385

SHARE OFFER

Sole Sponsor

SUNWAH KINGSWAY
新華滙富
Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

SUNWAH KINGSWAY
新華滙富
Kingsway Financial Services Group Limited

聯合證券
Head & Shoulders Securities

潮商證券有限公司
ChaoShang Securities Limited

IMPORTANT

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

Prosperous Printing Company Limited
萬里印刷有限公司

(incorporated in Hong Kong with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	**:**	**200,000,000 Shares (subject to the Offer Size Adjustment Option)**
Number of Placing Shares	**:**	**180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**
Number of Public Offer Shares	**:**	**20,000,000 Shares (subject to reallocation)**
Offer Price	**:**	**Not more than HK$0.35 per Share and not less than HK$0.25 per Share (payable in full on application in Hong Kong dollars plus brokerage of 1.00%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% and subject to refund)**
Stock code	**:**	**8385**

Sole Sponsor

SUNWAH KINGSWAY 新華滙富

Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

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聯合證券 Head & Shoulders Securities

潮商證券有限公司 ChaoShang Securities Limited

Co-lead Managers

新城晉峰證券有限公司 FUTURE LAND RESOURCES SECURITIES LIMITED

富強證券有限公司 FORTUNE (HK) SECURITIES LIMITED (中國富強金融集團有限公司成員) (Member of China Fortune Financial Group Limited)

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the U.S. and may not be offered, sold, pledged, or transferred within the U.S., except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

Prior to making 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 Price is currently expected to be fixed by agreement among the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 5 December 2017. The Offer Price will be not more than HK$0.35 and is currently expected to be not less than HK$0.25 unless otherwise announced. If our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on the Price Determination Date or such later date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.prosperous-printing-group.com.hk. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may with our consent reduce the indicative Offer Price range below such indicative Offer Price range as stated in this prospectus at any time prior to the Price Determination Date. If this occurs, a notice of reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.prosperous-printing-group.com.hk.

Prospective investors of the Offer Shares should note that the Joint Bookrunners (for themselves and on behalf of the Underwriters) are entitled to terminate the Underwriting Agreements by giving a notice in writing to our Company if certain circumstances arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such circumstances are set out in the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus. It is important that you carefully read that section for further details.

29 November 2017

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

If there is any change to the following expected timetable, we will publish an announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.prosperous-printing-group.com.hk.

	Date[1] **2017**
Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Wednesday, 29 November
Application lists of Public Offer open[2]	11:45 a.m. on Monday, 4 December
Latest time for lodging **WHITE** and **YELLOW Application Forms** and giving **electronic application instructions** to HKSCC[3]	12:00 noon on Monday, 4 December
Application lists of Public Offer close[2]	12:00 noon on Monday, 4 December
Expected Price Determination Date[5]	on or around Tuesday, 5 December
Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares under the Public Offer to be published on our Company's website at **www.prosperous-printing-group.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Tuesday, 12 December
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels as described in the paragraph headed "How to apply for Public Offer Shares — 10. Publication of results" in this prospectus	Tuesday, 12 December
Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function from	Tuesday, 12 December
Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before[6]	Tuesday, 12 December
Despatch/collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before[6]	Tuesday, 12 December
Dealings in the Shares on GEM expected to commence at	9:00 a.m. on Wednesday, 13 December

Notes:

(1) All times and dates refer to Hong Kong local time and date unless otherwise stated in this prospectus. 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 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. to 12:00 noon on Monday, 4 December 2017, the application lists will not open or close on that day. Further information is set out in the paragraph headed "*How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists*" in this prospectus.

(3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed "How to apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

(4) The Price Determination Date is expected to be on or around Tuesday, 5 December 2017 and, in any event, not later than Thursday, 7 December 2017. If, for any reason, the final Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of Underwriters) and our Company by Thursday, 7 December 2017, the Share Offer will not proceed and will lapse.

(5) Refund cheques will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

Applicants who have applied on **WHITE Application Forms** for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company's Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 December 2017. Applicants being individuals who are eligible for personal collection may not authorise any other person(s) to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Share Registrar at the time of collection.

Applicants who have applied on **YELLOW Application Forms** for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW Application Form** applicants are the same as those for **WHITE Application Form** applicants.

Applicants who have applied on Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the paragraph headed "*How to apply for Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies*" in this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the paragraph headed "*How to apply for Public Offer Shares — 12. Refund of application monies*" and "*How to apply for Public Offer Shares — 13. Despatch/Collection of shares certificates and refund monies*" in this prospectus.

Share certificates will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination described in the paragraph headed "*Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination*" in this prospectus has not been exercised and has lapsed. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid certificates of title do so entirely at their own risk.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer in Hong Kong and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share 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 in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, or any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer. The contents on the website of our Company at www.prosperous-printing-group.com.hk do not form part of this prospectus.

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

OVERVIEW

We are a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). Our products comprise mainly books and other paper-related products. Paper and ink are our principal raw materials.

During the Track Record Period and up to the Latest Practicable Date, our two production sites were the Shenzhen Factory and the Hong Kong Factory. Each of these factories is a self-functioning printing and production arm of our Group, and they share the printing workload allocated by our management.

For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our revenue was approximately HK$401.2 million, HK$377.8 million, HK$386.0 million and HK$155.9 million, respectively; and our net profit was approximately HK$11.7 million, HK$11.9 million and HK$13.0 million, respectively. We recorded net loss of approximately HK$0.3 million for the five months ended 31 May 2017, mainly as a result of the under-provision of tax in prior years. Such under-provision of tax relates to certain expenses, including listing related expenses and interest expenses, which were deemed as non-tax deductible by IRD. We agreed with the view of the IRD and have fully settled the under-provision of approximately HK$1.0 million in April 2017. For further details, please refer to the sub-section headed "*Financial Information – Description of selected items for the consolidated statements of profit or loss – Income tax*" in this prospectus.

Our Group received many awards in recognition of our ability and reliability in providing high quality printing products. We were recognised as one of the "Top 30 Printing Enterprise in Shenzhen of the Year 2015" (2015年度深圳市印刷行業30強企業) and one of the "Top 100 Cultural and Creative Companies in Shenzhen (2015-2016)" (深圳市文化創意百強企業 (2015-2016)). For details, please refer to the sub-section headed "*Business – Awards and accreditations*" in this prospectus.

OUR PRODUCTS AND SERVICES

Our products include (i) leisure and lifestyle books (such as photography books, cookbooks and art books); (ii) educational textbooks and learning materials; (iii) children's books (such as movie and video game series); and (iv) other paper-related products (such as national maps, leaflets, greeting cards, journals and calendars). Our production sites in Shenzhen and Hong Kong are equipped to provide printing services for book products in a wide range of styles, including case bound, soft bound, saddle stitched, wire-O, spiral, as well as handcraft products. During the year ended 31 December 2016 and the five months ended 31 May 2017, we also provided services of binding books and package boxes. For further details, please refer to the sub-section headed "*Business – Products and services*" in this prospectus.

PRICING

We determine our price on an order-by-order basis, and we generally adopt the cost-plus pricing policy. Factors taken into account for our price scale would usually include, among others, the costs of materials and labour, ordering quantity, expected delivery schedule, the expected profit margin determined by our management team as well as our relationship with customers. For further details, please refer to the sub-section headed "*Business – Pricing policy*" in this prospectus.

MAJOR DEVELOPMENT MILESTONES

Our Group was established in Hong Kong in 1992 by Mr. Lam and two other individuals who are Mr. Lam's former colleagues and friends. Our first production facility was established in Hong Kong in 1993, and our production facility in Shenzhen was set up in 1995. For details, please refer to the sub-section headed "*History, Reorganisation and Corporate Structure — Our history*" in this prospectus.

OUR CUSTOMERS

We serve Hong Kong-based print brokers with customers in overseas markets and international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). As at the Latest Practicable Date, we have established business relationships with our five largest customers during the Track Record Period for a range of approximately one to 24 years. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, we derived approximately 40.0%, 37.5%, 46.9% and 57.4%, respectively, of our total revenue from our five largest customers, and our largest customer accounted for approximately 13.0%, 12.7%, 23.0% and 25.0%, respectively, of our total revenue during the same periods.

OUR SUPPLIERS AND SUB-CONTRACTORS

The raw materials that we use in our production mainly include paper and ink. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our five largest suppliers accounted for approximately 49.8%, 43.1%, 41.8% and 48.1%, respectively, of our total purchases, and our largest supplier for each of these reporting periods accounted for approximately 26.4%, 9.8%, 12.8% and 14.1%, respectively, of our total purchases.

We select our suppliers based on their product quality, reliability, price and delivery schedule. We also engage sub-contractors to (i) carry out certain specialised processes, such as gilding on book block, which we are unequipped to conduct; and (ii) perform certain labour-intensive production procedures. For further details, please refer to the sub-section headed "*Business — Procurements and suppliers*" in this prospectus.

PRODUCTION CAPACITY

During the Track Record Period, the estimated average utilisation rate of our production facilities was relatively stable, being approximately 92.5%, 91.4%, 88.0% and 98.4%, respectively, for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. According to Frost & Sullivan, an utilisation rate around 90% is generally considered as optimal utilisation of the maximum production capacity in the printing business. For further details of our production capacity, please refer to the sub-section headed "*Business — Production facilities, machinery and capacity — Production capacity*" in this prospectus.

SALES AND MARKETING

We have an in-house sales and marketing team to identify new business opportunities and secure orders from new customers. As our Group does not have any overseas offices, we also adopt the industry practice of engaging Independent Third Party sales representatives to leverage on their network of customers and to provide local on-site support to our customers. As at the Latest Practicable Date, we engaged three sales representatives based in the U.S., U.K. and the Netherlands, respectively. For further details, please refer to the sub-section headed "*Business — Sales and marketing*" in this prospectus.

SEASONALITY

Our business performance is subject to seasonal fluctuation in demand for our products. Our peak season is typically from April to September each year as books are produced and shipped overseas before the start of the new school year and before the Christmas and New Year holidays. For details, please refer to the sub-sections headed "*Risk Factors — We are subject to seasonal fluctuation in revenue*" and *"Business — Seasonality"* in this prospectus.

OUR INDUSTRY

The industry that we operate in is highly fragmented, with various printing companies operating in Hong Kong and the PRC. We also face competition from printing companies of other developing countries for our international business. We expect to face intense competition from our existing competitors and new market entrants in the future. The main bases of competition for our industry are the product quality, scale of production capacity, pricing and timely delivery. Please refer to the sub-section headed "*Business — Competition*" in this prospectus for further details.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

Our Directors believe that our success is attributable to, among other things, our competitive strengths which mainly include our reputation as a reliable printing service provider, our established and long standing business relationships with reputable customers, our capabilities of providing a wide spectrum of printing services with cost and time efficiency, and our strong and stable management team with a proven track record. To continue building our competitive strengths and improving our business performance, we plan to improve our equipment and the level of automation, expand customer base and strengthen sales and marketing coverage and continue to attract and retain top talent in the industry. For further details, please refer to the sub-sections headed "*Business — Competitive strengths*" and "*Business — Business strategies*" in this prospectus.

MAJOR RISK FACTORS

Our Group believes that there are certain risks involved in our operations, the details of which are in the section headed "*Risk Factors*" in this prospectus. One particular major risk relating to our business is that we require a high level of working capital with reliance on banking facilities to finance our operations, and our cash flows may deteriorate due to potential mismatches in time between receipt of payments from our customers, and payments to our suppliers and sub-contractors. For details, please refer to the sub-section headed "*Risk Factors — We require a high level of working capital and rely heavily on banking facilities to finance our operations, and our cash flows may deteriorate due to potential mismatches in time between receipt of payments from our customers, and payments to our suppliers and sub-contractors*". Other major risk factors involved in our operations include (a) we had net current liabilities as at 31 December 2016, 31 May 2017 and 30 September 2017; (b) our dependence on the demand of our customers as we do not enter into long-term contracts; (c) reliance on the U.S. and U.K. markets; (d) exposure to credit risks of our customers; and (e) reliance on key personnel.

PROPERTY VALUATION

Greater China Appraisal Limited, an independent property valuer (the "**Property Valuer**"), appraised the market values of our property interests as at 30 September 2017. In connection with the valuation, the Property Valuer applied the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancies. The investment method is used to value our property interests held and occupied by the Group in Hong Kong. Please refer to Property

Valuation Report set out in Appendix III to this prospectus for further details, including major assumptions made by the Property Valuer in conducting the valuation. Investors are advised that the appraised value of our property interests should not be taken as their actual realisable value or a forecast of their realisable value. Please also refer to the sub-section headed "*Risk Factors — Risks relating to our business — The appraisal value of our properties may be different from their actual realisable values and are subject to uncertainty or change*" in this prospectus for details.

BUSINESS ACTIVITIES IN RUSSIA

During the Track Record Period, we provided print products to certain clients, which were eventually delivered to Russia. In relation to the delivery of our products to certain locations in Russia during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed to be sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the U.S., the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the International Sanctions. The amount of total revenue derived from sales of products which were delivered to locations in Russia represented approximately 0.56%, 0.04%, nil and nil of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. As advised by Hogan Lovells, our legal advisers as to International Sanctions, the delivery of our products to locations in Russia during the Track Record Period does not implicate any applicable International Sanctions on our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC and HKSCC Nominees.

CONTROLLING SHAREHOLDERS

Mr. Lam holds 80% of the issued capital of our Company immediately before the Share Offer. Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Mr. Lam, through his wholly owned company, First Tech, will be beneficially interested in 60% of the issued capital of our Company. Accordingly, Mr. Lam and First Tech are our Controlling Shareholders. Mr. Lam is not interested in any business which is, whether directly or indirectly, in competition with our business.

PRE-IPO INVESTOR

Pursuant to the Convertible Loan Agreement, we agreed to obtain from Fine Time a convertible loan in the amount of HK$22,000,000. On 25 July 2016, Fine Time converted the entire principal amount of the Convertible Loan into 1,250,000 Shares, representing approximately 20% of the then issued capital of our Company. Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), Fine Time will be beneficially interested in approximately 15% of the issued capital of our Company. Fine Time is a company incorporated in the BVI with limited liability and its principal business activity is investment holding. Net Pacific Finance Group Limited ("**Net Pacific**"), being a wholly-owned subsidiary of Net Pacific Financial Holdings Limited (a company listed on the Singapore Exchange with stock code of 5QY), holds 45.4% of the economic interest in Fine Time. Net Pacific and Net Pacific Financial Holdings Limited provide financing services to small to medium-sized companies in the PRC and Hong Kong. For further details, please refer to the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment*" in this prospectus.

SUMMARY FINANCIAL INFORMATION

Results of Operations

The following table sets forth, for the periods indicated, our consolidated results of operations. All the ratios calculated in this prospectus are calculated with numbers rounded to the nearest thousands, except when otherwise indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	401,218	377,750	386,043	125,798	155,860
Cost of sales	(290,760)	(269,276)	(260,460)	(85,887)	(108,939)
Gross Profit	110,458	108,474	125,583	39,911	46,921
Other income/(losses)	5,528	3,096	3,507	794	(1,221)
Distribution costs	(30,510)	(29,317)	(31,848)	(9,024)	(9,484)
Administrative expenses	(56,001)	(58,483)	(60,311)	(24,676)	(29,171)
Other expenses	(4,529)	(400)	(10,256)	(2,279)	(2,248)
Profit from operations	24,946	23,370	26,675	4,726	4,797
Finance costs	(6,729)	(7,537)	(8,296)	(3,295)	(2,642)
Profit before taxation	18,217	15,833	18,379	1,431	2,155
Income tax	(6,501)	(3,955)	(5,415)	(1,681)	(2,476)
Profit/(loss) for the year/period	11,716	11,878	12,964	(250)	(321)

Revenue, gross profit and gross profit margin

During the Track Record Period, we derived revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). For the three years ended 31 December 2016 and the five months ended 31 May 2017, our revenue was approximately HK$401.2 million, HK$377.8 million, HK$386.0 million and HK$155.9 million, respectively.

The decrease in our revenue from the year ended 31 December 2014 to the year ended 31 December 2015 was primarily due to the decrease in customer orders resulting from (i) the decrease in our transactions with a major customer located in the U.K.; and (ii) one major customer underwent an internal reorganisation and there were changes to its management subsequent to its acquisition by a media consortium in the U.S. in 2015. Our revenue slightly increased by approximately HK$8.3 million from approximately HK$377.8 million for the year ended 31 December 2015 to approximately HK$386.0 million for the year ended 31 December 2016. Our revenue also increased by approximately HK$30.1 million from approximately HK$125.8 million for the five months ended 31 May 2016 to approximately HK$155.9 million for the five months ended 31 May 2017. For details, please refer to the sub-section headed "*Financial Information — Review of historical results of operations*" in this prospectus.

Our gross profit was approximately HK$110.5 million, HK$108.5 million, HK$125.6 million and HK$46.9 million, respectively, for the three years ended 31 December 2016 and the five months ended 31 May 2017. Our gross profit margin was approximately 27.5%, 28.7%, 32.5% and 30.1% for the three years ended 31 December 2016 and the five months ended 31 May 2017, respectively. Our gross profit margin increased from 27.5% for the year ended 31 December 2014 to 28.7% for the year ended 31 December 2015, mainly because in March 2014, we incurred additional sub-contracting fees as we engaged sub-contractors to carry out production process for certain of our rush printing orders due to over-utilisation which led to higher fee charged compared to normal period. The increase in our gross profit margin from approximately 28.7% for the year ended 31 December 2015 to approximately 32.5% for the year ended 31 December 2016 was primarily due to our optimised cost control policy, as we lowered our total cost of sales by shifting more production procedures to our sub-contractors.

The following table sets forth the total revenue, gross profit and gross profit margin of our Group by geographical locations for the periods indicated:

	Year ended 31 December												Five months ended 31 May							
	2014				2015				2016				2016				2017			
	HK$ ’000	% of revenue	Gross profit	Gross Profit margin	HK$ ’000	% of revenue	Gross profit	Gross Profit margin	HK$ ’000	% of revenue	Gross profit	Gross Profit margin	HK$’000 (unaudited)	% of revenue	Gross profit	Gross profit margin	HK$ ’000	% of revenue	Gross profit	Gross profit margin
			HK$’000				HK$’000				HK$’000				HK$’000 (unaudited)				HK$’000	
Hong Kong	167,633	41.8%	43,816	26.1%	167,639	44.4%	46,547	27.8%	199,654	51.7%	64,047	32.1%	74,214	59.0%	23,600	31.8%	85,714	55.0%	26,238	30.6%
U.S.	89,363	22.3%	25,300	28.3%	96,440	25.5%	28,450	29.5%	113,125	29.3%	37,500	33.1%	32,436	25.8%	10,315	31.8%	51,091	32.8%	15,021	29.4%
U.K.	86,906	21.7%	25,120	28.9%	71,135	18.8%	20,860	29.3%	40,069	10.4%	13,200	32.9%	10,199	8.1%	3,213	31.5%	11,537	7.4%	3,461	30.0%
Australia	26,673	6.6%	7,602	28.5%	19,109	5.1%	5,700	29.8%	13,608	3.5%	4,450	32.7%	3,864	3.1%	1,206	31.2%	1,088	0.7%	318	29.2%
Europe (excluding U.K.)	16,436	4.1%	4,670	28.4%	4,683	1.2%	1,350	28.8%	2,469	0.7%	827	33.5%	950	0.7%	300	31.6%	111	0.1%	32	29.2%
Other countries	14,207	3.5%	3,950	27.8%	18,744	5.0%	5,567	29.7%	17,118	4.4%	5,559	32.5%	4,135	3.3%	1,277	30.9%	6,319	4.0%	1,851	29.3%
Total	401,218	100.0%	110,458	27.5%	377,750	100.0%	108,474	28.7%	386,043	100.0%	125,583	32.5%	125,798	100.0%	39,911	31.7%	155,860	100.0%	46,921	30.1%

Although our sales to Hong Kong-based print brokers represented the largest portion in our revenue during the Track Record Period, to the best knowledge of our Directors, the printing products we sold to such Hong Kong-based print brokers were distributed to different overseas markets, which mainly cover the U.S., U.K., Australia and Europe (excluding U.K.).

The following table sets forth the total revenue, gross profit and gross profit margin of our Group by different types of products and services for the periods indicated:

	Year ended 31 December												Five months ended 31 May							
	2014				2015				2016				2016				2017			
	HK$ ’000	% of revenue	Gross profit	Gross Profit margin	HK$ ’000	% of revenue	Gross profit	Gross Profit margin	HK$ ’000	% of revenue	Gross profit	Gross Profit margin	HK$ ’000 (unaudited)	% of revenue	Gross profit	Gross profit margin	HK$ ’000	% of revenue	Gross profit	Gross profit margin
			HK$’000				HK$’000				HK$’000				HK$’000 (unaudited)				HK$’000	
Leisure and lifestyle books	264,816	66.0%	71,111	26.9%	253,107	67.0%	72,239	28.5%	260,273	67.4%	85,622	32.9%	72,698	57.8%	23,225	31.9%	99,869	64.1%	30,397	30.4%
Educational textbooks and learning materials	80,892	20.2%	23,111	28.6%	70,747	18.7%	20,411	28.9%	78,614	20.4%	24,958	31.7%	37,688	30.0%	11,909	31.6%	38,052	24.4%	11,149	29.3%
Children’s books	51,145	12.7%	15,039	29.4%	52,426	13.9%	15,384	29.3%	43,659	11.3%	13,928	31.9%	15,107	12.0%	4,683	31.0%	14,884	9.6%	4,464	30.0%
Other paper-related products	4,365	1.1%	1,197	27.4%	1,470	0.4%	440	29.9%	1,189	0.3%	382	32.1%	305	0.2%	94	30.8%	58	0.0%	18	30.5%
Provision of sub-contracting services	-	-	-	-	-	-	-	-	2,308	0.6%	693	30.0%	-	-	-	-	2,997	1.9%	893	29.8%
Total	401,218	100.0%	110,458	27.5%	377,750	100.0%	108,474	28.7%	386,043	100.0%	125,583	32.5%	125,798	100.0%	39,911	31.7%	155,860	100.0%	46,921	30.1%

For further details of our gross profit and gross profit margin, please refer to the sub-sections headed “*Financial Information — Description of selected items for the consolidated statements of profit or loss*” and “*Financial Information — Major financial ratios*” in this prospectus.

Selected Consolidated Statements of Financial Position

	As at 31 December			As at 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	176,568	153,829	290,648	290,218
Current assets	294,101	270,557	174,456	211,460
Total assets	470,669	424,386	465,104	501,678
Current liabilities	256,489	250,293	280,898	303,656
Net current assets/(liabilities)	37,612	20,264	(106,442)	(92,196)
Total assets less current liabilities	214,180	174,093	184,206	198,022
Non-current liabilities	24,636	22,391	3,400	14,960
Total liabilities	281,125	272,684	284,298	318,616
TOTAL EQUITY	189,544	151,702	180,806	183,062

The decrease in our non-current assets from approximately HK$176.6 million as at 31 December 2014 to approximately HK$153.8 million as at 31 December 2015 was primarily due to fixed assets written off and disposal in the year ended 31 December 2015. Our non-current liabilities decreased from approximately HK$22.4 million as at 31 December 2015 to approximately HK$3.4 million as at 31 December 2016, primarily due to the conversion of the entire principal amount of the convertible loan into Shares on 25 July 2016.

Our trade receivables balance was approximately HK$134.7 million, HK$115.6 million, HK$88.5 million and HK$100.8 million as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively. Our allowance for doubtful debts was approximately HK$15.4 million, HK$14.9 million, HK$17.0 million and HK$17.4 million as at 31 December 2014, 31 December 2015 and 31 December 2016 and 31 May 2017, respectively.

For further details, please refer to the sub-section headed "*Financial Information — Discussion of selected consolidated statements of financial position items*" in this prospectus.

Selected Consolidated Statements of Cash Flows

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Operating cash flow before changes in working capital	42,546	35,872	42,226	10,048	11,617
Net cash generated from / (used in) operating activities	51,014	443	27,154	15,241	(13,230)
Net cash (used in) / generated from investing activities	(42,997)	11,996	(22,940)	(11,324)	(39,943)
Net cash (used in) / generated from financing activities	(7,831)	(9,951)	(17,096)	(19,601)	52,647
Net increase / (decrease) in cash and cash equivalents	186	2,488	(12,882)	(15,684)	(526)
Effects of foreign exchange rate changes	-	35	(127)	(4)	51
Beginning cash and cash equivalents	28	214	2,737	2,737	(10,272)
Ending cash and cash equivalents	214	2,737	(10,272)	(12,951)	(10,747)

For the year ended 31 December 2016, we had net cash generated from operating activities of approximately HK$27.2 million. This amount represents the operating profit before changes in working capital of approximately HK$42.2 million, and adjusted for net working capital outflow of approximately HK$9.1 million and net taxation paid of approximately HK$6.0 million. The net working capital outflow was primarily attributable to our decrease in trade payables of approximately HK$27.5 million as we settled balances through import loan.

For the year ended 31 December 2015, we had net cash generated from operating activities of approximately HK$0.4 million. This amount represents the operating profit before changes in working capital of approximately HK$35.9 million, and adjusted for net working capital outflow of approximately HK$26.9 million and taxation paid of approximately HK$8.5 million. The net working capital outflow was primarily attributable to the decrease in trade payables of approximately HK$30.3 million as we settled balances through letters of credit.

For the year ended 31 December 2014, we had net cash generated from operating activities of approximately HK$51.0 million. This amount represents the operating profit before changes in working capital of approximately HK$42.5 million, and adjusted for net working capital inflow of approximately of HK$13.1 million and taxation paid of approximately HK$4.7 million.

For details of our cash flow, please see the sub-section headed "*Financial Information — Liquidity and capital resources*" in this prospectus.

Major Financial Ratios

	Year ended 31 December			Five months ended 31 May
	2014	**2015**	**2016**	**2017**
Profitability ratios(1)				
Gross profit margin	27.5%	28.7%	32.5%	30.1%
Net profit margin	2.9%	3.1%	3.4%	Net loss
Return on equity	6.2%	7.8%	7.2%	Net loss
Return on total assets	2.5%	2.8%	2.8%	Net loss

	As at 31 December			As at 31 May
	2014	**2015**	**2016**	**2017**
	times	**times**	**times**	**times**
Liquidity ratios(1)				
Current ratio	1.1	1.1	0.6	0.7
Quick ratio	0.9	0.9	0.4	0.5
Capital adequacy ratios				
Interest coverage(1)	3.7	3.1	3.2	1.8
Gearing ratio(2)	0.7	1.2	0.9	1.2

Notes:

(1) Please refer to the sub-section headed "*Financial Information — Major financial ratios*" for the calculation formula of the respective financial ratios.

(2) The calculation of gearing ratio is based on interest-bearing liabilities divided by total equity.

NON-COMPLIANCE

During the Track Record Period, we had the following non-compliance incidents: (a) breaches of certain regulations of the Factories and Industrial Undertakings (Safety Management) Regulation by Great Wall; (b) failure to make full contributions in respect of social insurance and housing provident fund for certain employees of Prosperous (SZ) in the PRC; and (c) work safety laws and regulations in relation to the material workplace accident. For details of our non-compliance incidents, please refer to the sub-section headed "*Business – Non-compliance*" in this prospectus.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, there was one outstanding personal injuries claim brought by our former employee against us, for which we are fully indemnified by insurance, and conduct of the proceedings has been taken over by the insurer. In addition, we were party to three overseas legal proceedings where we, as plaintiff, claim for unpaid fees in a total amount of approximately HK$11.89

million. Among these three ongoing overseas legal proceedings, we are subject to counterclaims in one legal proceeding in France as at the Latest Practicable Date, where we are counterclaimed for the maximum amount of approximately HK$15.99 million by this former French customer. Our potential liability under these counterclaims is not covered by insurance. Our Directors do not consider that these claims and legal proceedings have, or may in the future have, a material financial or operational impact on our Group. Please refer to the sub-section headed "*Business – Legal proceedings*" in this prospectus for details.

MATERIAL WORKPLACE ACCIDENT

During the Track Record Period and up to the Latest Practicable Date, one material workplace accident occurred at our Shenzhen Factory in March 2017 which resulted in the death of one employee. In addition to the Insurance Compensation, we also made ex-gratia payments to the deceased's family out of goodwill. Our PRC Legal Advisers are of the view that (a) the risk of the deceased's family successfully raising any claim against our Group for civil compensation on the ground of the Material Workplace Accident is low, because the deceased's family is entitled to Insurance Compensation; and (b) the risk of future prosecution against either Prosperous (SZ) or Mr. Lam is extremely remote, because all the administrative penalties in connection with such Material Workplace Accident on Prosperous (SZ) and Mr. Lam by competent governmental authorities have been settled as at the Latest Practicable Date. For details, please refer to the sub-section headed "*Business — Health, work safety, and environmental matters — Occupational health and safety — Material workplace accident*" in this prospectus.

NET CURRENT LIABILITIES AND WORKING CAPITAL SUFFICIENCY

As at 31 December 2016, 31 May 2017 and 30 September 2017, we had net current liabilities of approximately HK$106.4 million, HK$92.2 million and HK$35.3 million, respectively, as compared to net current assets of approximately HK$20.3 million as at 31 December 2015. The improvement of our net current liabilities position as at 30 September 2017 compared to that as at 31 May 2017 was mainly because our Group obtained a new set of general banking facilities in August 2017 and internal generated resources from our operations. Please refer to the sub-section headed "*Financial Information — Working capital*" in this prospectus for details. Our net current liabilities position as at 31 December 2016, 31 May 2017 and 30 September 2017 was primarily due to acquisition of the Hong Kong Factory in July 2016 through the acquisitions of Mr. Classic and Great China Gains with total consideration of approximately HK$133.8 million, in settling which we recorded an amount due to a director – Mr. Lam with a balance of approximately HK$40.0 million as at 31 December 2016, and we also drawn a loan of HK$40.0 million in the five months ended 31 May 2017 under a banking facility obtained from a commercial bank in Hong Kong with a maturity period of two years from the date of drawdown. Accordingly, our amount due from Mr. Lam (classified as current assets) dropped from HK$38.2 million as at 31 December 2015 to nil as at 31 December 2016; while on the other hand, we recorded amount due to Mr. Lam (classified as current liabilities) of approximately HK$40.0 million as at 31 December 2016. As the Hong Kong Factory (classified as non-current assets) accounted for significant portion of our total assets, the carrying of which amount accounted for approximately 27.9% and 25.5% of our total assets as at 31 December 2016 and 31 May 2017 respectively, we record adjusted net current liabilities as at 31 December 2016, 31 May 2017 and 30 September 2017 accordingly. For further details, please refer to the sub-sections headed "*Financial Information — Net current assets and liabilities*", "*Risk Factors — We had net current liabilities as at 31 December 2016, 31 May 2017 and 30 September 2017", and "Risk Factors — We require a high level of working capital and rely heavily on banking facilities to finance our operations and our cash flows may deteriorate due to potential mismatches in time between receipt of payments from our customers, and payments to our suppliers and sub-contractors*" in this prospectus.

In order to obtain cash inflows to ease the working capital needs of our business operations, we factored certain of our trade receivables to banks during the Track Record Period. As at 31 December 2014, 2015 and 2016 and 31 May 2017, the amount of trade receivables we factored was approximately

HK$53.0 million, HK$29.8 million, HK$24.8 million and HK$34.2 million, respectively, representing approximately 35.3%, 22.8%, 23.5% and 29.0% of our total trade receivables during the corresponding period, respectively.

As at 30 September 2017, being the latest practicable date for purpose of the statement of indebtedness, our Group had bank loans and overdrafts of approximately HK$236.4 million. Certain of our bank borrowings, although with a repayment schedule after one year to after five years, were classified as current liabilities in our consolidated statements of financial position because such bank borrowings contained repayment on demand clause. Please refer to the sub-sections headed "*Financial Information — Working capital*" in this prospectus for details. Taking into account our guarantees provided to secure such bank borrowings, our Directors expect that such bank loans will be repaid in accordance with their respective repayment schedules as set out in the loan agreements. Hence, if such bank borrowings were not considered as our current liabilities, our net current assets would have been approximately HK$37.6 million and HK$60.2 million respectively, as at 31 December 2014 and 2015; we would have net current liabilities of approximately HK$71.2 million and HK$20.8 million respectively, as at 31 December 2016 and 31 May 2017, and we would have net current assets of approximately HK$4.7 million as at 30 September 2017. For further details, please refer to the sub-sections headed "*Financial Information — Indebtedness*" and "*Financial Information — Net current assets and liabilities*" in this prospectus. Please also refer to the paragraph headed "*— Recent development*" below for a new set of general banking facilities obtained by the Group in August 2017.

Based on the foregoing and taking into account the financial resources available to us, including (a) our unutilised banking facilities of approximately HK$133.4 million as at 30 September 2017, (b) our unutilised credit facilities from independent financial institutions of approximately HK$80.0 million as at 30 September 2017, and (c) the estimated net proceeds from the Share Offer, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus. For further details of our working capital sufficiency, please refer to the sub-section headed "*Business — Working capital sufficiency*" in this prospectus.

SUSTAINABILITY OF OUR GROUP'S BUSINESS

According to the Frost & Sullivan Report, the overall outlook for the global market size for the printing products remains stable and is expected to be in a moderate growing trend despite the challenging economic situation, with an estimated CAGR of approximately 1.4% from 2016 to 2021. Our Directors are of the view, and the Sole Sponsor concurs, that our Group's business will remain sustainable in the foreseeable future because (a) we have demonstrated our ability to sustain our business for 24 years and grown our business in the midst of prevailing challenging business environment; (b) outlook for the market size for printing products remains stable; (c) we have strong ability to maintain our existing customers and develop new customers; (d) we are well positioned to grow our business; (e) the Listing will benefit the Group and drive a sustainable growth in our business; and (f) our profitability is expected to improve in the future with our effective cost control. For details, please refer to the sub-section headed "*Business — Sustainability of our Group's business*" in this prospectus.

RECENT DEVELOPMENT

Subsequent to 31 May 2017 and as at the Latest Practicable Date, our Group has reached settlement of five Overseas Legal Proceedings with the German Print Broker, three former German customers and one former Italian customer. Please refer to the sub-section headed "*Business — Legal proceedings — B. Overseas legal proceedings — III. Settled overseas legal proceedings*" in this prospectus for further details.

In August 2017, our Group obtained a new set of general banking facilities (the "**New Facilities**") from a commercial bank in Hong Kong. Such banking facilities consist of (a) combined facilities up to an aggregate maximum amount of HK$70.0 million; (b) a revolving loan up to an aggregate maximum amount of HK$20.0 million; and (c) two term loans with a total principal amount up to approximately HK$55.0 million (the "**New Term Loans**"). The New Term Loans are not subject to the "repayment on demand" clause but with maturity dates of three years and seven years, respectively, from the date of respective drawdown. The permitted usage of such New Term Loans includes repayment of our Group's existing bank loans as well as general working capital purposes. With the New Facilities and the drawdown of the New Term Loans, our Directors expect that our Group's net current liabilities position and working capital will be improved. For further details of such new banking facilities, please refer to the sub-section headed "*Financial Information — Indebtedness*" in this prospectus.

On 15 November 2017, Mr. Lam made a capital contribution of HK$15 million to the Company on behalf of First Tech without allotment of shares.

The average prices of paper used by the Group increased from approximately HK$6,545 per ton for the five months ended 31 May 2016 to approximately HK$7,004 per ton for the five months ended 31 May 2017. For the nine months ended 30 September 2017, the average prices of paper used by the Group further increased to approximately HK$7,009 per ton, as compared to approximately HK$6,354 per ton for the nine months ended 30 September 2016. Our Directors expect that if the current trend of increase in average prices of paper continues, it will lead to an increase in our costs of sales for the year ending 31 December 2017. If our Group is unable to pass on such increased costs to our customers, our gross profit and net profit for the year ending 31 December 2017 will be adversely affected.

Set forth below are recent developments of our financial performance after 31 May 2017 (being the end of the Track Record Period) prepared based on the unaudited consolidated financial information of our Group for the nine months ended 30 September 2017, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA:

- for the nine months ended 30 September 2017, our revenue, gross profit and gross profit margin were approximately HK$322.4 million, HK$97.7 million and 30.3%, respectively; and

- expenses incurred in relating to the Listing amounted to approximately HK$3.4 million.

Based on the unaudited consolidated management account for the nine months ended 30 September 2016, our revenue, gross profit and gross profit margin were approximately HK$285.5 million, HK$89.3 million and 31.3%, respectively. The increase in our revenue and gross profit for the nine months ended 30 September 2017 as compared to the corresponding period in 2016 was mainly driven by the increase in the number of orders from our customers; while the slight decrease in our gross profit margin for the nine months ended 30 September 2017 as compared to the corresponding period in 2016 was primarily attributable to the increase in the average prices of paper used during the period.

Our Directors confirm that we did not have any material non-recurring income or expenses for the nine months ended 30 September 2017 save for expenses incurred in relation to the Listing of approximately HK$3.4 million for the nine months ended 30 September 2017.

As at the Latest Practicable Date, we had a total of 672 purchase orders on hand with a total value of approximately HK$46.3 million, of which approximately HK$0.5 million has been invoiced and recognised as our revenue, and the balance of approximately HK$45.8 million represents the backlog value of our purchase orders on hand as at the Latest Practicable Date. Our Directors estimated that most of such purchase orders could be completed by the end of 2017.

LISTING EXPENSES

Assuming the Offer Price of HK$0.30 per Offer Share, being the mid-point of the indicative Offer Price, the total expenses for Listing are estimated to be approximately HK$28.6 million, of which approximately nil, HK$0.6 million, HK$8.1 million and HK$1.9 million was recognised as other expenses in our consolidated statements of profit or loss during the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. We expect to incur additional listing expenses of approximately HK$8.6 million which will be recognised as other operating expenses for seven months ending 31 December 2017. The balance of approximately HK$9.4 million is expected to be recognised as a deduction in equity upon Listing.

In light of the above, our Directors are of the view that, in addition to the trend of increase in average price of paper as described in sub-section headed "— *Recent development*" above, the one-off listing expenses, which are non-recurring in nature, will also have a material adverse effect on the financial results of our Group for the year ending 31 December 2017. We wish to emphasise that the aforesaid amount of listing expenses is a current estimate for reference only, and the final amount to be recognised in our consolidated statement of profit or loss for the year ending 31 December 2017 will be subject to adjustments based on audit and changes in variables and assumptions.

DIVIDENDS

For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, we declared and distributed dividends of nil, HK$45.0 million, nil and nil respectively to our then Shareholders. As we are required to obtain prior written consent from banks pursuant to certain of our banking facilities before declaring or paying dividends, there will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Please refer to the sub-section headed "*Financial Information — Dividends*" in this prospectus for further details. As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

FUTURE PLANS AND USE OF PROCEEDS

On the basis that the Offer Price is HK$0.30 (being the mid-point of the indicative range of the Offer Price), our Directors estimate that the net proceeds to be received by us from the Share Offer (after deducting underwriting commissions and estimated total expenses paid and payable by us in connection with the Share Offer) will be approximately HK$31.4 million.

We plan to apply these net proceeds to implement the following future plans:

(1) approximately HK$10.8 million (or 34.4% of the net proceeds), will be used for the purchase of machinery and for improving and upgrading our equipment and level of automation;

(2) approximately HK$15.4 million (or 49.0% of the net proceeds), will be used for repayment of our outstanding bank loans which carries comparatively high interest rate;

(3) approximately HK$3.2 million (or 10.2% of the net proceeds), will be used for expanding customer base and strengthening sales and marketing coverages;

(4) approximately HK$1.5 million (or 4.8% of the net proceeds), will be used for recruiting top talent in sales, marketing and customer services and enhancing internal training to support future growth; and

(5) approximately HK$0.5 million (or 1.6% of the net proceeds), will be used for additional working capital and other general corporate purposes.

Please refer to the sub-section headed "*Future Plans and Use of Proceeds — Use of proceeds*" in this prospectus for further details.

SHARE OFFER STATISTICS

Market capitalisation upon Listing(1)	HK$200,000,000 to HK$280,000,000
Number of Shares to be issued under the Share Offer(1)	200,000,000
Offer Price per Share	HK$0.25 to HK$0.35
Board lots	10,000 Shares
Unaudited pro forma adjusted consolidated net tangible assets per Share(2)(3)	HK$0.2686 to HK$0.2919

Notes:

(1) Assuming the Offer Size Adjustment Option is not exercised at all.

(2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments and on the basis that 800,000,000 Shares were in issue immediately following the completion of the Share Offer. It does not take into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and to buy back Shares.

(3) The unaudited pro forma adjusted net tangible assets per Share has not been adjusted for the capital contribution of HK$15 million by Mr. Lam to the Company on behalf of First Tech without allotment of any shares, which was completed on 15 November 2017 (the "Capital Contribution"). If adjustments had been made to reflect the Capital Contribution, the unaudited proforma adjusted consolidated net tangible assets would have been adjusted to approximately HK$229,917,000 or HK$248,517,000, and the unaudited pro forma adjusted consolidated net tangible assets per Share would have been adjusted to approximately HK$0.2874 or HK$0.3106, based on the Offer Price of HK$0.25 per Offer Share or HK$0.35 per Offer Share respectively.

MATERIAL ADVERSE CHANGE SUBSEQUENT TO 31 MAY 2017

Our Directors confirm that, up to the date of this prospectus and save for the impact on our gross profit and net profit for the year ending 31 December 2017 due to (a) the estimated increase of the average prices of paper as disclosed in sub-section headed "— *Recent development*" in this section, and (b) the one-off listing expenses as disclosed in the sub-section headed "— *Listing expenses*" in this section, there has been no material adverse change in our financial, operational or trading position since 31 May 2017, being the end of the period reported on in the Accountants' Report in Appendix I to this prospectus.

DEFINITIONS

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

"Affiliate"	any entity that, directly or indirectly, controls, is controlled by, or is under common control with, another entity. For purposes hereof, the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of any entity, or the power to veto major policy decisions of any entity, whether through the ownership of voting securities, by agreement, or otherwise
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s), individually or collectively, as the context may require, relating to the Public Offer
"Articles" or "Articles of Association"	the articles of association of our Company adopted on 15 November 2017 to take effect from 28 November 2017 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning as ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"Business Opportunity"	has the meaning as it is defined in the section headed "*Relationship with our Controlling Shareholders*" in this prospectus
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCT Agreement"	has the meaning as it is defined in the section headed "*Connected Transactions*" in this prospectus

"Century Sight"	Century Sight Limited 雄龍有限公司, a limited liability company incorporated in Hong Kong on 22 February 2008 and a wholly-owned subsidiary of our Company
"CEO"	the chief executive officer
"ChaoShang"	ChaoShang Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 2 (dealing in future contracts) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers to the Share Offer
"close associate(s)"	has the meaning as ascribed thereto under the GEM Listing Rules
"Co-lead Managers"	Future Land Resources and Fortune Securities
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "PPCL"	Prosperous Printing Company Limited 萬里印刷有限公司, a limited liability company incorporated in Hong Kong on 23 December 1992
"connected person(s)"	has the meaning as ascribed thereto under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning as ascribed thereto under the GEM Listing Rules and, in the context of this prospectus, refers to Mr. Lam and First Tech
"Convertible Loan"	has the meaning as it is defined in the section headed "*History, Reorganisation and Corporate Structure*" in this prospectus
"Convertible Loan Agreement"	each of the Original Convertible Loan Agreement and the Supplemental Convertible Loan Agreement
"Core Connected Person(s)"	has the meaning as ascribed to it under the GEM Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 15 November 2017 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries from time to time) regarding certain indemnities as more particularly set out in the sub-section headed "*Appendix V — Statutory and General Information — E. Other Information — 1. Indemnity*" in this prospectus
"Deed of Non-competition"	the deed of non-competition dated 15 November 2017 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries from time to time)

	regarding the non-competition undertakings as more particularly set out in the section headed "*Relationship with our Controlling Shareholders*" in this prospectus
"Director(s)"	the director(s) of our Company
"EIT"	the enterprise income tax of the PRC (中華人民共和國企業所得稅),
"EIT Law" or "PRC EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), promulgated by NPC on 16 March 2007 and effective on 1 January 2008, as amended, supplemented or otherwise modified from time to time
"EU"	the European Union
"EUR" or "Euro"	Euros, the lawful currency for the time being of the eurozone, which consists of 19 of the 28 member states of the EU
"Fine Time"	Fine Time Concept Limited, a limited company incorporated in the BVI on 23 March 2011 and a Substantial Shareholder, whose details are set forth in the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment — Information regarding Fine Time*" in this prospectus
"First Tech"	First Tech Inc., a limited company incorporated in BVI on 31 March 2016 which is wholly owned by Mr. Lam, and a Controlling Shareholder
"Fortune Securities"	Fortune (HK) Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) regulated activities, being one of the Co-lead Managers to the Share Offer
"Frost & Sullivan"	Frost & Sullivan Limited, an independent market research consultant
"Frost & Sullivan Report"	a market research report commissioned by us and prepared by Frost & Sullivan on the overview of the industries in which our Group operates
"Future Land Resources"	Future Land Resources Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) regulated activities, being one of the Co-lead Managers to the Share Offer
"GBP", "£" or "Pound(s) Sterling"	Pound(s) sterling, the lawful currency of the United Kingdom
"GDP"	gross domestic product
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Great China Gains"	Great China Gains Inc., a limited liability company incorporated in BVI on 6 January 2016 and a wholly-owned subsidiary of our Company

"Great Wall"	Great Wall Printing Company Limited 長城印刷有限公司, a limited liability company incorporated in Hong Kong on 23 May 2008 and an indirect wholly-owned subsidiary of our Company
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries, or any of them or, where the context so requires, in respect of the period before our Company became the holding company, the present subsidiaries of our Company or, where the context otherwise specifies or so requires in respect of financial or accounting information, our Company and its subsidiaries
"Head & Shoulders"	Head & Shoulders Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers to the Share Offer
"HIBOR"	Hong Kong Inter-bank Offered Rate
"HK Transfer Pricing Adviser"	Crowe Horwath Tax Services (HK) Limited, an independent adviser engaged by our Company to advise on our transfer pricing policies in accordance with the rules and regulations in Hong Kong
"HK$" or "Hong Kong dollars" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS" or "HKFRSs"	Hong Kong Financial Reporting Standards issued by HKICPA
"HKICPA"	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"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Factory"	the production site of the Company located at Yip Cheung Centre, No. 10 Fung Yip Street, Chai Wan, Hong Kong
"Hong Kong Legal Advisers"	Vincent T.K. Cheung, Yap & Co., the legal advisers to our Company as to the laws of Hong Kong
"Hong Kong Stock Exchange", "HKSE" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) our Company and our connected persons

"Internal Control Consultant"	HLB Hodgson Impey Cheng Risk Advisory Services Limited, an independent internal control consultant engaged by our Company
"International Sanctions"	sanction-related laws and regulations issued by the U.S., the EU, Australia or the United Nations
"IRD"	the Inland Revenue Department of Hong Kong
"Joint Bookrunners" and "Joint Lead Managers"	Kingsway Financial, Head & Shoulders and ChaoShang
"JPY"	Japanese Yen, the lawful currency of Japan
"Kingsway Capital" or "Sole Sponsor"	Kingsway Capital Limited, the sole sponsor for the Listing and a corporation licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"Kingsway Financial"	Kingsway Financial Services Group Limited, a corporation licensed under the SFO to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers to the Share Offer
"L&L"	L & L Limited, details of which have been set out in the section headed "*History, Reorganisation and Corporate Structure*" in this prospectus
"Latest Practicable Date"	22 November 2017, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information in this prospectus
"Listing"	the proposed listing of the Shares on GEM of the Hong Kong Stock Exchange
"Listing Date"	the date expected to be on or about 13 December 2017, on which dealings in the Shares first commence on GEM
"Listing Division"	the listing department of the Hong Kong Stock Exchange
"London Exchange"	London Stock Exchange plc.
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)

"Mr. Classic"	Mr. Classic Inc., a limited company incorporated in BVI on 6 January 2016 and a wholly-owned subsidiary of our Company
"Mr. Lam"	Mr. Lam Sam Ming, the chairman, CEO, a Controlling Shareholder and the spouse of Ms. Yao
"Ms. Yao"	Ms. Yao Yuan, our executive Director and the spouse of Mr. Lam
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Net Pacific"	has the meaning as it is defined in the section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment*" in this prospectus
"NPC" or "National People's Congress"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"OFAC"	the Office of Foreign Assets Control of the US Department of the Treasury
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy)
"Offer Shares"	the Placing Shares and the Public Offer Shares
"Offer Size Adjustment Option"	the option granted by our Company to the Underwriters, exercisable with the prior written consent of our Company by the Joint Bookrunners on behalf of the Underwriters, whereby our Company may be required to allot and issue up to 30,000,000 additional Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocations in the Share Offer, subject to the terms of the Placing Underwriting Agreement
"Original Convertible Loan Agreement"	has the meaning as it is defined in the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment*" in this prospectus
"Partnership"	a partnership carried on by Ms. Yao and Mr. Lam under the style or name of Prosperous Printing Co. 萬里印刷製版裝釘公司 for the sole purpose of holding the Vehicle Licences
"PBOC"	the People's Bank of China of the PRC (中國人民銀行)
"Placing"	the conditional placing by the Placing Underwriters of the Placing Shares on behalf of our Company for cash at the Offer Price, as further described in the section headed "*Structure and Conditions of the Share Offer*" in this prospectus

"Placing Share(s)"	the 180,000,000 new Shares being offered by our Company for subscription under the Placing
"Placing Underwriters"	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the conditional underwriting agreement relating to the Placing and to be entered into on or about the Price Determination Date, particulars of which are summarised in the section headed "Underwriting" of this prospectus
"PRC" or "China" or "Mainland China"	the People's Republic of China, save that, for the purpose of this prospectus and unless the context otherwise requires, references in this prospectus to the PRC do not include Hong Kong, Macau and Taiwan
"PRC Government"	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Labour Contract Law"	The Labour Contract Law of the PRC (中華人民共和國勞動合同法), as enacted by the Standing Committee of the NPC on 29 June 2007 and effective as of 1 January 2008, as amended on 28 December 2012
"PRC Legal Advisers"	GFE Law Office, the legal advisers to our Company as to the PRC laws
"PRC Transfer Pricing Adviser"	Shenzhen Zhong Ziqi Certified Tax Agents (General Partnership) (深圳市中諮旗稅務師事務所(普通合夥)), an independent adviser engaged by our Company to advise on our transfer pricing policies
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance
"Price Determination Agreement"	the agreement expected to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the Offer Price
"Price Determination Date"	the date, which is expected to be on or around Tuesday, 5 December 2017, no later than Thursday, 7 December 2017, on which the Offer Price is to be fixed for the purpose of the Share Offer
"Printplus"	Printplus Limited 篇藝印製有限公司, a limited liability company incorporated in Hong Kong on 18 February 2004 and a wholly-owned subsidiary of our Company

"Properties"	has the meaning as it is defined in the sub-section headed "*Business — Property and plant*" in this prospectus
"Prosperous (SZ)"	Prosperous Printing (Shenzhen) Co., Ltd. (中万印刷 (深圳) 有限公司), a wholly foreign-owned limited liability company (有限責任公司(台港澳法人獨資)) established in the PRC on 3 December 2010 and a wholly-owned subsidiary of our Company
"Public Offer"	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed "*Structure and Conditions of the Share Offer*" in this prospectus and the related Application Forms
"Public Offer Shares"	the 20,000,000 new Shares initially offered by our Company for subscription pursuant to Public Offer (subject to re-allocation as described in the section headed "*Structure and conditions of the Share Offer*" in this prospectus)
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are set forth in the paragraph headed "*Underwriting — Public Offer Underwriters*" in this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 28 November 2017 entered into among our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor and the Public Offer Underwriters regarding the underwriting of the Public Offer Shares by the Public Offer Underwriters as further described in the section headed "*Underwriting*" in this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate reorganisation in preparation for Listing as more particularly described in the section headed "*History, Reorganisation and Corporate Structure — Reorganisation*" in this prospectus
"Restricted Business"	has the meaning as it is defined in the section headed "*Relationship with our Controlling Shareholders*" in this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Royal Step (SZ)"	has the meaning as it is defined in the section headed "*Connected Transactions*" in this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"Sanctioned Countries"	countries regarding which governments such as the United States or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
"Sanctioned Person(s)"	certain person(s) and entity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., the EU, the United Nations or Australia
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Offer"	the Placing and the Public Offer
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 15 November 2017, the principal terms of which are summarised in the sub-section headed "*Appendix V — Statutory and General Information —D. Share Option Scheme*" in this prospectus
"Share Registrar"	Tricor Investor Services Limited, our share registrar and transfer office
"Share(s)"	ordinary share(s) in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares
"Shenzhen Factory"	the production site of the Company located at Hong Mian Fourth Road Henggang Town, Longgang District, Shenzhen, Guangdong Province, the PRC
"Singapore Exchange"	Singapore Exchange Limited
"Sole Sponsor"	Kingsway Capital Limited
"South Sea"	South Sea International Press Limited, a limited liability company incorporated in Hong Kong on 14 August 1984 and a former subsidiary of our Company, which has been deregistered pursuant to section 751 of the Companies Ordinance with effect from 23 September 2016
"sq. ft."	square feet
"sq. m."	square metre(s)

"Standing Committee"	the Standing Committee of the NPC (中華人民共和國全國人民代表大會常務委員會)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Super Noble"	Super Noble Limited 雄順有限公司, a limited liability company incorporated in Hong Kong on 10 March 2008, and an indirect wholly-owned subsidiary of our Company
"Supplemental Convertible Loan Agreement"	has the meaning as it is defined in the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment*" in this prospectus
"Tactful Hero"	Tactful Hero Limited 豪雄有限公司, a limited liability company incorporated in Hong Kong on 10 March 2008, and an indirect wholly-owned subsidiary of our Company
"Takeovers Codes"	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as may be amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three years ended 31 December 2016 and the five months ended 31 May 2017
"U.K." or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "U.S." or "USA"	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
"US$" or "U.S. dollars" or "USD"	United States dollars, the lawful currency of the U.S.
"VAT"	the PRC value-added tax (中華人民共和國增值稅)
"Vehicle Licences"	the existing closed road permit issued by the Transport Department of Hong Kong and the approval notice issued by the Vehicle Administration Office of the Guangdong Public Security Bureau to the Partnership, authorising the motor vehicle owned by our Company to travel between the Guangdong Province and Hong Kong (via Huanggang Port)

"WFOE"	wholly foreign-owned enterprise(s)
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
"%"	per cent

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

If there is any inconsistency between the Chinese names of the titles, entities or enterprises established or used as the case may be in the PRC and their English translations, the Chinese names shall prevail. The English names of PRC and overseas entities or titles mentioned in this prospectus may not be their official names in their respective locality and are used for identification only.

This glossary contains explanations of certain terms, definitions and abbreviations used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

"case bound"	A book bound with a stiff or hard cover
"collating"	the assembling of folded signatures in proper sequence
"colour separation"	the process of separating full-colour originals into the primary printing colours
"computer-to-plate" or "CTP"	the process of taking an electronic file and outputting it directly onto a printing plate
"die-cutting"	the use of sharp steel rules to cut shapes out of text sheets or caseside and limpbound covers (i.e., a book bound with a paper cover) for pop-up books, advertising materials or other printing products
"digital proof"	a proof made directly from a digital file
"dummy"	a blank book made in advance to show all specifications such as size, shape, form and style without containing any printed contents
"e-book(s)"	electronic book(s)
"FSC/CoC"	Forest Stewardship Council — Chain of Custody Standards Certificate
"GFA"	gross floor area
"GMG systems"	the colour management and proofing systems developed by GMG GmbH & Co. KG
"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
"ISO"	International Organisation for Standardisation
"ISO 14001"	a set of standards published by ISO, which specifies a framework of control for an environmental management system
"ISO 9001"	a quality management system model published by ISO with guidance and tools for companies and organisations who want to ensure that their products and services consistently meet customer's requirements, and that quality is consistently improved
"lamination"	the process through which paper and 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
"ozalid"	a photoprint made from stripped-up film or digital file used as a final proof to check the position of image elements on each page
"PressView software"	the software system for colour testing and print quality control developed by Colorware B.V.
"printing plate"	a plate used in printing processes which is made of aluminium, on which the image is put through photomechanical, photochemical or laser processes
"proofing"	trial prints done on paper with comparable or equal specifications
"saddle-stitched"	a common way of binding pamphlets and booklets which may be less than five-millimetre 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-stitched books may be saddle-wire stitched or saddle-thread stitched
"screen printing"	a stencil method of print making in which a design is imposed on a screen of polyester or other fine mesh, with blank areas coated with an impermeable substance
"signature"	any single press sheet on which multiple pages have been imposed which, when folded and cut, forms a group of pages
"soft bound"	a book bound with a paper or other non-board cover
"spine"	the back of a bound book connecting the front and back covers
"spiral"	a method of binding in which a continuous wire is threaded through holes punched in the binding edge of the pages
"UV Coating"	a surface treatment of paper which is cured by ultraviolet radiation
"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

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "ought to", "plan", "project", "seek", "should", "will" or "would" or similar terms, in particular, in the sections headed "*Business*" and "*Financial Information*" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industries and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and the various measures to implement such strategies;
- our dividends;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industries outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules, regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, unless otherwise stated, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information presented in this prospectus and, in particular, should consider the following risks and specific considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. In the event that any of the possible scenarios described in this section occurs, our business, financial condition, results of operations and prospects may be materially and adversely affected. Additional risks not currently known to us or that we now consider immaterial may also harm us and affect our investment value. The trading prices of our Shares could decline considerably due to the occurrence of any of such risks and investors may lose part or all of their investments.

RISKS RELATING TO OUR BUSINESS

We require a high level of working capital and rely heavily on banking facilities to finance our operations, and our cash flows may deteriorate due to potential mismatches in time between receipt of payments from our customers, and payments to our suppliers and sub-contractors

We require relatively high level of working capital to maintain our operation mainly due to:

(a) Mismatch of credit terms

We generally offer credit terms to customers ranging from 30 to 180 days following our issue of invoice, and our suppliers and sub-contractors generally grant us credit terms in the range of 30 to 145 days. During the Track Record Period, we experienced the mismatch between the receipts and payments cycle as demonstrated by the increasing difference between the trade receivables turnover days and trade payables turnover days. For the three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our trade receivables turnover days were approximately 126.1 days, 120.9 days, 96.7 days and 91.7 days, respectively; and our trade payables turnover days were approximately 118.1 days, 107.5 days, 70.9 days and 60.6 days, respectively. As at 31 December 2014, 2015 and 2016 and 31 May 2017, our trade and other payables amounted to approximately HK$129.0 million, HK$79.5 million, HK$113.4 million and HK$79.4 million, respectively, representing approximately 50.3%, 31.8%, 40.4% and 26.2%, respectively, of our total current liabilities. Please refer to the sub-sections headed "*Financial Information — Discussion of selected consolidated statements of financial position items — Trade and other receivables — Trade receivables*" and "*Financial Information — Discussion of selected consolidated statements of financial position items — Trade and other payables — Trade payables*" in this prospectus for details.

(b) Investment in acquiring the Hong Kong Factory

During the year ended 31 December 2016, we acquired the Hong Kong Factory through the acquisitions of Mr. Classic and Great China Gains at a total consideration of approximately HK$133.8 million, as a result of which our capital expenditure increased to approximately HK$152.6 million as at 31 December 2016. For details, please refer to the sub-sections headed "*Financial Information — Discussion of selected consolidated statements of financial position items — Property, plant and equipment*" and "*Financial Information — Capital expenditure*" in this prospectus.

To accommodate the high level of working capital, we have a high degree of financial leverage. As at 31 December 2014, 2015 and 2016 and 31 May 2017, our gearing ratio (based on interest-bearing liabilities divided by total equity) was approximately 0.7, 1.2, 0.9 and 1.2, respectively. We rely heavily on borrowings to fund our capital requirements and expect to continue to do so in the future. As at 31 December 2014, 2015 and 2016 and 30 September 2017, we had total outstanding interest-bearing bank borrowings of approximately HK$109.6 million, HK$157.8 million, HK$156.0 million and HK$236.4 million, respectively. As at 30 September 2017, our total banking facilities amounted to approximately HK$376.8 million, where unutilised banking facilities amounted to approximately HK$133.4 million. The degree to which we are leveraged may impair our ability to make necessary capital expenditure, increase our exposure to interest rate fluctuations, and limit our ability to develop business opportunities or make strategic acquisitions, which may materially and adversely affect our financial conditions, results of operations as well as our ability to expand our business.

Furthermore, we rely on cash inflow from our customers to meet our payment obligations to our suppliers, and our cash inflow is dependent on the prompt settlement by our customers. Even if our customers settle such payments on time and in full, there is no assurance that we would not experience any significant cash flow mismatch or cash outflow. If there were any significant and substantial cash flow mismatch or significant cash outflow, our cash flow position may be adversely affected, thereby materially affecting our business and financial performance.

We had net current liabilities as at 31 December 2016, 31 May 2017 and 30 September 2017

As at 31 December 2016, 31 May 2017 and 30 September 2017, we had net current liabilities of approximately HK$106.4 million, HK$92.2 million and HK$35.3 million, respectively, as compared to net current assets of approximately HK$20.3 million as at 31 December 2015. We relied on a combination of funds generated from our operations and loans from banks and other financial institutions to finance our business operations during the Track Record Period. As at 30 September 2017, being the latest practicable date for purpose of the statement of indebtedness, our Group had bank loans and overdrafts of approximately HK$236.4 million, with interest rates ranging from 2.08% to 5.75%. For details of our indebtedness and liquidity position, please refer to the sub-sections headed "*Financial Information — Indebtedness*", "*Financial Information — Liquidity and capital resources*" and "*Financial Information — Working capital*" in this prospectus. Our gearing ratio was approximately 0.7 times, 1.2 times, 0.9 times and 1.2 times as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively. Our high level of indebtedness could materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest of our borrowings, and as a result, reducing the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- limit our ability to obtain financing in the future; and
- increase our exposure to interest rate fluctuations.

Our net current liabilities position as at 31 May 2017 and 30 September 2017 exposes us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain sufficient cash generated from operating activities and adequate external financing.

In addition, we cannot assure you that we will be able to obtain adequate financing to meet our future working capital requirements and we may continue to have net current liabilities in the future. The inability to generate sufficient positive operating cash flow or to obtain additional short-term bank loans or other borrowings on a timely basis, on acceptable terms or at all, would materially and adversely affect our ability to satisfy our working capital requirements. Further, we cannot assure you that we will be able to obtain additional working capital to execute our growth strategies.

Moreover, our financial statements included in this prospectus have been prepared on a going concern basis, which takes into account our financial resources. If there is an adverse change to our profits, cash flow or ability to obtain additional financing, our financial statements may need to be prepared on an alternative basis and adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities may need to be made.

We are subject to challenges from technological advancements in publishing and new forms of information dissemination

We face challenges from new forms of information dissemination along with the increased digitalisation of information, technological advancements in publishing and the increased popularity of the use of electronic media. As the internet becomes easily accessible on the one hand, and personal electronic devices such as desktop computers, laptop computers, mobile phones, electronic readers and tablets become more common on the other hand, both the supply of and demand for electronic information may impact the demand for printed products. Please refer to the section headed "*Industry Overview*" in this prospectus for details.

If consumers' preferences and trends keep shifting towards electronic media and platforms, and the popularity and sales of electronic products such as e-book readers and tablet devices stay on the increasing trend, our customers, including publishers whose publication covers various sectors, may decide to transfer or increase distribution of their contents on digital mediums and reduce the usage of print media. In such event, our business, financial condition and results of operations may be materially and adversely affected.

We may experience weak liquidity as we recorded negative cash flow from our operating activities in the past

For the five months ended 31 May 2017, we recorded negative cash flow from our operating activities of approximately HK$13.2 million, primarily due to the increase in our inventories and trade and other receivables of approximately HK$19.1 million and HK$23.2 million respectively. Please refer to the sub-section headed *"Financial Information — Liquidity and capital resources — Net cash flows from operating activities"* in this prospectus for further details. We cannot assure you that we will not experience another period of negative cash flow from our operating activities in the future.

We are exposed to risks of obsolete and slow-moving inventory which may adversely impact our cash flow and liquidity

As at 31 December 2014, 2015 and 2016 and 31 May 2017, the balance of our inventories was approximately HK$62.5 million, HK$54.7 million, HK$52.8 million and HK$72.7 million respectively. The increase in our inventory balance as at 31 May 2017 was mainly due to the increase in raw materials and work-in-progress, as we generally received more orders during peak season which started from April 2017. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our average inventory turnover days were approximately 84.4 days, 79.4 days, 75.5 days and 87.0 days, respectively. For the years ended 31 December 2014, 2015 and 2016 and for the five months ended 31 May 2017, we have not identified material inventory items requiring provision for impairment. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Furthermore, since our sales are entirely generated on an order-by-order basis without long-term contracts with our customers, the volume of obsolete and slow-moving inventory may increase if our customers' demand decreases, in which event our financial position and results of operations may be materially and adversely affected.

We might not continue to receive government subsidies

During the Track Record Period, we received certain government subsidies with a total amount of approximately nil, HK$0.2 million, HK$1.9 million and HK$63,000 for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. Since such government subsidies are non-recurring in nature, there is no guarantee that we will still be eligible for such subsidies in future.

We might be subject to contingent liabilities arising from the ongoing overseas legal proceeding

As at the Latest Practicable Date, there were three ongoing overseas legal proceedings where we claimed against three former overseas customers for unpaid printing fees in the total amount of approximately US$0.75 million (or approximately HK$5.83 million) and approximately EUR0.71 million (or approximately HK$6.06 million) while we were subject to counterclaims for the maximum amount of approximately EUR1.50 million (or approximately HK$12.75 million) and approximately US$0.42 million (or approximately HK$3.24 million) filed by a former overseas customer in one overseas legal proceeding. Please refer to the sub-section headed "*Business — Legal proceedings*" in this prospectus for details. There is no guarantee that we could prevail in our claims against such former overseas customers, or the counterclaims against us by such former overseas customer will not materialise.

We are dependent on the demand of our customers as we do not enter into long-term contracts

In line with industry norms, our sales are entirely generated on an order-by-order basis and we do not enter into long-term contracts with our customers. As such, our sales may fluctuate subject to customers' demand for our products and services. Our total revenue remained relatively steady for the three years ended 31 December 2016, being approximately HK$401.2 million, HK$377.8 million, and HK$386.0 million, respectively; and our revenue for the five months ended 31 May 2016 and 2017 was approximately HK$125.8 million and HK$155.9 million, respectively. The future growth of our business depends on our ability to maintain and increase orders from our existing and new customers. We cannot guarantee that our growth will continue in the future. If there is any adverse change to market conditions such as an economic slowdown or an increase in competition, our business, financial condition and results of operations may be adversely affected.

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

During the Track Record Period, our Group generated more than half of our revenue from customers who were located in the U.S. and U.K.. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our revenue from the U.S.-based customers represents approximately 22.3%, 25.5%, 29.3% and 32.8%, respectively, of our Group's total revenue. During the same period, our revenue from the U.K.-based customers represents approximately 21.7%, 18.8%, 10.4% and 7.4%, respectively, of our Group's total revenue. Our revenue from the Hong Kong-based customers accounted for approximately 41.8%, 44.4%, 51.7% and 55.0%, respectively, of our total revenue during the same period. To the best knowledge of our Directors, the printing products we produced for such Hong Kong-based customers during the Track Record Period were distributed to different overseas markets, which mainly cover the U.S. and U.K.. Our Directors anticipate that the provision of printing services to such international markets will continue to represent a significant portion of our Group's revenue in the near future.

We cannot predict the impact to our business and results of operations brought by any financial crisis, economic recessions, political or social turmoil in the U.S. and/or U.K., or any adverse changes in the political, economic or social conditions, foreign trade or monetary policies, legal or regulatory requirements, or taxation or tariff regime in any of these markets. For example, the United Kingdom EU membership referendum (commonly referred to as "**Brexit**") and the prospect of UK's eventual withdrawal from the EU may create business and financial uncertainty. Announcement of the outcome of the Brexit referendum vote on 23 June 2016 has caused volatility and uncertainty in global economy, which may continue as the U.K. negotiates its potential withdrawal from the EU. This volatility could cause a slowdown in economic activity in the U.K., Europe or globally, which could adversely affect our operating results and growth prospects. Furthermore, inauguration of the new president of the United States on 20 January 2017 also created uncertainties in, and may cause potential changes to, the existing trade policies as well as the social, political, regulatory, and economic conditions of the U.S.. The implementation by the United States' new administrations of any protectionist trade policies or the promotion of any governmental initiatives only in favour of local manufacturers in the U.S. may limit our access to the U.S. market and impair our ability to achieve the expansion of our customer base and sale network in the U.S.. As a result, our business, operating results and financial conditions may be adversely affected.

We are exposed to credit risks of our customers

We generally offer credit terms to customers ranging from 30 to 180 days, following the date of invoice of the products. There is no assurance that our Group's customers will meet their payment obligations on time or in full, or that our Group's average trade receivables turnover days will not increase. As at 31 December 2014, 2015 and 2016 and 31 May 2017, our Group's allowance for doubtful debts amounted to approximately HK$15.4 million, HK$14.9 million, HK$17.0 million and HK$17.4 million, respectively; and the balance of our Group's net trade receivables amounted to approximately HK$134.7 million, HK$115.6 million, HK$88.5 million and HK$100.8 million, respectively, as at the same date. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, the uncollectible amounts written off was approximately HK$2.9 million, HK$0.2 million, nil and nil, respectively; and the impairment loss provided and recognised in the consolidated statements of profit or loss was approximately HK$4.5 million, nil, HK$3.2 million and HK$0.3 million, respectively.

We use our best endeavours to exercise tight credit control, and our Group's finance department regularly reviews the credit terms of each existing customer. However, we could not guarantee that our Group is able to successfully collect any or all of the debts due. Any failure on the part of our Group's customers to settle or settle on time the amounts due may adversely affect our Group's financial condition and operating cash flows, which may have a material adverse effect on our business and results of operations.

Reliance on key personnel

The success of our Group is dependent, to a significant extent, on our ability to retain the services of our executive Directors and senior management. Our executive Directors and senior management have extensive experience and business relationships in the printing industry and are responsible for steering and implementing the overall business strategy and corporate growth of our Group. In particular, Mr. Lam, our CEO and chairman, is responsible for steering and overseeing the management, operations, strategic planning and future direction of our Group. The loss of services of our executive Directors and/or our senior management without suitable replacements may lead to the loss or deterioration of our business operations and prospects.

Furthermore, our senior management and other key personnel possess in-depth industry knowledge and substantial experience in business management and operations, and have made significant contributions to the development of our Group. To a certain extent, our Group's daily operation is dependent on the performance of our senior management and key personnel. In the event that our Group loses the services of any of our senior management and key personnel and fails to attract competent replacements, our business operations and prospects may be adversely affected.

We may not be able to meet the delivery schedule of our customers and may experience a loss of revenue

Once we accept purchase orders from our customers, we are committed to finishing our production process and delivering the finished products to our customers within the agreed schedule. Our customers generally require our delivery to destinations specified by them, and our products are generally delivered to designated overseas destinations. Our delivery of certain products, in particular the textbooks, is time-sensitive.

Significant unscheduled downtime at our Shenzhen Factory and/or Hong Kong Factory due to equipment breakdowns, power failures, severe weather conditions or epidemic disease could cause disruptions in our Group's operations or cause delays in our production schedules. Moreover, given that our Shenzhen Factory is the primary production base for our business, if its operation is adversely affected, the production of our Group may be adversely disrupted or halted as a whole. We may also become unable to fulfil the agreed production and delivery schedule due to transport and shipping disruptions, delay in the cargo consolidation process, and/or other factors beyond our control as set forth in the sub-section headed "*Risks Relating to Our Business — Our business operations may be affected by fire, adverse weather conditions, natural disasters, acts of war, terrorist attacks and geopolitical tensions, or outbreak of a contagious epidemic disease*" in this section.

If possible delay in delivery schedule is anticipated, we would take proactive actions such as timely negotiation with our customers for adjusting schedule, making delivery by expedited methods, or arranging for order fulfilment by way of sub-contracting. We may incur additional expenses or have to offer additional discounts to our customers as a result of such remedial measures. When such delays occur, we may also experience a loss of revenue, and, in the worst case scenario, our customers may claim against us for compensation for late delivery. If such disruptions and/or delays occur frequently, our reputation, business, financial condition and results of operations may be materially and adversely affected.

Certain restrictive covenants and risks normally associated with debt financing may limit or otherwise materially and adversely affect our business, financial condition and results of operations

We are subject to certain restrictive covenants in our Group's banking facilities which are commonly found in lending arrangements with financial institutions. For example, certain banking facilities contain covenants pursuant to which we and/or our operating subsidiaries may not distribute dividends without the relevant lenders' prior written consent or unless we fully settle the outstanding amounts under the relevant banking facilities. In a new set of general banking facilities (the "**New Facilities**") obtained by the Group from a commercial bank in Hong Kong, we are also required that: (i) before Listing, we shall ensure a consolidated tangible net worth of not less than HK$150.0 million and maintain a "debt ratio" (which is defined in the New Facilities as "consolidated total liabilities divided by consolidated total assets") of no more than 0.8; (ii) after the Listing and in addition to satisfying the aforesaid consolidated tangible net worth covenant, we shall maintain a consolidated earnings before interest, taxes, depreciation and amortisation (the "**Consolidated EBITDA**") of at least

HK$30.0 million and a ratio of the Consolidated EBITDA to gross interest expenses of not less than 3.5 times; and (iii) during the term of New Facilities, our Group shall not pay dividend without prior written consent from the bank. We cannot assure you that we will be able to abide by all of the restrictive covenants of any of our banking facilities in the future or obtain lenders' consents or waivers in a timely manner or at all. As at 31 December 2015, our Group had breached a covenant relating to obtaining a prior written consent from the banks before payment of dividends. Please refer to the sub-sections headed "*Financial Information — Discussion of selected consolidated statements of financial position items — Bank loans and overdrafts*", "*Financial Information — Indebtedness*" and Note 22(c) in Appendix I in this prospectus for further details.

If we are unable to comply with the restrictions and covenants of our current or future debt obligations and other agreements, there could be a breach of such agreements and the lenders may have the right to accelerate repayment and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness when they become due and payable, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms favourable or acceptable to us.

We depend on sub-contractors to complete certain projects

We have been outsourcing certain production procedures to sub-contractors, who are typically engaged to (i) carry out certain production process for certain types of books which we do not receive regular orders and therefore do not maintain the required machinery or large number of staff with those specialised technique on full-time basis, such as gilding on book blocks, UV Coating of paper or screen printing, which we are unequipped to conduct; (ii) perform certain labour-intensive production procedures, such as the handcrafting processes for the production of pop-up books, which we consider it more economical to outsource according to order volume rather than retaining a large number of staff to process in-house; and (iii) accommodate the large volume of orders during peak season generally from April to September each year. We have established a system with respect to the selection and control of such sub-contractors. However, there is no assurance that we will be able to monitor the performance of these suppliers and contractors as directly and efficiently as with our own staff. In addition, suitable sub-contractors may not always be readily available at reasonable costs when we require their service. Our ability to complete projects could be impaired if we are unable to engage suitable sub-contractors. If a sub-contractor fails to provide services as required under a contract, we may need to source these services on a delayed basis or at a higher replacement cost than anticipated, which may have adverse impact on our profitability. If the performance of a sub-contractor does not meet our standards, the quality of the project may be affected, which could harm our reputation and expose us to litigation and damage claims. For further details on the production process which we typically outsourced during the Track Record Period, please refer to the sub-section headed "*Business — Sub-contracting*" in this prospectus.

We are subject to data transfer risks in our production process which may result in discrepancies in our printing products

Our Group has been utilising computer-to-plate printing technology in our printing process since 2003. The transfer of data from our computer systems directly onto printing plates may result in data loss that we are unable to detect. In the event of such occurrences, the printing order produced will contain discrepancies that our customers may find unsatisfactory. If such discrepancies are identified during our quality inspection and before delivery to customers, we could correct the discrepancies by re-printing the relevant products; or if such discrepancies are not identified until after delivery, we may have to re-process the entire order and/or offer additional discounts to our customers for the defective delivery. In either case, we may have to incur additional costs and/or may experience a loss of revenue. In the worst case scenario, our customers may reject our entire printing order and/or claim against us for compensation for defective delivery. This may adversely affect our reputation, business, financial condition and prospects.

Our business, financial condition and results of operations may be materially and adversely affected by foreign exchange rate fluctuations

Our Group's reporting currency is Hong Kong dollars, and foreign currencies are converted into Hong Kong dollars for our financial reporting purpose. Our sales are denominated in a mixture of several currencies, mainly U.S. dollars and Hong Kong dollars. During the Track Record Period, our sales denominated in U.S. dollars and Hong Kong dollars were in the proportion of approximately 51.7%, and 41.5%, respectively, in our total revenue for the year ended 31 December 2014; approximately 51.5% and 42.3%, respectively, in our total revenue for the year ended 31 December 2015; approximately 60.9% and 35.9%, respectively, in our total revenue for the year ended 31 December 2016; and approximately 67.5% and 29.6%, respectively, in our total revenue for the five months ended 31 May 2017.

The purchase of paper, being our major raw materials, was mainly denominated in Hong Kong dollars, RMB and U.S. dollars during the Track Record Period. For the year ended 31 December 2014, approximately 47.1%, 10.3% and 42.6% of our total purchase of paper was denominated in Hong Kong dollars, RMB and U.S. dollars, respectively; for year ended 31 December 2015, approximately 62.7%, 17.1% and 20.2%, of our total purchase of paper was denominated in Hong Kong dollars, RMB and U.S. dollars, respectively; for the year ended 31 December 2016, approximately 59.3%, 24.5% and 16.2% of our total purchase of paper was denominated in Hong Kong dollars, RMB and U.S. dollars, respectively; and for the five months ended 31 May 2017, approximately 73.0%, 27.0%, nil, respectively, of our total purchase of paper was denominated in Hong Kong dollars, RMB and U.S. dollars, respectively. Moreover, our production costs for the Shenzhen Factory are priced in RMB to a large extent, while the value of the RMB against the U.S. dollars and other currencies may fluctuate due to, among other things, political as well as economic policies and conditions.

We may also be exposed to fluctuation of the foreign exchange rate between HK$ and JPY as we purchase machinery from Japan. On 15 December 2016, we entered into an optional forward foreign exchange contract to manage our foreign currency exposure relating to our purchase of machinery from Japan which will be settled in JPY in March 2017. Please refer to the sub-sections headed "*Financial Information — Financial instrument*" and "*Business — Currency risk management*" in this prospectus for further information. There is no assurance we may successfully mitigate our exposures to foreign currency fluctuations risks through entering into optional forward foreign exchange contracts in the future.

Our Group cannot predict the future exchange rate fluctuations and in the event of any significant change in the exchange rates among U.S. dollars, Hong Kong dollars, RMB and JPY, our Group's financial condition and results of operations may be affected. Any appreciation of the RMB may lead to an increase in our manufacturing costs if we are unable to pass on such additional costs to our customers. This may, in turn, affect our competitiveness against competitors outside the PRC. To the extent that we need to convert the proceeds of the Share Offer and future financing into RMB for our operations, any appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the amount of RMB we would receive from the currency conversion.

Fluctuations in raw materials prices

Paper is the principal raw material used in our Group's business. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our paper costs amounted to approximately HK$118.6 million, HK$106.9 million, HK$99.7 million and HK$46.6 million, respectively, representing approximately 40.8%, 39.7%, 38.3% and 42.8%, respectively, of our Group's total cost of sales during the same period. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, approximately 20,545 tons, 18,991 tons, 17,575 tons and 9,035 tons of paper, respectively, was used by our Group, with average prices of approximately HK$6,218 per ton, HK$6,240 per ton, HK$6,351 per ton and HK$7,004 per ton, respectively, during the same period.

We purchase paper mainly from the PRC, Japan and South Korea. The paper price in these countries could be affected by various factors beyond our control, which include, among others, weather conditions, tree harvest conditions, respective local policies as well as market competition. For illustrative purpose only, if our average paper costs increased or decreased by 5% during the Track Record Period, with all other variables held constant, our profit for the year ended 31 December 2014, 2015 and 2016 and loss for the five months ended 31 May 2017 would have increased or decreased by approximately HK$12.1 million, HK$12.2 million, HK$13.3 million and HK$0.3 million, or approximately 3.1%, 3.3%, 3.4% and (0.2)%, respectively.

Should there be any significant increases in the paper price, and our Group is unable to pass on such increased costs to our customers, our business and profitability may be adversely affected.

We are dependent on the quality of raw materials supplied by our suppliers

We conduct quality inspections on the raw materials delivered to us and rely on our suppliers to provide relevant certificates proving that the materials are in compliance with all necessary standards and requirements of our customers or the countries or regions which we export our products to. In the event that the raw materials supplied to us fail to satisfy the specifications as requested by us and confirmed by our suppliers, we will endeavour to request for exchange of raw materials from our suppliers, make procurement from other suppliers, as well as timely negotiate with our customers for adjustment of our delivery schedule. During the Track Record Period, we did not have any material claims against our suppliers due to defective quality of raw materials. If we are unable to resolve the issue in a timely manner when we receive defective raw materials, (i) we may experience delay in product delivery to our customers, (ii) we may not be able to deliver satisfactory products to our customers, or (iii) our customers may reject the relevant shipment, which may result in the loss of orders or claim of damages from customers. In such circumstances, our business, financial condition and results of operations may be adversely affected.

We are subject to seasonal fluctuation in revenue

Demand for our products is subject to seasonal fluctuation. The peak season for our Group is typically from April to September each year (or in the second and third quarter of a financial year) as books are produced and shipped overseas before the start of the new school year and before the Christmas and New Year holidays. For the year ended 31 December 2014, 2015 and 2016, our Group's revenue in the second and third quarter of the year was approximately HK$244.8 million, HK$218.1 million and HK$225.8 million, respectively, representing approximately 61.0%, 57.7% and 58.5%, respectively, of our Group's annual revenue. This seasonality fluctuation may affect our production costs and the utilisation rate of our production facility. As a result, our high levels of revenue in one period are not necessarily predictive or indicative of continued high levels of revenue in any future period.

We may not be able to achieve the same level of our revenue and/or gross profit margin as in the Track Record Period, or to achieve business objectives for future growth

During the Track Record Period, our Group reported total revenue of approximately HK$401.2 million, HK$377.8 million, HK$386.0 million and HK$155.9 million, respectively, and gross profit of approximately HK$110.5 million, HK$108.5 million, HK$125.6 million and HK$46.9 million, respectively, with gross profit margin of approximately 27.5%, 28.7%, 32.5% and 30.1%, for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. The future growth of our revenue or gross profit margins depends on a number of factors, including, among other things, global economy, types of products we produce, selling prices of our products, as well as purchase costs of raw materials and direct labour costs. The selling prices of our products and purchase costs of raw materials for each order may vary subject to a combination of several factors including, but not limited to, the relative bargaining power against our customers and suppliers, the pricing basis, demand and supply in the market, and market prices. Many of these factors are beyond our control, and the selling prices of our products and purchase costs of raw materials may differ for the same product produced within the same period. There is no assurance that we will be able to achieve the same level of our revenue and/or gross profit margin in the future as in the Track Record Period.

Our Group also intends to expand our 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 we can successfully implement our strategies or that our strategies, even if implemented, will result in our Group achieving our business objectives. If our Group is not able to implement our strategies or achieve business objectives, our business, financial condition and results of operations may be adversely affected.

The appraisal value of our properties may be different from their actual realisable values and are subject to uncertainty or change

The Property Valuation Report set out in Appendix III to this prospectus with respect to the appraised value of our properties is based on various assumptions, certain of which are subjective and uncertain in nature. Please refer to the Property Valuation Report set out in Appendix III to this prospectus for such assumptions that used by Greater China Appraisal Limited (an independent property valuer, the "**Property Valuer**") in the valuation of our property interests.

We cannot assure you that the assumptions used by the Property Valuer in the valuation of our property interests will be realised. Such assumptions may exceed the corresponding parameters in the current market and/or corresponding historical parameters associated with our properties. Hence, the appraised value of our properties should not be taken as their actual realisable value or a forecast of their realisable value. Unexpected changes to our properties and to the national and local economic conditions may affect the value of these properties. You should not place undue reliance on such appraised value attributable by the Property Valuer to our properties.

Our business operations may be affected by fire, adverse weather conditions, natural disasters, acts of war, terrorist attacks and geopolitical tensions, or outbreak of a contagious epidemic disease

Our business operations are subject to certain risks beyond our control, including, among others, fire, adverse weather conditions, natural disasters, acts of war, terrorist attacks and geopolitical tensions, or outbreak of a contagious epidemic disease. Any or a combination of these could cause material damage to, or the loss of, our operational facilities. In addition, acts of war and/or terrorist attacks, including those in or affecting the foreign countries and regions where our customers locate, or geopolitical tensions arising from unresolved sovereignty matters and/or territorial matters, may result in disruption to our transaction with our customers and/or suppliers operating in the relevant areas. Such potential acts of war, terrorist attacks and geopolitical tensions may also create uncertainty and cause our business to suffer in ways that we are unable to predict. The occurrence of any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

As at the Latest Practicable Date, we maintain insurance policies covering risks in respect of properties in our production sites, equipment and machinery, and our employees. There is no assurance that our insurance coverage is sufficient to cover any or all of our potential losses. For further details on the insurance policies we maintain, please refer to the sub-section headed "*Business — Insurance*" in this prospectus. In the event that our insurance policies do not or cannot sufficiently compensate for the losses we sustain, we would have to bear the difference on our own, and as a result, our business, financial condition and results of operations may be materially and adversely affected.

Our operations may be subject to transfer pricing adjustment

During the Track Record Period, Prosperous (SZ) purchased a substantial portion of its raw materials from PPCL, and it sold almost all of its products to PPCL for onward sales to our Hong Kong and overseas customers. Please refer to the sub-section headed "*Business — Transfer pricing arrangement*" in this prospectus for further details.

According to the EIT Law and its implementation rules, and other rules and regulations, related party transactions should comply with the arm's length principle (獨立交易原則). If the related party transactions fail to comply with the arm's length principle, the tax authority has the power to make an adjustment following certain procedures. We are also required to make annual filings in connection with our related party transactions to comply with such laws and regulations. Please refer to the sub-section headed "*Regulatory Overview — PRC regulatory overview — D. Taxation — d. Transfer pricing*" in this prospectus for details. During the Track Record Period and as at the Latest Practicable Date, our Directors were not aware of any inquiry, audit or investigation by any tax authority in the PRC with respect to our intra-Group transactions.

There is no assurance that the competent tax authorities would not subsequently challenge the appropriateness of our Group's transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. If a competent tax authority later determines that the transfer prices and terms that our Group has applied are not in compliance with the applicable transfer pricing rules and regulations, such authority may require our Group to re-assess the transfer prices, re-allocate the income, and/or adjust the taxable income. Any such reallocation or adjustment may result in a higher overall tax liability for our Group and may adversely affect the business, financial condition and results of operation of our Group.

Our rights to use certain of our leased premises could be challenged and we may be subject to fines as a result of unregistered leases

As at the Latest Practicable Date, we rented three properties for our Shenzhen Factory as offices, warehouses and workshops with lightweight equipment (such as cutting machine, paper sheeting machine and digital press) with a total GFA of approximately 247,236.3 sq. ft. (equivalent to 22,969.0 sq. m.) from a lessor who was unable to provide the relevant building ownership certificates or other documents proving the relevant title of the properties. The title defects in relation to our leased building units in the PRC relate primarily to (i) the failure on the part of the landlord to obtain or produce the relevant building ownership certificates and (ii) the failure to register the lease agreements. For details of these title defects, please refer to the sub-section headed "*Business — Property and plant — Leased properties*" in this prospectus. Such non-registration of our leased properties may result in our leases being non-compliant with relevant PRC laws and regulations and we may be subject to the imposition of penalty. In addition, there is no assurance that our use of these leased properties will not be negatively affected, suspended or interrupted as a result of such title defects.

We may be exposed to claims by third parties for defamation or infringement of intellectual property rights

Almost all the materials we print are subject to copyright protection. In the event of any intellectual property rights claims against our customers, we may become a party to such disputes. In addition, we may also be exposed to potential litigation claims that the contents of publications we are contracted to print may contain allegedly libel or defamatory materials. As a result, there is a risk that claims may be made against our Group for defamation, negligence, copyright or trademark infringement or other claims relating to the nature and contents of the materials we print.

In any of the circumstances as described above, any protracted litigation will require substantial costs and the diversion of resources and management's attention. Furthermore, an adverse determination against us in any of such legal proceedings may result in our payment of significant damages, which we may not be able to seek full indemnification from our customers. As such, our business, financial condition and results of operations may be adversely affected.

We may be exposed to product liability claims from our customers initiated by third parties

We may be exposed to product liability claims from our customers initiated by third parties in the event that any of our products are alleged to have resulted in property damage, bodily injury or other adverse effects. In particular, certain specialised products for children such as children's books may be subject to strict quality and safety standards in jurisdictions where they are sold. Such standards are generally higher than those applicable to many other consumer products, due to the need to protect infants and children from harm arising from unsafe products. We have implemented procedures to conduct quality control from raw materials to finished products, and would also engage third party labs to perform testing on raw materials so as to ensure compliance with applicable standards and to satisfy our customers' requirements. During the Track Record Period, we have not been subject to any product liability claims, and have not failed to comply with applicable quality and safety standards. If we are subject to product liability claims or our products fail to adhere to applicable quality and safety standards, our products may be recalled, and we may lose orders from our customers. As such, our business, financial condition and results of operation may be adversely affected.

Present or future environmental and/or safety laws and regulations in the PRC and Hong Kong, as well as changes in the industrial standards in relation to product quality and/or safety, may have a material adverse effect on our business, financial condition and results of operations

Our business is subject to certain laws and regulations in Hong Kong and the PRC relating to environmental and safety matters. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our printing and packaging process produces pollutants such as waste water, chemical waste, noise, smoke and dust. The discharge of waste water and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations which will give rise to material environmental liabilities will be discovered or any environmental laws or regulations adopted in the future will not materially increase our operating costs and other expenses. Moreover, we cannot assure you that there is no change in the industrial standards in relation to product quality and/or safety applicable to us, the compliance of which may increase our production costs and/or cause impact to our production capacity.

Should Hong Kong and/or the PRC impose stricter standards and regulations regarding environmental protection and/or safety in the future, or there are changes to the industrial standards in relation to product quality and/or safety applicable to us, we cannot assure you that we will be able to comply with such new regulations and/or industrial standards at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional measures or standards for environmental protection, safety or product quality, or our failure to comply with new laws or regulations relating to environmental and safety matters, may have a material adverse effect on our business, financial condition or results of operations.

We could be adversely affected as a result of our print products being distributed to certain countries that are subject to evolving economic sanctions of the U.S., the United Nations, the EU, Australia and other relevant sanctions authorities

The U.S. and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting Sanctioned Countries. These sanctions programs are reviewed or amended by sanctions authorities from time to time, and new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

During the Track Record Period, we provided print products to our clients' designated locations in Russia, and our revenue derived from these transactions was HK$2,254,933, HK$145,930, nil and nil, which accounted for approximately 0.56%, 0.04%, nil and nil of our total revenue for each of the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. In relation to the delivery of our products to certain locations in Russia during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed to be sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the U.S., the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the International Sanctions. We may continue to deliver our printed products from time to time to our clients' designated locations in Russia. For details of the business operations in the Sanctioned Countries, please refer to *"Business — Business activities in Russia"*. Various sanctions authorities have recently amended the sanctions that apply to business transactions with entities in Russia, particularly after the U.S. presidential election in November 2016, and further changes could be made in the future. We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy or regulations by the EU, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and/or with Sanctioned Persons. Further, we cannot provide any assurance that our future business will be free of risk under sanctions implemented in these governments or organisations, or that our business will conform to the expectations and requirements of the U.S. or other government authorities. Our business and reputation could be adversely affected if any government regulatory authority or organisation were to determine that any of our activities constitutes a violation of the sanctions they impose.

Our Independent Third Party sales representatives could act contrary to our interest and instructions, independently engage in illegal or improper behaviour or otherwise harm our reputation, sales and business prospects

We adopt the industry practice of engaging Independent Third Party sales representatives to leverage on their network of customers and to provide local on-site support to our customers, which is in line with industry practice. Publisher customers referred by our sales representatives place orders with us directly and the commission is calculated on an order-by-order basis. As at the Latest Practicable Date, we have entered into agency commission agreements and retained three Independent Third Party sales representatives based in the U.S., U.K. and the Netherlands. Please refer to the sub-section headed "*Business — Sales and marketing — Sales and marketing team*" in this prospectus for details.

Due to the broad and dispersed network of our customers, it is difficult for us to fully monitor the activities of each Independent Third Party sales representative, and we also have limited means to thoroughly investigate their background or monitor their conduct. Our Independent Third Party sales representatives may act contrary to our interest and instructions, or engage in illegal or improper behaviour beyond our control, for which we may be liable. Moreover, if our customers or potential customers associate us with companies who are investigated or prosecuted for engaging in illegal or improper behaviour, they may seek to distance themselves from us or sever their relationships with us entirely, all of which may adversely affect our reputation, financial condition and results of operations.

We were not in full compliance with certain applicable laws and regulations in the PRC and Hong Kong during the Track Record Period

During the Track Record Period, we had the following non-compliance incidents: (a) breaches of certain regulations of the Factories and Industrial Undertakings (Safety Management) Regulation by Great Wall; and (b) failure to make full contributions in respect of social insurance and housing provident fund for certain employees of Prosperous (SZ) in the PRC. For details of our non-compliance incidents, please refer to the sub-section headed "*Business — Non-compliance*" in this prospectus. Any administrative order or penalty against us in respect of such non-compliance incidents may have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE PRINTING INDUSTRY

We face intensive competition

We operate in a highly fragmented and competitive industry, and we cannot assure you that we will be able to compete successfully in the future against many similar companies of varying sizes in the industry. Our success depends on our ability to compete effectively against these competitors in terms of product quality, customer service, price and timely delivery. Our competitors may have more advanced technologies or greater access to capital for marketing activities than we do. They may also operate under more competitive cost structures due to their geographical location or nature of services provided. As a result, these companies may be able to compete more successfully over a longer period of time than we do. In addition, we may face competition from new entrants who may deliberately price their products lower than ours in order to gain access to this industry. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

Technological developments in the printing industry

Constant refinements to offset printing presses and related machinery as well as the introduction of new technologies are continuously 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 service providers a competitive edge. Technological improvements and increases in the level of automation, not only in the printing process but also in the pre-press and post-press production stages, not only offer printing service providers cost savings on raw materials, time and labour, but also reduce human error while enhancing the quality of products. During the Track Record Period, our Group invested in software upgrades and production process improvements which enable us to produce books as efficiently and economically as possible. However, in the event that our Group is not able to upgrade our technologies to meet customers' demands, our business and results of operations may be adversely affected.

Possible lack of growth in the consumer market or general market downturn

Our Group provides printing services to publishers and print brokers. Our printing products include leisure and lifestyle books, educational textbooks and learning materials, children's books as well as other paper-related products. 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 of printed products to the market by such publishers and media companies. When consumer sentiment remains conservative, there is no assurance that our Group's customers will continue to maintain their market supply in normal volumes, resulting in a decrease in orders we may obtain. Such a general market downturn could result in not only a reduction in the demand for products and services of our Group, but also intensified competition. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

We are subject to the political, economic and social developments as well as laws, rules, regulations and licensing requirements in the PRC

A substantial part of our businesses, assets and operations are located in or derived from our operations in the PRC. As a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and the allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. However, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies, and it still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency denominated liabilities, setting monetary policies and providing preferential treatment to particular industries or enterprises. Our performance has been and will continue to be affected by the PRC's economy, which has slowed down in recent years. The PRC's economic growth, as measured by gross domestic product, slowed from 9.3% in 2011 to 6.7% in 2016. The PRC's economic growth is also influenced by the global economy. The global financial crisis in 2008 and the sovereign debt crisis in Europe have collectively added downward pressure to the PRC's economic growth.

Moreover, the average wages paid for manufacturing labour in China have recently increased and may continue to increase, as shown in the 2014 national data compiled by National Bureau of Statistics of the PRC, as a result of macroeconomic and other policies of the PRC Government. On 29 June 2007, the Standing Committee promulgated the PRC Labour Contract Law, which became effective on 1 January 2008 and was amended on 28 December 2012. The PRC Labour Contract Law imposes stricter requirements in terms of signing labour contracts, paying remuneration, stipulating probation and penalties and dissolving labour contracts. It also requires the terms of employment contracts to be placed in writing within one month of the commencement of an employment relationship, which makes employers more cautious about hiring workers. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. If we are unable to offset the increase in our labour costs by way of automation or otherwise or pass along these increased labour costs to customers, our business, results of operations and financial condition could be adversely affected.

Any unfavourable political, economic or social development in the PRC, or an unfavourable change in the PRC's laws, regulations, rules and licensing requirements, may materially and adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as current economic, political, social and regulatory conditions and many of the associated risks are beyond our control.

The payment of dividends by our operating subsidiary in the PRC is subject to restrictions under PRC law

On the other hand, we operate a substantial part of our core business mainly through our operating subsidiary in Shenzhen. PRC laws require that dividends be paid only out of profit after tax, calculated according to PRC accounting principles. PRC law requires PRC companies, including foreign-invested enterprises, when those companies distribute the after-tax profit for the current year, to set aside 10% of their profit after tax as statutory reserves until the accumulated statutory reserves account for 50% of the registered capital of the PRC companies. These statutory reserves are not available for distribution as cash dividends. As at 31 December 2014, 2015 and 2016 and 31 May 2017, the aggregate amount of reserves available for distribution of Prosperous (SZ) were approximately HK$8.6 million, HK$12.3 million, HK$15.7 million and HK$15.7 million, respectively, after appropriation had been made by Prosperous (SZ) to its statutory reserve. Since the availability of funds to fund our operations and to service our indebtedness depends upon dividends received from our PRC subsidiary, any restrictions on the availability and usage of our major source of funding may impact our ability to fund our operations and to service our debts.

Dividends from our PRC subsidiary paid to us might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC

Under the EIT Law and its implementation rules, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from PRC subsidiary to their foreign shareholders, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC. Pursuant to a special arrangement between Hong Kong and the PRC under the Notice of the State Administration of Taxation about Issuing the Text of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Getting Prepared for Its Implementation (國家稅務總局關於印發內地和香港避免雙重徵稅安排文本並請做好執行準備的通知), the withholding tax rate is no more than 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of a PRC company distributing the dividends. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (關於發布《非居民納稅人享受稅收協定待遇管理辦法》的公告), or the 2015 Administration Measures, which was promulgated by SAT on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with SAT is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent. During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by SAT on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividends paid by our PRC subsidiary and received by our Company.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business, financial condition and results of operations

A substantial part of our business and operations are conducted in the PRC and governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. The PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade with a view to develop a comprehensive system of commercial law.

However, the PRC has not developed a fully-integrated legal system. The recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, or may be unclear or inconsistent. Because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent.

Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Further, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management's attention. Moreover, we cannot predict future developments in the PRC legal system or the effects of such developments. The materialisation of all or any of these uncertainties could have a material adverse effect on our business, financial position and results of operations.

RISK RELATING TO THE SHARE OFFER AND SHARE PERFORMANCE

There may be limited liquidity in the Shares and volatility in the price of the Shares on GEM

The Shares have not been traded in any open market before completion of the Share Offer. The Offer Price is the result of negotiations between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and may not serve as an indicator of the price of the Shares traded on

GEM in the future. There is no assurance that an active trading market of the Shares will develop upon Listing or if it does develop, that it may be sustained for any period of time after Listing. Upon Listing, the transaction volume and market price of the Shares may be affected by various factors, including the revenue, profitability and cash flow of our Company, change of senior management personnel of our Company, strategic alliance and/or acquisition, transaction volume of the Shares, development of GEM, general economic conditions and other factors. All such factors may result in significant fluctuations in the market price and/or transaction volume of the Shares. There is no assurance that such changes will not occur.

We may require additional funding for future growth

We may find opportunities to grow through acquisitions that cannot be anticipated at this juncture. Under such circumstances, secondary issue(s) of securities after the Share Offer may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders will face a dilution in their shareholding interest in our Company if they are not offered with an opportunity to participate in such secondary issue(s) of securities. Also, if our Company fails to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exert pressure on the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

We will continue to be controlled by our Controlling Shareholders, whose interests may differ from our investors' interests and other Shareholders' interests

Our Controlling Shareholders, namely Mr. Lam and First Tech hold 60% of our issued share capital upon completion of the Share Offer. While our Controlling Shareholders will be bound to adhere to the process of decision making set out in the Articles of Association as well as the relevant GEM Listing Rules, laws and regulations, they may still be able to influence our major policy decisions, business strategies and material transactions. It is therefore possible that there may be difference in interests between our Controlling Shareholders and other Shareholders, and we cannot guarantee that our Controlling Shareholders will not influence our Company to pursue or refrain from pursuing opportunities or act in a manner that serves the best interests of the other Shareholders.

Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect our profitability

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the Listing Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share. Under the HKFRSs, the costs of share options to be granted under the Share Option Scheme will be charged to our Company's combined statements of profit or loss and other comprehensive income over the vesting period by reference to the fair value as at the date of grant of the share options. As a result, our profitability may be materially and adversely affected.

Future sale of the Shares or major divestment of the Shares by our Controlling Shareholders and/or Substantial Shareholders may adversely affect our share price

The sale of a significant number of Shares in the public market after the Share Offer, or the perception that these sales may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed "*Underwriting*" in this prospectus and the restrictions set out by the GEM Listing Rules, there are no restrictions imposed on our Controlling Shareholders or Substantial Shareholders to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or Substantial Shareholders may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group's ability to raise capital.

Prior dividend distributions are not an indication of our future dividend policy and we may not be able to pay any dividends on our Shares

Details of the dividend payments by us during the Track Record Period are set out in the sub-section headed "*Financial Information — Dividends*" in this prospectus.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. Whether dividends will be distributed and the amount of dividends to be paid will depend upon, among others, our profitability, financial conditions, business development requirements, future prospects and cash requirements. Any declaration, payment and amount of dividends is at the discretion of our Directors, and will be subject to, among others, our constitutional documents and the Companies Ordinance.

Termination of the Underwriting Agreements

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligation under the Underwriting Agreements when the Joint Bookrunners (for themselves and on behalf of the Underwriters) give notice in writing to our Company upon the occurrence of any of the events stated in the sub-section headed "*Underwriting — Grounds for termination*" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs. Should the Joint Bookrunners (for themselves and on behalf of the Underwriters) exercises its rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Forward-looking statements may not be accurate or reliable

This prospectus contains forward-looking statements and information which use terms such as "will", "may", "could", "expect", "believe", "should" or "anticipate". Those statements include, among others, discussion of our plans, objectives, expectations and intentions. Investors should be cautious against placing undue reliance on any forward-looking statements as it may involve risks and uncertainties and the assumptions upon which the forward-looking statements are based on could turn out to be inaccurate despite our belief that the assumptions are reasonable. Forward-looking statements should not be regarded as representations by us and prospective investors should not place undue reliance on such statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

Investors should not unduly rely on any industry statistics derived from governmental sources

Certain statistical and other publicly available information including those relating to the PRC and our industry have been derived or compiled from publicly available official governmental sources as well as industry reports we commissioned from independent industry consultants. We believe that the sources of such information are appropriate and we have taken reasonable care in the selection and reproduction of such information in this prospectus. However, none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters or any other parties involved in the Share Offer has independently verified such information and it may be inaccurate, incomplete or outdated. We make no representation as to the accuracy or completeness of such information available and there is no assurance that such information is prepared to the same standard of level of accuracy with similar information available in other publications or jurisdictions. Therefore, prospective investors should not place undue reliance on information obtained from various governmental sources in this prospectus.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst report. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (a) the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive; (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor. The Offer Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreements subject to the Offer Price being fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. For further information about the underwriting arrangements, please refer to the section headed "*Underwriting*" in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by 7 December 2017, the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm or by his/her/its acquisition of the Offer Shares will be deemed to confirm that he/she/it is aware of the restrictions on the offer and sale of the Offer Shares described in this prospectus.

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Underwriters that such restrictions have been observed.

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

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed "*Structure and Conditions of the Share Offer*" in this prospectus.

APPLICATION FOR LISTING OF THE SHARES ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission of dealing is being or is proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the "minimum prescribed percentage" of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

PROFESSIONAL TAX ADVICE RECOMMENDED

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Offer Shares, they should consult an expert. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Offer Shares.

SHARE REGISTRAR AND STAMP DUTY

All Shares in issue or to be issued pursuant to the Share Offer will be registered on our Company's register of members to be maintained by our Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's register of members, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or in the case of joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the 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 Listing Date 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 investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on 13 December 2017. Shares will be traded in board lots of 10,000 Shares each. The stock code for the Shares is 8385. Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second business day following the transaction date. Only certificates for Shares registered on the register of members of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Renminbi, U.S. dollar, Euro, Australian dollar and Pound Sterling have been translated, for illustration purposes only, into Hong Kong dollar in this prospectus at the following rates:

- RMB1.00 = HK$1.12
- US$1.00 = HK$7.75
- EUR1.00 = HK$8.5
- 1 Australian dollar = HK$5.8
- 1 Pound Sterling = HK$9.5

No representation is made that any amount in Renminbi, U.S. dollar, Euro or Hong Kong dollar can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Lam Sam Ming (林三明)	49 Section K 5th Street Fairview Park Yuen Long New Territories, Hong Kong	Chinese
Ms. Chan Sau Po (陳秀寶)	Flat G, 21/F Mei Ka Court (Tower 23A) South Horizons Phase III 23A South Horizon Drive Hong Kong	Chinese
Ms. Yao Yuan (姚遠)	49 Section K 5th Street Fairview Park Yuen Long New Territories, Hong Kong	Chinese
Non-executive Director		
Mr. Ong Chor Wei (王祖偉)	Flat A, 3/F Greenview Gardens 125 Robinson Road Hong Kong	Malaysian
Independent non-executive Directors		
Ms. Cheung Yin (張延)	Flat F, 1/F Block 6 Glorious Garden Tuen Mun New Territories Hong Kong	Chinese
Mr. Wong Hei Chiu (黃禧超)	Flat A, 1/F Block 2 Grandeur Villa 21 Tat Chee Avenue Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. Leung Vincent Gar-Gene (梁家進)	5A Vista Mount Davis 52 Mount Davis Road Po Fu Lam Hong Kong	Australian

For further information on the profile and background of the Directors, please refer to the section headed "*Directors, Senior Management and Employees*" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Kingsway Capital Limited** 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong
Joint Bookrunners and Joint Lead Managers	**Kingsway Financial Services Group Limited** 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong
	Head & Shoulders Securities Limited Room 2511, 25/F Cosco Tower 183 Queen's Road Central Hong Kong
	ChaoShang Securities Limited Rooms 4001-4002, 40/F, China Resources Building 26 Harbour Road, Wanchai Hong Kong
Co-lead Managers	**Future Land Resources Securities Limited** 6/F, Winbase Centre 208 Queen's Road Central Hong Kong
	Fortune (HK) Securities Limited 35/F, Office Tower Convention Plaza 1 Harbour Road Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Vincent T.K. Cheung, Yap & Co.** 11th Floor, Central Building 1-3 Pedder Street Central Hong Kong
	As to PRC law: **GFE Law Office** Units 3409-3412 Guangzhou CTF Finance Center No. 6 Zhujiang Road East Zhujiang New Town Guangzhou PRC
	As to International Sanctions: **Hogan Lovells** 11th Floor, One Pacific Place 88 Queensway Hong Kong

As to English law:
Kidd Rapinet LLP
29 Harbour Exchange Square
London E14 9GE
U.K.

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

As to U.S. law:
Stamoulis & Weinblatt LLC
6 Denny Road
Suite 307
Wilmington, DE 19809
U.S.

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Wilson Sonsini Goodrich & Rosati** Suite 1509, 15/F, Jardine House 1 Connaught Place Central Hong Kong *As to PRC law:* **Grandall Law Firm (Shenzhen)** 22F/24F, Shenzhen Special Zone Press Tower 6008 Shennan Blvd Shenzhen PRC
Reporting accountants	**Crowe Horwath (HK) CPA Limited** 9/F Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Compliance adviser	**Kingsway Capital Limited** 7/F, Tower One, Lippo Centre 89 Queensway Hong Kong

Property valuer	**Greater China Appraisal Limited** Room 2703, 27th Floor, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Internal control consultant	**HLB Hodgson Impey Cheng Risk Advisory Services Limited** 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office	3/F, Yip Cheung Centre 10 Fung Yip Street Chai Wan Hong Kong
Head office and principal place of business in Hong Kong	3/F, Yip Cheung Centre 10 Fung Yip Street Chai Wan Hong Kong
Company's website	www.prosperous-printing-group.com.hk (The information contained in this website does not form part of this prospectus)
Company secretary	Mr. Ho Tai Wai David, *FCPA (Practising), ACIS*
Authorised representatives	Mr. Lam Sam Ming 49 Section K 5th Street Fairview Park Yuen Long New Territories Hong Kong Ms. Chan Sau Po Flat G, 21/F Mei Ka Court (Tower 23A) South Horizons Phase III 23A South Horizon Drive Hong Kong
Compliance officer	Ms. Chan Sau Po
Audit committee	Ms. Cheung Yin (Chairman) Mr. Wong Hei Chiu Mr. Leung Vincent Gar-Gene
Remuneration committee	Mr. Wong Hei Chiu (Chairman) Ms. Cheung Yin Mr. Lam Sam Ming
Nomination committee	Mr. Lam Sam Ming (Chairman) Mr. Wong Hei Chiu Ms. Cheung Yin
Risk management committee	Mr. Lam Sam Ming (Chairman) Ms. Chan Sau Po Ms. Yao Yuan

Share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited 1 Garden Road, Hong Kong
	Hang Seng Bank Limited 19/F, 83 Des Voeux Road Central, Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited Level 10 HSBC Main Building 1 Queen's Road, Central, Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 3/F, Standard Chartered Bank Building 4-4A Des Voeux Road Central, Hong Kong

The information that appears in this section has been prepared by Frost & Sullivan and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Underwriters or any other party involved in the Share Offer and none of them give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to provide industry information on printing and book printing industry. We have agreed to pay a fee of HK$350,000 to Frost & Sullivan for the report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

In compiling and preparing the research report, Frost & Sullivan conducted primary research including telephone and face-to-face interviews with industry participants. Also, secondary research, which involved reviewing industry publications, annual reports and data based on its own database, was conducted. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that (i) the social, economic and political environment is expected to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2017 to 2021.

ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. The Frost & Sullivan Report includes information on data of the printing and book printing industry in the global market.

Global Market for Printing of Books and Other Printed Materials

Introduction

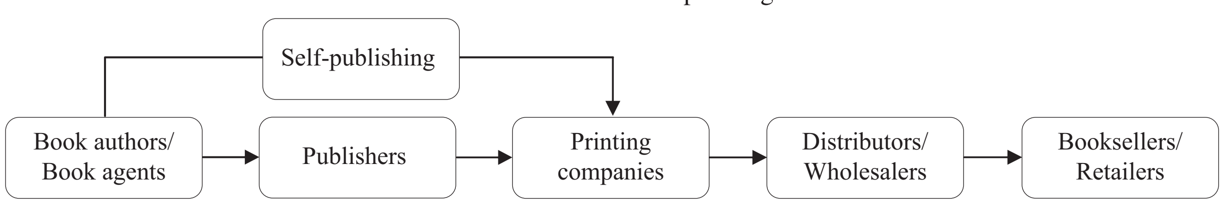
Printing is a process for reproducing the information which includes text, images, etc. on the manuscripts to printing substrates. Book printing is a significant segment of printing. Based on different applications, books are classified into four segments: (a) children's books, which mainly target children and their parents with extensive use of colour ink and special printing effects; (b) educational textbooks and learning materials, such as primary, secondary and tertiary level school books, the major end users of which are students and teaching staff; (c) leisure and lifestyle books, such as fictions, comic books, photography books, cookbooks, art books, etc., which are mainly for self-enrichment and entertainment; and (d) other printed materials, which mainly include religious publications, national maps, leaflets, greeting cards, journals and calendars, etc..

Value Chain

The complete value chain for printing of books mainly consists of book authors/agents, publishers, publishing companies, distributors/wholesalers and booksellers/retailers:

- Book authors provide content and draft directly to the publishers or through their agents. Authors may also liaise directly with printing companies for self-publishing.
- Publishers are responsible for the layout design, pricing, production and marketing of the printed books. In general, publishers may outsource the production to printing companies.
- Printing companies will carry out printing tasks and quality management (e.g. colour variance) based on requirements from authors and/or publishers.
- The printed books will be delivered to distributors/wholesalers for temporary storage or shipped to booksellers upon receiving the instruction from publishers.
- Booksellers/retailers are responsible for the sales and marketing activities (e.g. categorising and displaying the books in the book stores) of the printed books.

The chart below demonstrates the value chain for the printing of books:



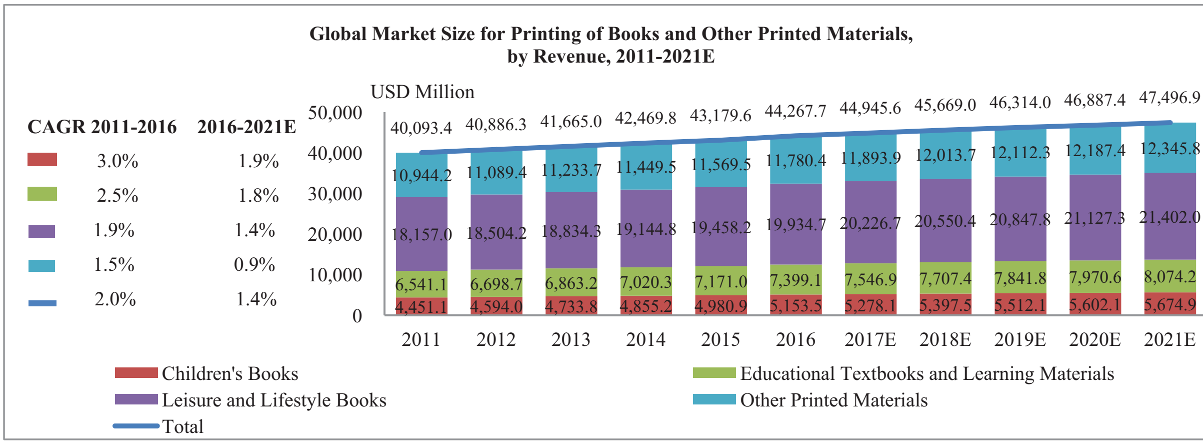
Source: Frost & Sullivan

Global Market Size for Printing of Books and Other Printed Materials

The overall global market size in terms of revenue for the printing of books and other printed materials has increased from USD40,093.4 million in 2011 to USD44,267.7 million in 2016, representing a CAGR of 2.0%. In the period from 2016 to 2021, this global market is expected to continue with the growing trend at a CAGR of 1.4% as supported by high demand for specific printed books, e.g. children's books, along with the growing digital on-demand printing.

The segment of children's books has grown at a CAGR of 3.0% from 2011 to 2016, and is expected to maintain the growth at a CAGR of 1.9% over the period from 2016 to 2021. The market of educational textbooks and learning materials has experienced a CAGR at 2.5% from 2011 to 2016, and the growth is projected to slow down at a CAGR of 1.8% from 2016 to 2021, which is mainly attributable to the impact from the introduction of electronic learning materials and emergence of online learning platforms. Leisure and lifestyle books have been having the largest share of approximately 44% in the global printing market of books and other printed materials, and this segment has grown at a CAGR of 1.9% from 2011 to 2016, while other printed materials demonstrated a CAGR of 1.5%. It is expected that leisure and lifestyle books and other printed materials would demonstrate a CAGR of 1.4% and 0.9%, respectively, over the period from 2016 to 2021.

The chart below sets forth the global market size for printing of books and other printed materials over the period from 2011 to 2021:



Source: Frost & Sullivan

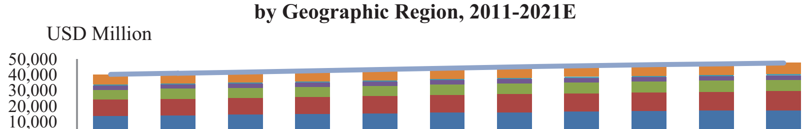
Global Market Size Breakdown for Printing of Books and Other Printed Materials by Geographic Region

From 2011 to 2016, the market size of Asia in the printing of books and other printed materials in terms of revenue has demonstrated the fastest growth, increasing from USD13,688.1 million to USD15,571.6 million at a CAGR of 2.6%. Asia has been accounting for the largest share in the global market for the printing of books and other printed materials, taking up a global market share of 34.1% in 2016. It is estimated that the market in Asia would still continue growing at the highest CAGR of 1.9% in comparison with other regions in the period from 2016 to 2021.

The printing market of books and other printed materials in USA, U.K. and Australia grew at a CAGR of 2.0%, 1.1% and 1.0%, respectively, in the period from 2011 to 2016, when the market of Europe (Except U.K.) and the rest of the world demonstrated a CAGR of 1.4% and 1.8%, respectively. In the period from 2016 to 2021, the market of USA, U.K. and Australia is forecast to represent a CAGR of 1.5%, 1.1% and 0.8%, respectively. The growth rates indicate that the printing market of books and other printed materials in USA, U.K. and Australia still have developing potential.

The chart below sets forth the global market size breakdown for the printing of books and other printed materials by geographic region in the period from 2011 to 2021:

Global Market Size Breakdown for Printing of Books and Other Printed Materials, by Geographic Region, 2011-2021E



	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E	CAGR 2011-2016	CAGR 2016-2021E
Rest of the World	6,330.4	6,425.4	6,540.3	6,705.3	6,795.7	6,911.1	6,946.9	6,992.1	7,029.4	7,061.6	7,153.4	1.8%	0.7%
Australia	774.8	783.2	790.3	795.0	800.2	812.6	817.5	823.1	828.9	834.0	844.8	1.0%	0.8%
UK	2,542.9	2,572.3	2,600.6	2,624.2	2,643.7	2,690.0	2,716.0	2,749.3	2,778.1	2,806.7	2,843.2	1.1%	1.1%
Europe (Except UK)	6,332.0	6,425.8	6,504.0	6,584.8	6,660.2	6,794.0	6,863.4	6,947.2	7,022.4	7,093.9	7,186.1	1.4%	1.1%
USA	10,425.2	10,644.9	10,845.2	11,025.3	11,201.9	11,488.3	11,672.5	11,865.3	12,044.5	12,221.0	12,379.9	2.0%	1.5%
Asia	13,688.1	14,034.7	14,384.6	14,735.2	15,077.9	15,571.6	15,929.3	16,292.1	16,610.7	16,870.3	17,089.6	2.6%	1.9%
Total	40,093.4	40,886.3	41,665.0	42,469.8	43,179.6	44,267.6	44,945.6	45,669.1	46,314.0	46,887.5	45,669.1	2.0%	1.4%

Source: Frost & Sullivan

Growth Drivers

(1) Strong demand for printed books

With the rising demand for information flow, printed books are expected to remain as an important channel for knowledge transference, especially for educational books, reference books and children's books. In addition, printed books with fancy design and special packaging like hard-back classic novels are seen as prestige collectibles for book collectors. As a result, the demand for printed books will remain strong.

(2) Ease of access to books and printing services

The rapid development of online platforms has contributed to the growth of printed book industry. Apart from traditional sales channels like publishers, bookstores and retailer shops, printed books are also available online from e-commerce platforms (e.g. Amazon), websites operated by publishers and even in form of mobile applications, thus leading to the growth of printed book sales and related printing services. Meanwhile, printing companies are taking advantage of internet for production management and business development. For instance, the companies may receive the files to be printed by electronic means from their clients and maintain close communications with them through online portal.

(3) Booming cultural and creative industries

In recent years, there is a growing spectrum of themes for printed books available in the market. For example, lifestyle-related books like cook books and memoirs of famous sportsmen, as well as personal finance and the management books are common best sellers. The increasing focus on self-enrichment also drives the creative and cultural industries, leading to an increasing demand for the printing of comics, fictions and novels.

Future Trends

(1) Streamlining and advancement in book printing process

With the increasingly higher requirements (e.g. printing effect and production lead time) from publishers and readers, the printing efficiency and quality will likely be improved accordingly. For example, book printing service providers are seeking a higher degree of automation in production process (e.g. binding and collating) in order to minimise the scrap rate, enhance efficiency and reduce the labour cost. The demand for high-quality printing may expedite the research and development of printing and production process such as developing new types of digital printers with better printing quality and speed.

(2) Growing emphasis on environmental friendliness

The rising awareness towards environmental friendliness is driving changes in the book printing processes. More environmentally-friendly raw materials and consumables (e.g. FSC, recycled paper and ink with low volatile organic compounds) will be used in production in addition to waste reduction through recycling and evaluation of material usage prior to production planning. There is a growing trend for book printing companies to obtain green certification for their production facilities (e.g. ISO 14001) and to comply with waste control regulations, which is highly preferred by some publishers and readers.

Impact of Electronic Books on Printing Industry

E-books were first introduced to be viewed on computer and electronic devices, such as tablets, specialised electronic readers and mobile phones. With the higher penetration rate of electronic devices and convenience of access via online platforms (e.g. Amazon), e-books have gained higher popularity and experienced significant growth in sales in the developed countries, such as the United Kingdom, in last few years. The robust growth of sales in e-books was confined to certain book types such as adult fiction and novels, although other book genres (including educational textbooks and learning materials and children's books) are also published in e-book format.

Although compared with printed books, e-books offer a convenient and sometimes interactive reading experience to the readers, printed books remain a better option for many readers, as some regard tangible books offer better reading experience. Besides, reading printed books may reduce the eyes strain caused by long reading time on some electronic devices. In particular, the parents have recognised the negative impact brought by over-reliance on electronic devices. Hence, children's books in printed format are still preferred over e-books. Furthermore, researchers from Cornell University claimed that both users and non-users of e-books generally preferred to use printed textbooks due to adaptation to paper-based reading. Another group of researchers also suggested that reading e-books may lead to reduction in reading speed and comprehension.

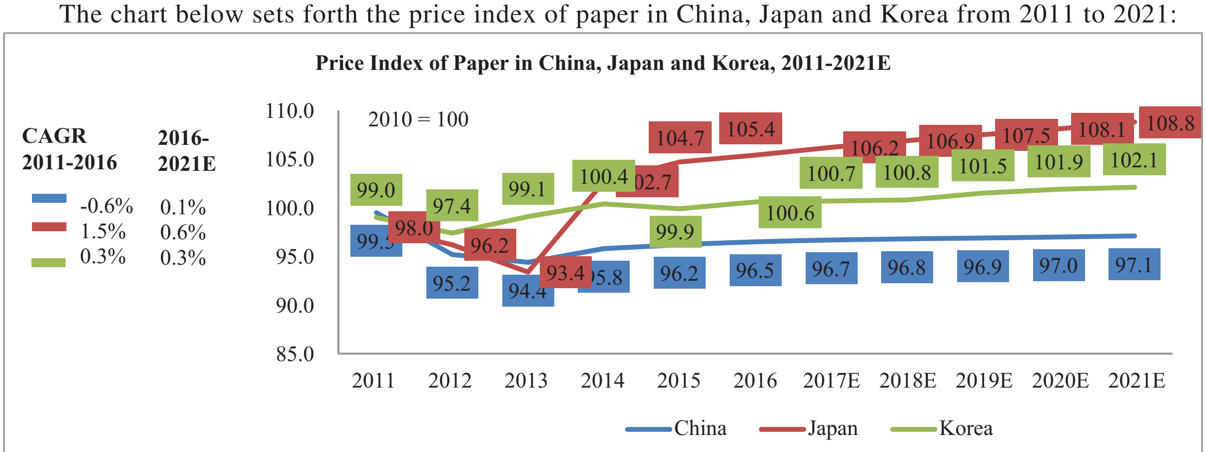
Printed books are still preferred by the readers in the United States. According to a study conducted by Pew Research Center in 2016, 65% of the respondents claimed that they read at least one printed book in the past 12 months, while only 28% of them read an e-book over the same period. Also, some book readers are sensitive to the cost of reading, electronic readers are usually required to purchase an electronic reading devices (e.g. tablet, laptop) in order to read e-books. Additionally, according to Association of American Publishers, the market share of e-books in terms of number of units sold in the United States recorded a decline from approximately 20.9% in 2013 to 17.3% in 2015, while the printed books (including paperback and mass market books, hardback books and children's board books) increased from approximately 73.7% in 2013 to 75.0% in 2015. As such, these results highlighted that printed books were still the mainstream given that the readers had a preference of reading and purchasing printed books.

Raw Materials Analysis

Price of Paper in China, Japan and Korea

Paper and ink are key raw materials for book printing. During the period from 2011 to 2016, the price index of paper has been fluctuating in China, Japan and Korea. Both the price index of paper in China and Japan showed a downtrend from 2011 to 2013 and an uptrend from 2013 to 2016. Throughout the period from 2011 to 2016, the price index of paper in China has grown at a negative CAGR of -0.6%, while that in Japan has grown at a CAGR of 1.5%. The price index of paper in Korea has almost maintained at a stable level with quite slight fluctuations from 2011 to 2016. It is expected that the price index of paper in China, Japan and Korea would grow at a CAGR of 0.1%, 0.6% and 0.3%, respectively, in the period from 2016 to 2021.

The chart below sets forth the price index of paper in China, Japan and Korea from 2011 to 2021:

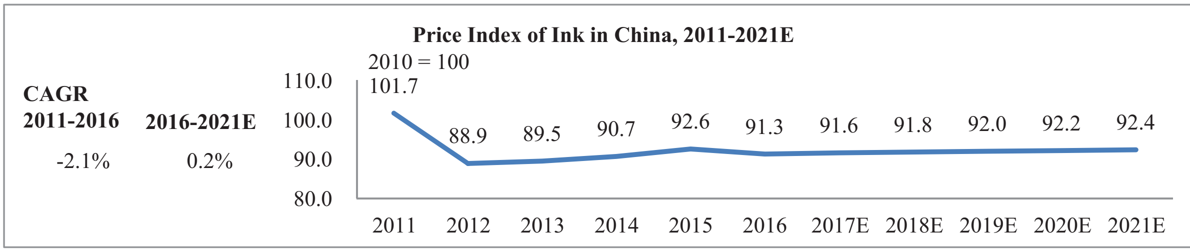


Source: Bank of Japan, The Bank of Korea, Frost & Sullivan

Price of Ink in China

In China, the price index of ink demonstrated an obvious drop from 2011 to 2012. From 2012 to 2016, it slowly climbed up to reach 91.3 in 2016. The price index showed a negative CAGR of -2.1% in the period from 2011 to 2016. It is anticipated that the price index of ink in China would grow at a CAGR of 0.2% in the forecast period from 2016 to 2021.

The chart below sets forth the price index of ink in China over the period from 2011 to 2021:



Source: Frost & Sullivan

Competition

Overview

The printing market for books and other printed materials in Hong Kong is fragmented with various service providers offering printing service for books, manuals, labels, catalogues, brochures, leaflets, etc. as well as other publications, such as newspaper and magazines.

The market is also featured with some leading players who are in direct business with major local and international publishers, while the remaining companies or printing shops focus on local authors and customers with smaller printing volume.

For the leading players, revenue is likely driven by the volume of book printing, which is associated with the sales of books at publishers' ends. For example, the trending adult colouring books in USA has supported the growth in revenue at printing companies' ends.

The majority of leading book printing companies in Hong Kong have already set up their production facilities in Mainland China due to the lower labour cost and the ease in labour recruitment. As with the economic growth and inflation, the operation cost for production has been increasing over the past few years. In addition, some China-based printing companies have been taking up market shares in the book printing industry.

Hong Kong Export and Re-export Market for Books and Other Printed Materials

According to the statistics from the United Nations Commodity Trade Statistics Database, the total export value (including re-exports) of printed reading books, brochures, leaflets and other printed materials and children's picture, drawing or colouring books from Hong Kong amounted to USD2,959.3 million in 2011, and experienced a slight drop to USD2,558.5 million in 2016, with a CAGR of -2.9% from 2011 to 2016.

Despite the general decline in export value in the historical period, the export values of USA, United Kingdom and Australia had recorded a steady growth from 2013 to 2015, which was mainly attributable to the increase in demand for printed books and gaining popularity of some book types (e.g. colouring books). Meanwhile, the strong preference of readers towards printed books in some countries (e.g. USA) also drives the demand for import of printed books from Hong Kong. For instances, the proportion of sales value of printed books increased while that for e-books showed decrease from 2013 to

2015, which was reflected in the growth of export value of relevant products in Hong Kong and also serves as a key driver to the growth of printing companies located in Hong Kong.

As such, with a foreseeable growing demand for printed books and other materials, it is expected that total export value (including re-exports) of Hong Kong to other countries would demonstrate a CAGR of 1.7% from 2016 to 2021. The export (re-exports included) value from Hong Kong to USA, UK and Australia is expected to grow at a CAGR of 2.0%, 0.5% and 0.8%, respectively, from 2016 to 2021.

The table below sets forth the major export markets of printed reading books, brochures, leaflets and similar printed materials and children's picture, drawing or colouring books from Hong Kong in each year over the period from 2011 to 2021 (including re-exports):

Trade Value (USD Million)	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E	CAGR (2011-2016)	CAGR (2016-2021E)
USA	1,026.4	976.6	945.7	967.1	1,048.3	1,100.3	1,120.6	1,142.0	1,164.2	1,188.7	1,213.9	1.4%	2.0%
United Kingdom	469.1	431.2	407.4	431.9	435.9	408.1	409.4	410.9	412.7	415.1	417.5	-2.7%	0.5%
Australia	211.4	197.1	192.6	202.6	209.3	182.3	183.5	184.8	186.2	187.8	189.4	-2.9%	0.8%
Japan	139.3	131.4	187.9	154.4	67.9	63.7	64.0	64.3	64.6	65.0	65.3	-14.5%	0.5%
Germany	155.1	131.2	122.0	128.2	119.7	115.6	116.4	117.2	118.1	119.0	120.0	-5.7%	0.7%
Rest of the World	958.0	904.8	854.5	786.9	735.8	688.5	705.0	722.9	741.7	762.8	776.2	-6.4%	2.4%
World Total	**2,959.3**	**2,772.3**	**2,710.1**	**2,671.1**	**2,616.9**	**2,558.5**	**2,598.9**	**2,642.1**	**2,687.5**	**2,738.4**	**2,782.3**	**-2.9%**	**1.7%**

Source: United Nations Commodity Trade Statistics Database, Frost & Sullivan

PRC Export Market for Books and Other Printed Materials

According to the statistics from the United Nations Commodity Trade Statistics Database, the total export value of printed reading books, brochures, leaflets and other printed materials and children's picture, drawing or colouring books from the PRC decreased from USD1,663.3 million in 2011 to USD1,625.1 million in 2016, representing a CAGR of -0.5% from 2011 to 2016.

With the rising production capability and lower production cost for books and other printed materials, the growth in export value of related products from China to other countries is expected to continue at a CAGR of 0.8% from 2016 to 2021. The export value from China to USA, UK and Australia is estimated to grow at a CAGR of 1.2%, 0.6% and 2.4%, respectively, from 2016 to 2021.

Trade Value (USD Million)	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E	CAGR (2011-2016)	CAGR (2016-2021E)
USA	443.1	450.5	490.9	509.0	533.8	514.9	517.9	523.0	529.3	536.5	545.6	**3.0%**	**1.2%**
China, Hong Kong SAR	543.7	576.6	523.8	525.1	509.7	473.6	475.6	478.6	482.1	485.3	489.8	**-2.7%**	**0.7%**
United Kingdom	158.0	162.9	149.4	170.0	173.6	162.2	162.8	163.6	164.6	165.8	167.1	**0.5%**	**0.6%**
Australia	43.0	48.4	52.8	72.3	65.7	54.3	55.5	56.8	58.2	59.7	61.3	**4.8%**	**2.4%**
Germany	63.7	77.7	71.6	69.7	55.4	49.8	49.9	50.1	50.3	50.5	50.8	**-4.8%**	**0.4%**
Rest of the world	411.8	467.0	507.5	522.6	456.9	370.3	370.7	371.4	372.5	374.0	375.9	**-2.1%**	**0.3%**
World	**1,663.3**	**1,783.4**	**1,796.1**	**1,869.3**	**1,795.0**	**1,625.1**	**1,632.4**	**1,643.5**	**1,657.0**	**1,671.8**	**1,690.5**	**-0.5%**	**0.8%**

Source: United Nations Commodity Trade Statistics Database, Frost & Sullivan

Overview of Market Competition and Import in the United States

The printing market of books and other printed materials in the United States was fragmented. The top 5 market players had an aggregated market share of approximately 9.7% in 2016. According to the United States Bureau of Labor Statistics, there were approximately 29,000 establishments engaged in printing and related support activities in the country in 2016 and most of them were private companies.

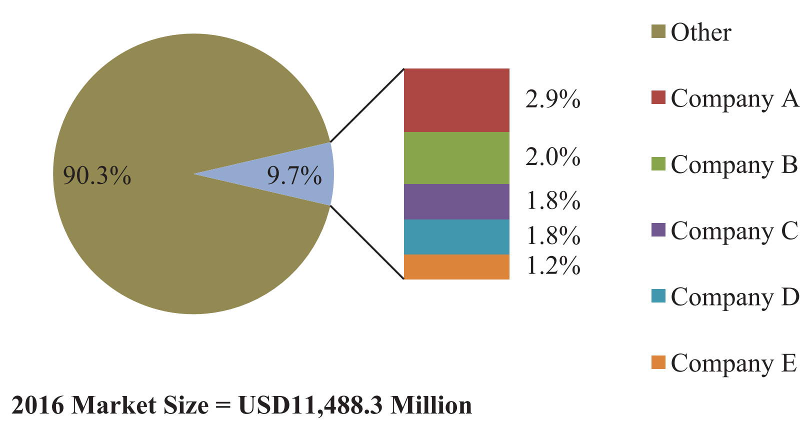
Printing companies engaged in book printing business in the United States are usually in a good business relationship with publishers. Apart from domestic production of printed books, leading book publishers, especially those internationally-recognised and operate in global scale, may appoint printing companies from other countries, due to the lower cost and additional production capacity.

In 2016, the PRC was the largest country in the total import value of printed books and other related materials of the United States with a share of 52.0%, which was followed by United Kingdom (11.1%), Canada (10.4%), Italy (3.1%), Mexico (2.7%) and Hong Kong (2.4%).

The Group had an approximate market share of 26.8% in terms of import value of printed books and other related materials in the United States from Hong Kong in 2016.

The chart below sets forth the market share of top 5 book printing companies in the United States in 2016:

Market Share of Book Printing Companies in the United States by Revenue, 2016



Source: The United States Bureau of Labor Statistics, Frost & Sullivan

The chart below sets forth the top 10 geographic locations in the import value of printed reading books, brochures, leaflets and other printed materials and children's picture, drawing or colouring books in the United States in 2016:

Import value of printed reading books, brochures, leaflets and other printed materials and children's picture, drawing or colouring books in the United States, 2016

Ranking	Country	Import Value (USD Million)	Share
1	The PRC	1,149.5	52.0%
2	United Kingdom	245.7	11.1%
3	Canada	230.2	10.4%
4	Italy	68.0	3.1%
5	Mexico	59.8	2.7%
6	Hong Kong	54.1	2.4%
7	Germany	51.4	2.3%
8	Republic of Korea	45.7	2.1%
9	Australia	40.4	1.8%
10	India	35.3	1.6%
Top 10 Subtotal		1,980.1	89.6%
Rest of the World		230.3	10.4%
Total		2,210.4	100.0%

Source: United Nations Commodity Trade Statistics Database, Frost & Sullivan

Overview of Market Competition and Import in the United Kingdom

The printing market of books and other printed materials in the United Kingdom was fragmented. In 2016, top 5 market players had an aggregated market share of approximately 9.3%.

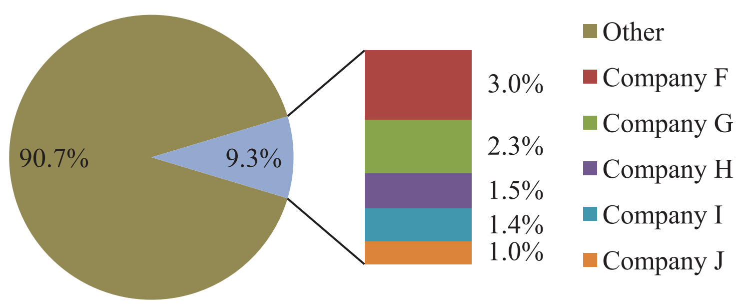
The market in the United Kingdom was also characterized by numerous market players. As estimated, there were approximately 9,000 establishments engaged in provision of printing services in the United Kingdom in 2016, and approximately 90% of them had a total employee size of 20 or below.

The printing market for books and other printed materials in the United Kingdom is highly competitive due to its fragmented nature. Book printing service providers are competing for business through competitive pricing. Small-scale book printing companies may gain business by providing on-demand printing services. Meanwhile, as many renowned publishers in the United Kingdom are operated in large and international scale, the import of books and other printed materials is not uncommon in the United Kingdom.

The Group had an approximate market share of 3.2% in terms of import value of printed books and other related materials in the United Kingdom from Hong Kong in 2016.

The chart below sets forth the market share of top 5 book printing companies in the United Kingdom in 2016:

Market Share of Book Printing Companies in the United Kingdom by Revenue, 2016



2016 Market Size = USD2,690.0 Million

Source: Frost & Sullivan

The chart below sets forth the top 5 geographic locations in the import value of printed reading books, brochures, leaflets and other printed materials and children's picture, drawing or colouring books in the United Kingdom in 2016:

Import value of printed reading books, brochures, leaflets and other printed materials and children's picture, drawing or colouring books in the United Kingdom, 2016

Ranking	Country	Import Value (USD Million)	Share
1	USA	509.7	36.3%
2	China	201.3	14.3%
3	Hong Kong	161.4	11.5%
4	Germany	106.2	7.6%
5	Italy	70.1	5.0%
Top 5 subtotal		1,048.7	74.7%
Rest of the World		355.7	25.3%
Total		1,404.4	100.0%

Source: United Nations Commodity Trade Statistics Database, Frost & Sullivan

Overview of Market Competition and Import in Australia

There were altogether approximately 5,200 companies engaged in provision of printing services in Australia. The market for book printing in Australia was fragmented with an aggregated market share of approximately 10.1% for the top 3 market players in 2016.

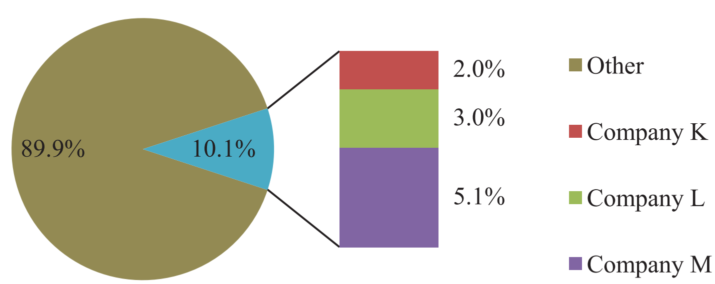
In order to stand out from the market competition, some Australian printing companies offer book printing services to customers who have placed their orders through online platform (e.g. Amazon). In the meantime, printing companies are focusing on improving the service level such as provision of supply chain solution and management for printed books to book publishers and increasing level of automation for order processing.

Hong Kong was the fourth largest region for the import value of books and other printed materials of Australia with an approximate share of 6.9% in 2016.

The Group had an approximate market share of 6.4% in terms of import value of printed books and other related materials in Australia from Hong Kong in 2016.

The chart below sets forth the market share of top 3 book printing companies in Australia in 2016:

Market Share of Book Printing Companies in Australia by Revenue, 2016



2016 Market Size = USD812.6 Million

Source: Frost & Sullivan

The chart below sets forth the top 5 geographic locations in the import value of printed reading books, brochures, leaflets and other printed materials and children's picture, drawing or colouring books in Australia in 2016:

Import value of printed reading books, brochures, leaflets and other printed materials and children's picture, drawing or colouring books in Australia, 2016

Ranking	Country	Import Value (USD Million)	Share
1	China	115.8	29.4%
2	USA	99.1	25.2%
3	United Kingdom	98.7	25.1%
4	Hong Kong	27.2	6.9%
5	Singapore	17.9	4.5%
Top 5 Subtotal		358.7	91.0%
Rest of the World		35.3	9.0%
Total		**394.0**	**100.0%**

Source: United Nations Commodity Trade Statistics Database, Frost & Sullivan

Note: For calculation of the Group's market share, an exchange rate of 0.129 has been applied to convert the Group's revenue from HK$ to USD. Exchange rate is quoted from Oanda.

Entry Barriers

(1) Significant initial investment and slow return

A high initial investment is often required to start a new book printing business due to the significant expenditure on machinery procurement, securing production facilities with sufficient space for storage, staff recruitment and training and raw material sourcing. Meanwhile, the return on investment for a newly established book printing manufacturer is slow as time is needed to identify customers and secure new business. As a result, new book printing market entrants will face the barrier of high setup cost and risk of investment loss.

(2) Requirement for comprehensive knowledge

Sophisticated management staff is required to ensure the smooth operation of book printing facilities. In addition, as a technique-driven and labour-intensive industry, specific technical knowledge and training is required for each individual step, such as production planning, plate setting, operation of printing machines, colour management and finishing of the book printing processes. The high technical requirements may serve as a barrier to the new entrants of book printing industry.

(3) Established network in the market

In the book printing industry, publishers as the major customers have already maintained close business relationships with existing book printing service providers due to preference from previous experience, lead time, quality and cost. Moreover, existing players in the book printing industry have had their own partnership with their own material and machinery suppliers, which, for example, offer a variety of papers and printers to support the operation of book printing service providers. Hence, the well-established network between customers and suppliers becomes a high barrier to new entrants of the book printing industry.

HONG KONG REGULATORY OVERVIEW

Set out below is a summary of the major laws and regulations applicable to our business in Hong Kong.

HEALTH AND SAFETY

Factories and Industrial Undertakings

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) imposes on every proprietor of an industrial undertaking the duty to ensure the health and safety of all persons employed by him at the industrial undertaking. The proprietor's general duties include, so far as is reasonably practicable:

(a) providing and maintaining plant and systems of work that are safe and without risks to health;

(b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;

(c) providing information, instruction, training and supervision as is necessary to ensure the health and safety at work of all persons employed;

(d) maintaining any part of the industrial undertaking in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks; and

(e) providing and maintaining a working environment for all persons employed at the industrial undertaking that is safe and without risks to health.

A proprietor who contravenes such duties commits an offence and is liable to a fine of up to HK$500,000. If the contravention is committed wilfully and without reasonable excuse, the proprietor is liable to a fine of up to HK$500,000 and imprisonment for up to 6 months.

On the other hand, every person employed at an industrial undertaking also has the duty (a) to take reasonable care for the health and safety of himself and of other persons who may be affected by his acts or omissions at work; and (b) to co-operate with the proprietor to enable the duty or requirement imposed on him by this ordinance to be performed or complied with. A person who contravenes such duties commits an offence and is liable to a fine of up to HK$25,000. A person employed at an industrial undertaking who wilfully and without reasonable excuse does anything while at work likely to endanger himself or other persons commits an offence and is liable to a fine of up to HK$50,000 and to imprisonment for up to 6 months.

Pursuant to Regulation 17 of the Factories and Industrial Undertakings Regulations (Chapter 59A of the Laws of Hong Kong), where an accident in an industrial undertaking results in the death, serious bodily injury or incapacity of a person, the proprietor shall report to an occupational safety officer within the prescribed period. Pursuant to Regulation 18, the proprietor shall report to an occupational safety officer of every dangerous occurrence which occurs in an industrial undertaking. A proprietor who, without reasonable excuse, fails to make any report as required or makes a false report shall be guilty of an offence and liable to a fine up to HK$50,000.

Factories and Industrial Undertakings (Safety Management) Regulation

The Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) requires proprietors covered by the regulation to implement a safety management system, which consists of 14 elements. Besides the adoption of the safety management system, the proprietors are also required to carry out safety audits or safety reviews of their safety management systems, according to the number of workers employed.

A proprietor specified in part 2 of schedule 3 of the Factories and Industrial Undertakings (Safety Management) Regulation shall appoint, in the approved form, a person (who may be an employee of the proprietor), being a person who is capable of competently carrying out a safety review, to be the safety review officer to conduct a safety review in relation to the relevant industrial undertaking. The relevant proprietor shall ensure that safety reviews are conducted at least once in each 12 months or at a shorter interval when so required in writing by the Commissioner for Labour.

Based on the number of employees currently working in our factory premises, our Group falls into part 2 of schedule 3 of the Factories and Industrial Undertakings (Safety Management) Regulation. Our Group has to (i) prepare and revise as often as may be necessary a written policy statement in relation to the safety policy of the relevant industrial undertaking; (ii) bring such statement and any revision of it to the notice of all the workers in the undertaking; (iii) keep a copy of the statement and (iv) make a copy of the statement available for inspection upon request by an occupational safety officer.

Any person who contravenes any one of the above duties in respect of (a) the safety management system and safety review commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for 6 months; (b) the safety policy commits an offence and is liable on conviction to a fine of HK$100,000 and to imprisonment for 3 months.

Occupational Safety and Health

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health of employees in workplaces, both industrial and non-industrial.

Section 6 provides that every employer must, so far as reasonably practicable, ensure the safety and health at work of all employees. An employer who fails to comply with its responsibilities under this section commits an offence and is liable on conviction to a fine of up to HK$200,000. An employer who fails to comply intentionally, knowingly or recklessly is liable on conviction to a fine of up to HK$200,000 and to imprisonment for up to 6 months.

Also, the Commissioner of Labour may serve improvement notices against contraventions of this ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notices against activities or conditions of premises, plants or substances located on the premises that create an imminent risk of death or serious bodily injury. Failure to comply with improvement notices or contravention of suspension notices constitutes an offence punishable by a fine of up to HK$200,000 and HK$500,000 respectively, and imprisonment of up to 12 months.

Occupier's Liability

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) governs the liability of a person occupying or having control of the premises for injury or damage to persons or goods or property lawfully on the land.

A common duty of care is imposed on the occupier to take such care as in all the circumstances is reasonable to ensure that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Fire Safety

The Fire Safety (Buildings) Ordinance (Chapter 572 of the Laws of Hong Kong) and the Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong) provide for the fire safety requirements to be complied with by both owners and occupiers of composite buildings intended for non-domestic purposes, domestic buildings and commercial premises.

Occupiers are required to provide or improve:

(i) an automatic sprinkler system, with or without a direct link to the Fire Services Department, to control the spread of fire and sound an alarm;

(ii) a manual fire alarm system to alert occupants of the building in the event of fire;

(iii) fire service installations and equipment such as emergency lighting within the area he occupies so as to facilitate the evacuation of the area in the event of a power failure;

(iv) an automatic cut-off device for the mechanical ventilating system to limit the spread of smoke through the ventilating system; and

(v) portable fire extinguishers, so that there is at least one fire extinguisher for each 100 square metres of floor area of the premises or part of that area.

The relevant enforcement authority may serve on the occupier of the premises a fire safety direction directing the occupier to comply with all or any of the requirements under the above ordinances.

An occupier who, without reasonable excuse, fails to comply with a fire safety direction provided by the relevant enforcement authority, is guilty of an offence and is liable on conviction to a fine at HK$10,001 to HK$25,000 and to a further fine of HK$2,500 for each day or part of a day during which the failure continues after the expiry of the period specified in the direction.

EMPLOYMENT

Employees' Compensation

Under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), if an employee sustains an injury or dies by accident arising out of and in the course of his employment, his employer shall be liable to pay compensation in accordance with the ordinance. Also, an employee who suffers incapacity or dies as a result of an occupational disease and the nature of the employment shall be entitled to the same compensation payable for injuries or death due to occupation accidents.

According to Section 40, all employers (including contractors and subcontractors) are required to take out insurance policies for all their employees (including full-time and part-time employees) to cover their liabilities under the Employees' Compensation Ordinance and at common law for work injuries. An employer who fails to obtain the compulsory insurance is liable on conviction upon indictment to a fine of up to HK$100,000 and imprisonment for up to 2 years.

Also, according to Section 48, an employer shall not, without the consent of the Commissioner of Labour, terminate or give notice to terminate the contract of service of an employee who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under this ordinance before occurrence of certain events as set out in the ordinance. An employer who contravenes any provision of this section shall be guilty of an offence and liable on conviction to a fine up to HK$100,000.

Minimum Wage

Under the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), an employee is entitled to be paid wages during the wage period in which the employee is engaged under a contract of employment (as defined in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)) at a rate not less than the minimum hourly wage rate (being HK$34.5 per hour as at the Latest Practicable Date).

Any provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by this ordinance is void.

ENVIRONMENTAL PROTECTION

Waste Disposal

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) controls and regulates the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. Livestock waste, clinical waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited.

Under the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong), a person must be registered with the Director of Environmental Protection as a chemical waste producer to produce or cause to be produced chemical waste. Contravention of this provision constitutes an offence and is punishable by a fine up to HK$200,000 and imprisonment for up to 6 months.

The chemical waste must be properly packaged, labelled and stored before disposal in accordance with the provisions of this regulation. Chemical waste must be removed or transported to a licensed chemical waste disposal site by a licensed waste collector. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Department of Environmental Protection staff.

Air Pollution

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) makes provision for abating, prohibiting and controlling pollution of the atmosphere by emission of air pollutants and noxious odour from construction, industrial and commercial activities, and other sources. For certain specified processes, the owner of the premises shall use the best practicable means for preventing the emission of noxious or offensive emissions, and for rendering the discharge of such emissions into the atmosphere harmless and inoffensive. The owner of such premises must also hold a licence to use or permit the use of such premises.

Section 10 of the Air Pollution Control (Volatile Organic Compounds) Regulation (Chapter 311W of the Laws of Hong Kong) prohibits the manufacturing or import into Hong Kong certain regulated printing ink that has a volatile organic compound content in excess of the prescribed limit. A person who contravenes this section commits an offence and is liable on conviction to a fine up to HK$200,000 and to imprisonment for up to 6 months.

Noise Control

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) provides for the prevention, minimising and abatement of noise, including that from domestic premises, public places and construction sites.

The Secretary for the Environment may issue technical memoranda setting out principles, procedures, guidelines, standards and limits in respect of measurement and assessment of noise emanating from any place other than domestic premises, public places or construction sites. In certain circumstances as set out in Section 13, including when industrial and commercial noise exceed the statutory limits specified in the technical memoranda, the Noise Control Authority may issue noise abatement notice to the person making the noise or the owner, occupier or person in charge of the place from which the noise is emanating. Failure to comply with such notice is an offence punishable by (a) a fine up to HK$100,000 on first conviction, (b) a fine up to HK$200,000 on second or subsequent conviction, and in any case a fine of up to HK$20,000 for each day during which the offence continues.

Water Pollution

The Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) governs the pollution of the waters of Hong Kong, and provides for the declaration of any part of Hong Kong to be a water control zone for the purposes of this ordinance and the establishment of water quality objectives. Within the water control zones, discharges or deposits are regulated by licences granted by the Director of Environmental Protection.

Unless licensed under the Water Pollution Control Ordinance or the Waste Disposal Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong or any matter into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for up to 6 months and (a) a fine up to HK$200,000 for a first offence, (b) HK$400,000 for a second or subsequent offence, and if the offence is a continuing offence, up to HK$10,000 for each day during which it is proved to have continued.

The Secretary for the Environment may issue a technical memorandum setting out permissible limits of the physical characteristics and chemical components of discharges and deposits in a water control zone. The Director of Environmental Protection is also empowered to require any person to furnish it with information it may reasonably require for performing his duties under this ordinance, or authorise public officers to enter premises (other than domestic premises) without a warrant from which it has reason to suspect that matter has been discharged into the waters of Hong Kong in contravention of this Ordinance.

COPYRIGHT

Under the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorises another to do, any of the acts restricted by the copyright, which includes the copying of the work by reproducing the work in any material form.

Under Section 31, a person may also be liable for "secondary infringement" if that person, amongst others, without the licence of the copyright owner, sells, possesses, distributes or deals with for the purpose of or in the course of any trade or business a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

Under Section 118, a person commits an offence if he, amongst others, makes for sale, sells or possesses an infringing copy of the work with a view to it being sold for the purpose of or in the course of any trade or business without the licence of the copyright owner. Section 119B also particularly states that a person commits an offence if he, on a regular or frequent basis for the purpose of or in the course of any trade or business, makes an infringing copy of the work for distribution without the copyright owner's licence, resulting in financial loss to the copyright owner. A person who contravenes Section 118 or 119B may be liable on conviction to a fine of up to HK$50,000 in respect of each infringing copy and up to 4 years of imprisonment.

In addition to criminal liability, the Copyright Ordinance provides that the copyright owner may claim in an action for copyright infringement all such relief including damages, injunctions, accounts.

BOOKS REGISTRATION

The Books Registration Ordinance (Chapter 142 of the Laws of Hong Kong) provides that the publisher (in the case of a book printed or produced, but not published, in Hong Kong and in the absence of the publisher's agent in Hong Kong, the publisher shall also mean the person primarily responsible for the printing or production of the book) of a new book shall, within 1 month after the book is published, printed, produced or otherwise made in Hong Kong, deliver copies of the book to the Secretary for Home Affairs for the registration thereof. Any person who contravenes this shall be guilty of an offence and shall be liable on conviction to a fine of up to HK$2,000.

OBSCENE AND INDECENT ARTICLES

Under Section 21 of the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong), any person who publishes, possesses or imports for the purpose of publication any obscene article, whether or not he knows that it is an obscene article, commits an offence and is liable to a fine of up to HK$1,000,000 and up to 3 years of imprisonment.

Also, under Section 22, any person who publishes any indecent article to a juvenile, whether or not he knows that it is an indecent article or that such person is a juvenile, commits an offence and is liable to a fine of HK$400,000 and to imprisonment for 12 months on first conviction, and to a fine of HK$800,000 and to imprisonment up to 12 months on a second or subsequent conviction.

In addition, according to Section 34, a magistrate may, if he is satisfied that there is reasonable ground for suspecting that there is in any premises any article in respect of which an offence has been or is being committed, issue a warrant authorising the police or a member of the Customs and Excise Service to enter such premises and search for, seize, remove and detain any such article or thing.

TRANSFER PRICING

Pursuant to Section 20(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**"), a non-resident person shall be liable to Hong Kong profits tax where it carries on business with a closely connected resident person and such business is so arranged that it produces to the resident person either no profits which arise in or derive from Hong Kong or less than the ordinary profits which might be expected to arise in or derive from Hong Kong.

Section 61 of the IRO stipulates that where the IRD is of opinion that any transaction which reduces or would reduce the amount of tax payable by any person is artificial or fictitious or that any disposition is not in fact given effect to, it may disregard any such transaction or disposition and the person concerned shall be assessable accordingly.

Section 61A of the IRO stipulates that where it would be concluded that person(s) entered into or carried out transactions for the sole or dominant purpose to obtain a tax benefit (which means the avoidance or postponement of the liability to pay tax or the reduction in the amount thereof), liability to tax of the relevant person(s) will be assessed (a) as if the transaction or any part thereof had not been entered into or carried out; or (b) in such other manner as the supervising authority considers appropriate to counteract the tax benefit which would otherwise be obtained.

The Departmental Interpretation and Practice Notes No. 45-Relief from Double Taxation due to Transfer Pricing or Profit Reallocation Adjustments issued by the IRD in April 2009 makes it available that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another jurisdiction, a Hong Kong taxpayer may potentially claim relief under the double tax agreement between Hong Kong and that jurisdiction (jurisdictions that have entered into double tax agreements/ arrangements with Hong Kong include the PRC), subject to the approval of the Commissioner of the IRD.

PRC REGULATORY OVERVIEW

A. Printing Industry

a. foreign investment in printing industry

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the "**Catalogue**"), which was amended by MOFCOM and NDRC on 28 June 2017. The Catalogue, as amended, became effective on 28 July 2017 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. According to *The Provisions on Guiding the Orientation of Foreign Investment* (指導外商投資方向規定) (the "**Foreign Investment Provisions**") which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, any industry not listed in the Catalogue is a permitted industry, and is generally open to foreign investment unless specifically prohibited or restricted by the PRC laws and regulations. According to the Catalogue and the Foreign Investment Provisions, packaging and decoration printing (包裝裝潢印刷品印刷) is a permitted industry while publication printing (出版物印刷) falls in the restricted industry, requiring that the PRC investors shall hold 51% or above of the equity interests in the foreign investment enterprises. Pursuant to the Regulations on the Administration of Printing Industry (印刷業管理條例) (the "**Printing Regulations**") which was promulgated by State Council on 2 August 2001 and amended on 6 February 2016 and 1 March 2017, it is permitted to establish sino-foreign equity joint ventures and sino-foreign cooperative joint venture engaging in the printing business and it is also permitted to establish wholly foreign-owned enterprises engaging in the operation of printing packaging and decorations. Prosperous (SZ) is permitted to carry on the business of "*packaging and decoration printing (包裝裝潢印刷品印刷)*", and the printed materials of packaging and decorative products produced by Prosperous (SZ) is allowed to be sold within the PRC. As such Prosperous (SZ)'s business does not fall in the scope of "*publication printing (出版物印刷)*" under the Catalogue. However, pursuant to the Printing Regulations and relevant regulations, Prosperous (SZ) may only undertake printing business of overseas publications upon receiving the approval from the relevant publication administration authorities, subject to the condition that all the finished products of such overseas publications shall be transported outbound. For more details, please refer to the sub-section headed "*— PRC regulatory overview — A. printing industry — c. undertaking printing business of overseas publications*" in this section.

b. printing operation licensing

The printing business includes the printing of publication, packaging and decoration, and other printing matter, which is generally regulated by the Printing Regulations. Pursuant to the Printing Regulations, the scope of "publication" covers newspapers, journals, books, maps, New Year pictures, pictures, wall calendars, picture albums and the binding and layout, and cover of video/audio products and electronic publications, etc.; while the scope of "printed materials of packaging and decorative products" covers printed trade marks, signs, advertising materials, as well as the printed products in paper, metal or plastic etc. which are used for packaging or decorative purposes. Pursuant to the Printing Regulations, the publication administration of the State Council is in charge of the nationwide work on printing industry supervision and management. The publication administration of the local people's government at or above the county levels are responsible for the work on printing industry supervision and management within their respective jurisdictions. The nation implements the system of printing operation licence (印刷經營許可證). Any entities or persons without printing operation licence is prohibited engaging in printing business activities.

c. undertaking printing business of overseas publications

Pursuant to the Printing Regulations and the relevant regulations, printing enterprise which is commissioned to print overseas publications is subject to the approval from the relevant publication administration authorities. All the overseas publication printed must be transported outbound and could not be issued and distributed within the territory.

PRC Legal Advisor advised that Prosperous (SZ) shall apply for and acquire the requisite Licence for Processing and Printing Products for Export to Overseas, Hong Kong, Macau and Taiwan (國外及港、澳、台出版物來（進）料加工印件准印證) ("Licence") issued by the relevant publication administration authorities for the overseas publication printing orders from time to time, which is an administrative procedure in nature. PRC Legal Advisor also further confirmed that Prosperous (SZ) has obtained a total of 541 Licences during the three years ended 31 December 2016 and the nine months ended 30 September 2017, and that Prosperous (SZ) has confirmed that it has complied with the said Licences in carrying out the business of printing overseas publications. Accordingly, PRC Legal Advisor confirmed that Prosperous (SZ) was duly permitted to carry out the business of printing overseas publications during the three years ended 31 December 2016 and the nine months ended 30 September 2017.

According to Guangdong Fourth Round Administrative Approvals Catalogue (廣東省人民政府第四輪行政審批事項調整目錄), the approval of Licence is categorised as administrative authorization items (行政許可事項).

Approval of the Licenses are, according to Guideline of Approving Overseas Publication Printing (Specified Categories) (承印加工境外出版物（指定類）審批指引) and Notice on Issuing the Implementation Measures for the Administrative Licensing Matters of Shenzhen Bureau of Culture, Sports and Tourism (關於印發《深圳市文體旅遊局行政許可實施辦法》通知), subject to the following requirements:

(1) The applicant must possess licence to conduct printing business and business licence, and also the requisite equipment for printing;

(2) Applicant must possess the authorisation letter, printing agreement and copyright proof from the licensor;

(3) The contents of such printing works are not prohibited by PRC laws and regulations; and

(4) All the print products must be exported overseas and must not be distributed in PRC.

B. Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, came into effective on 1 April 1996 and as amended on 14 January 1997 and 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996.

Pursuant to these regulations and other PRC rules and regulations on currency conversion, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside PRC unless prior approval of SAFE or its local counterpart is obtained.

Foreign invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary). However, according to Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy (關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by SAFE on 13 February 2015, from 1 June 2015 onwards, overseas direct investment or domestic direct investment will no longer be subject to approval by SAFE. Instead, certain qualified local banks will take charge of relevant registration procedures, and SAFE and its local branches will execute indirect supervision on the procedures aforesaid.

On 9 June 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("**SAFE Circular No. 16**"). SAFE Circular No. 16 unifies the Discretional Foreign Exchange Settlement for all the domestic institutions. The "Discretional Foreign Exchange Settlement" refers to the foreign exchange capital in the capital account which has been confirmed by the relevant polices subject to the Discretional Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%.

Furthermore, SAFE Circular No. 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the foreign-invested enterprises from foreign exchange settlement shall not be used for the following purposes:

(1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;

(2) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;

(3) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and

(4) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

C. Environmental Protection

The main PRC environmental protection laws and regulations applicable to us include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), the Appraising of Environmental Impacts Law of the PRC (中華人民共和國環境影響評價法) (the "**Appraising of Environmental Impacts Law**"), the Regulations on Administration of Construction Protection Environmental Protection (建設項目環境保護管理條例), the Prevention and Control of the Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法) (the "**Atmospheric Pollution and Prevention Law**"), the Prevention and Control of the Water Pollution Law of the PRC (中華人民共和國水污染防治法) (the "**Water Pollution and Prevention Law**"), the Prevention and Control of the Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法) (the "**Noise Pollution and Prevention Law**"), the Prevention and Control of the Solid Waste Pollution Law of the PRC (中華人民共和國固體廢物污染環境防治法) (the "**Solid Pollution and Prevention Law**") and other relevant laws and regulations.

In accordance with the Environmental Protection Law promulgated by the Standing Committee on 24 April 2014 and implemented on 1 January 2015, the environmental protection administrative department under the State Council shall formulate national environmental quality standards. The people's governments of provinces, autonomous regions and municipalities may formulate local environmental quality standards for matters not specified in national environmental quality standards. They may formulate local environmental quality standards which are stricter than the national environmental quality standards for matters already specified in national environmental quality standards.

Enterprises and other operators that discharge pollutants shall take measures to prevent and control the pollution and harms to the environment of waste gas, waste water, waste, dust etc. generated in production, construction or other activities. Enterprises that discharge pollutants shall establish the environment protection responsibility regime and clarify the responsibilities of the persons-in-charge and the relevant personnel. Pollution prevention and control facilities in construction projects shall be simultaneously designed, simultaneously constructed and simultaneously put into use with the main project. Pollution prevention and control facilities shall fulfil the requirements in the approved environment impact assessment documents, and shall not be demolished without authorisation or idled. The nation implements the pollutant discharge permit administration system. Enterprises and other operators implementing the pollutant discharge permit administration shall discharge pollutants according to the requirements of the pollutant discharge permits; no pollutant may be discharged without obtaining the pollutant discharge permit. Where enterprises and other operators discharge pollutants exceeding the pollutant discharge standards, the environmental protection authority may order them to take measures including limiting production and cease production to rectify etc.; if the circumstances are serious, after approved by the people's governments with approval powers, they may be ordered to cease production or shut down. If harms are caused by the environment pollution and ecology damage, the Tort Law of the PRC (中華人民共和國侵權責任法) shall apply to determine tort liabilities.

In accordance with the Appraising of Environmental Impacts Law promulgated by the Standing Committee on 28 October 2002 and amended on 2 July 2016 and the Regulations on Administration of Construction Project Environmental Protection promulgated by State Council on 29 November 1998 and revised on 16 July 2017, the development of each construction project is subject to the environmental impact assessment, and the construction entity should submit to the relevant environmental protection authorities the environmental impact statement which assess the pollution that the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. Only after the assessment has been completed and approval from the relevant environmental protection authorities has been obtained, the construction can commence. After completion of the project, the construction entity shall also apply to the relevant environmental protection authorities for check and acceptance of the corresponding environmental protection facilities.

The PRC Government has promulgated a series of laws on discharge of atmospheric pollutants, waste water, solid wastes and noise to the environment, including the Atmospheric Pollution and Prevention Law (promulgated by the Standing Committee on 5 September 1987, amended respectively on 29 August 1995, 29 April 2000 and 29 August 2015), the Water Pollution and Prevention Law (promulgated by the Standing Committee on 11 May 1984, amended on 15 May 1996, 28 February 2008 and 27 June 2017), the Noise Pollution and Prevention Law (promulgated by the Standing Committee on 29 October 1996 and effective as of 1 March 1997) and the Solid Pollution and Prevention Law (promulgated by the Standing Committee on 30 October 1995 and amended respectively on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016), which have respectively specified the prevention and control and supervision and administration of atmospheric pollution, water pollution and pollution from noise and solid wastes. Pursuant to the aforesaid laws, in case of new construction, expansion and reconstruction of projects that discharge pollutants to the atmosphere or water body, and/or produce noise or solid wastes, the relevant enterprise shall observe the state regulations concerning administration of construction project environmental protection and make pollutant discharge declaration according to law and discharge pollutants in accordance with regulations.

With regard to enterprises violating the aforesaid laws, the relevant environmental protection authorities may impose administrative penalties on them in accordance with laws and regulations. Any enterprise that has caused an environmental pollution hazard shall be responsible for eliminating it and compensating the entities or individuals directly damaged.

D. Taxation

a. Income tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") promulgated by NPC on 16 March 2007 and taken into effect as of 1 January 2008, the enterprise income tax for both domestic and foreign-invested enterprises is at the same rate of 25%.

b. Withholding tax on dividend distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the implementation rules of the EIT Law reduce the rate from 20% to 10%.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is no more than 5%, if the Hong Kong enterprise directly owns at least 25% of the capital of the PRC resident enterprise. If the beneficiary is a Hong Kong resident enterprise which directly holds less than 25% equity interests of the PRC enterprise, the tax levied shall be no more than 10% of the distributed dividends. According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20 February 2009, the fiscal residents of the other party as corporate recipients of dividends distributed by the PRC resident enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt.

c. Value added tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (中華人民共和國增值稅暫行條例) (the "**VAT Regulations**") which was amended on 6 February 2016, and its implementation regulations, all entities or individuals in the PRC engaged in the sale of goods, the supply of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 17% or in certain limited circumstances, 13%, depending on the product type.

d. Transfer pricing

Pursuant to the EIT Law and its implementation rules, and the Implementation Regulations for Special Tax Adjustments (Trial) (特別納稅調整實施辦法(試行)) (the "STA Rules"), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are regarded as related party transactions. According to the EIT Law, its implementation rules and STA Rules, related party transactions should comply with the arm's length principle (獨立交易原則) and if the related party transactions fail to comply with arm's length principle results in the reduction of the enterprise's taxable income, the tax authority has the power to make an adjustment following certain procedures. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the supervising tax authority, but enterprises which meet one of the following standards are exempt from preparing further contemporaneous documents report (同期資料): (1) the annual amount of related party purchase/sales is lower than RMB200 million and the annual amount of other related party transactions is lower than RMB40 million; (2) related party transactions are involved in the performance of arrangements for advance pricing; or (3) foreign shareholding percentage is lower than 50% and the related party transactions only incur among domestic associated parties.

According to the Bulletin of the State Administration of Taxation on Issues Relating to the Enhancement of the Declaration of Related Party Transactions and Administration of Contemporaneous Documentation (國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告), which is applicable to the year of 2016 and the subsequent accounting years, enterprises should prepare and submit the contemporaneous information on their related party transactions for the year in which taxes are payable. Such contemporaneous information includes master documents, local documents and documents relating to particular issues. An enterprise satisfying either of the following conditions should prepare its own master documents: (1) the conglomerate of the ultimate controlling company consolidating the financial statements during the year in which cross-border related party transactions occurred has already prepared the master documents; or (2) the aggregate amount of annual related party transactions exceeds RMB1.0 billion. An enterprise with the amount of its annual related party transactions meeting either of the following conditions should prepare its local documents: (1) the amount for the transfer of the ownership of tangible assets, among which the incoming materials processing business will be calculated based on its annual import and export custom clearance prices, exceeds RMB200 million; (2) the amount for the transfer of financial assets exceeds RMB100 million; (3) the amount for the transfer of the ownership of intangible assets exceeds RMB100 million; or (4) the aggregate amount of other related party transactions exceed RMB40 million. Documents relating to particular issues include documents recording the agreed cost-sharing matters and those recording thin capitalization matters. The Bulletin of the State Administration of Taxation on Issuing the Measures for the Administration of Adjustments under Special Tax Investigation and Mutual Consultation Procedures (國家稅務總局關於發佈《特別納稅調查調整及相互協商程序管理辦法》的公告), which was promulgated on 17 March 2017 and came into force on 1 May 2017, stipulated measures for the administration of adjustments under special tax investigation and mutual consultation procedures.

E. Production Safety

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) (the "Production Safety Law") promulgated by the Standing Committee on 29 June 2002, and amended on 27 August 2009 and 31 August 2014, any production and business operation entity with more than 100 employees shall establish an independent administrative body of safe production or have full-time personnel for the administration of safe production; if the enterprise has fewer than 100 employees, it shall have full-time or part-time personnel for the administration of safe production. Production and business operation entities shall provide labour protection articles that meet the national standards or industrial standards for the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules. Production and business operation entities shall arrange funds for buying labour protection articles and organising trainings on production safety. Production and business operation entities shall buy insurance for work-related injuries according to laws and pay insurance premiums for the employees thereof. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, and order to cease operation, or even criminal liability in severe cases.

F. Customs

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the Standing Committee on 22 January 1987 and revised on 7 November 2016 and 4 November 2017 and other relevant laws, the consignors and consignees of imported and exported goods shall be duly registered with the PRC customs authorities for handling the customs clearance procedures. Enterprises which have not been registered with the PRC customs authorities are prohibited from carrying out the customs clearance. Consignees of imported goods and consignors of exported goods shall report to the PRC customs authorities about the facts and provide the import and export licenses, certificates and other relevant documents for inspection.

G. Labour

The main PRC employment laws and regulations applicable to us include the Labour Law of the PRC (中華人民共和國勞動法) (the "**Labour Law**"), the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labour Contract Law**"), the Implementing Regulations of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) and other relevant laws and regulations.

According to the Labour Law (as promulgated by the Standing Committee on 5 July 1994 became effective on 1 January 1995 and amended on 27 August 2009), the employers should enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The policy of the wages shall be paid according to the performance, equal pay for equal work, lowest wage protection and special labour protection for female worker and juvenile workers shall be implemented. The Labour Law also requires the employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. The employers are also required to pay for their employees' social insurance premium.

According to the Labour Contract Law (as promulgated by the Standing Committee on 29 June 2007 and amended on 28 December 2012) and its implementing regulations, enterprises established in PRC shall enter into employment agreements with their employees to provide for the term, job duties, work time, holidays, payments by laws. Both the employers and the employees shall duly perform their duties. Meanwhile, the Labour Contract Law also provides for the scenario of rescission and termination. Except for certain situation explicitly stipulated in the Labour Contract Law which will not subject to economic compensation, the economic compensation shall be paid to the employee by the employers for the illegally rescission or termination of the employment agreement.

Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the Standing Committee on 28 October 2010 and became effective on 1 July 2011, the

State establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the right of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. The employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer does not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

According to the Several Provisions on Implementing the Social Insurance Law of the PRC (實施<中華人民共和國社會保險法>若干規定) (the "**Provisions**"), which was promulgated by MOHRSS on 29 June 2011 and became effective on 1 July 2011, insurance premium which should be paid by the employees shall be withheld and paid by the employers. Where an employer fails to withhold and pay the premiums in accordance with the Provisions, the social insurance premium collection institution shall order the employer to remit within time limit and impose a daily surcharge equivalent to 0.05% of the overdue payment from the date of default as late payment penalty. The employers shall not require employees to pay for the late payment penalty.

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) which was promulgated by the State Council on 3 April 1999, became effective on 3 April 1999, and as amended on 24 March 2002, the employers shall go through housing provident funds registration with the local housing fund administration centre and open housing fund accounts for its employees in the bank. Failure to above mentioned registration and accounts opening, an employer may be subject to order to handling within a time limit. If an employer fails to handle within prescribed time limit, it shall be imposed the penalty ranging from RMB 10,000 to RMB 50,000. Where an employer fails to pay up housing provident funds within time limit, the housing fund administration centre shall order it to make payment in certain period of time, if the employer still fails to do so, the housing fund administration centre may apply to the court for enforcement of the unpaid amount.

U.K. REGULATORY OVERVIEW

Impact of Brexit

The summary below of applicable United Kingdom and European Union laws and regulations is based upon the law currently in force. On 23 June 2016 the U.K. voted in a referendum to leave the European Union (commonly known as "**Brexit**"), and on 29 March 2017 the U.K. Prime Minister gave the European Council formal notification under Article 50 of the Treaty on European Union of the United Kingdom's intention to leave the European Union.

Giving notice under Article 50 triggered a two year period of negotiations between the U.K. and the E.U. as to the terms of Brexit. The U.K. will leave the E.U. at the end of that period, on 29 March 2019, or earlier if agreed in the negotiations. It is also possible that a transitional period after 29 March 2019 will be agreed in the negotiations, although this is a matter of some political controversy in the U.K. When the U.K. leaves the E.U., E.U. law will cease to apply in the U.K., except to the extent it may be preserved in U.K. domestic law. The European Union (Withdrawal) Bill (formerly referred to as the Great Repeal Bill) was introduced in Parliament on 13 July 2017, the effect of which would be to preserve much of the applicable E.U. law following Brexit, but with power to repeal or modify it.

It is therefore still too early to predict the effect Brexit will have upon the laws and regulations summarised below, as much will depend upon the outcome of negotiations which are currently taking place. However it seems likely that E.U. law will remain applicable until at least 29 March 2019, assuming no earlier agreement is reached in negotiations.

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.

If the U.K. leaves the European single market on Brexit (which is the present negotiating position of the U.K. Government), it will have to negotiate new preferential trade agreements with other countries, such as China and Hong Kong, failing which World Trade Organization rules will apply. Such agreements often take several years to conclude.

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

If the U.K. leaves the European customs union on Brexit (which is also the present negotiating position of the U.K. Government), it would be able to impose different import duties and tariffs on the importation of books and printed materials into the U.K., subject to the General Agreement on Tariffs and Trades.

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 intended for consumers.

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 European Union to supply it to another, will be liable as such.

The Consumer Protection Act is domestic U.K. legislation which would not be directly affected by Brexit, though the liability for importing into the European Union will need amendment.

Product safety

In the U.K., product safety is regulated by the General Product Safety Regulations 2005, which cover 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 Group of their duty to ensure their 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

The General Product Safety Regulations 2005 were made under the European Communities Act 1972 to comply with E.U. legislative requirements on product safety. They will therefore fall within the category of legislation that would be preserved in the interim following Brexit by the European Union

(Withdrawal) Bill. It would seem unlikely however that the U.K. Government would seek to reduce consumer safety requirements as a result of Brexit.

USA REGULATORY OVERVIEW

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 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 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.

United States Copyrights Act of 1976 ("Copyright Act"; 17 U.S.C. §§ 101-810)

The United States Customs Intellectual Property Rights branch enforces pertinent copyright laws and regulations to ensure that unauthorised reproductions of copyrighted works do not enter the United States. The principal laws include Section 305 of the Tariff Act of 1930, as amended, and Section 42 of the Copyright Act.

IMPORTATION RESTRICTIONS

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 programme;
- 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.

Further, under Section 305 of the Tariff Act of 1930, as amended, it is prohibited to import any book, writing, advertisement, circular or picture containing any matter advocating or urging unlawful acts that include: (a) treason or insurrection against the United States, or (b) forcible resistance to any U.S. law. Nor is it permitted to import any book, writing, advertisement, circular or picture containing any threat to the life of, or threat to inflict bodily harm to any person in the United States. Also, importation of any book, writing, advertisement, circular or picture contacting obscene content is also prohibited under the Tariff Act.

DUTIES AND TARIFFS

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 PPCL fall under the categories of paper products (Chapter 48) and/or books and printed materials (Chapter 49) which are exempted from any tariffs and duties.

AUSTRALIA REGULATORY OVERVIEW

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers located in a number of countries, including Australia. As a result, the Group's activities are subject to the relevant Australian importation laws, rules and regulations. A high level 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;
- regulating the types of goods which may be imported;
- identifying goods that are regarded as prohibited entry goods; and
- identifying goods that are subject to importation 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 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 has a 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 labelling, 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 textbooks and learning materials, children's books (such as movie and video game series) and other paper related products (such as national maps, leaflets, greeting cards, journals and calendars) is not likely to require classification applications to the Australian Classification Board.

The Copyright Act 1968 (the "**Copyright Act**") 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

Goods imported into Australia require classification under the Customs Tariff Act 1995 and the declaration procedures are based on self-assessment by importers. The resulting duty rates can range from 0% to 10% but the general tariff rate for most imported goods is about 5% (plus 10% goods and services tax), calculated as a percentage of the price the importer actually paid for the goods.

However, depending on the nature of imported publications and printed products, the prevailing applicable tariff rate in Australia is currently nil, although importers will be liable for any import entry costs and processing charges incurred by Australian Customs in processing, inspecting and clearing the imported goods.

OUR HISTORY

Prior to founding our Company, Mr. Lam had approximately 13 years of experience working for other printing companies. Being optimistic of the prospect of the printing industry, Mr. Lam, his former colleagues and friends decided to set up their own printing business with their personal savings to provide printing services to both local and overseas customers.

We initially set up our first production facility at Good Prospect Factory Building in Wong Chuk Hang, Hong Kong in January 1993. In May 1995, we set up another production facility in Shenzhen, PRC. During the period from September 1999 to October 2008, we had relocated all our production facilities in Hong Kong to Shenzhen, PRC and maintained only office in Hong Kong until we relocated our Hong Kong office and resumed our Hong Kong production facility at our current location at Chai Wan, Hong Kong. From then on, we maintained production facilities in both Hong Kong and Mainland China as our Directors consider that having production facilities in both locations would allow us to provide printing services to our customers in a more comprehensive and efficient manner. For instance, while our Shenzhen Factory is able to provide printing service for large quantity printing orders at competitive price, our Hong Kong Factory enables us to complete printing orders for certain national maps, politics and religion-related printing products, which are otherwise strictly regulated in the PRC.

The table below sets forth the important milestones in the history of our business development to date:

December 1992	Mr. Lam, his former colleagues and friends founded our Group by incorporating our Company
January 1993	Set up our first office and production facility at Good Prospect Factory Building in Wong Chuk Hang, Hong Kong
May 1995	Mr. Lam and an Independent Third Party set up 深圳市龍崗區橫崗村萬里印業廠 (Shen Zhen Shi Long Gang Qu Heng Gang Cun Prosperous Printing Factory), a processing factory in the PRC, and a production facility in Mainland China in Shenzhen, PRC
September 1999	Ceased the production facility at Good Prospect Factory Building in Wong Chuk Hang, Hong Kong and relocated all the machineries to the then existing production facility in Shenzhen, PRC
October 1999	Relocated our office in Hong Kong to Sing Teck Factory Building in Wong Chuk Hang, Hong Kong
April 2002	Relocated our office from Sing Teck Factory Building in Wong Chuk Hang, Hong Kong to Technology Plaza in North Point, Hong Kong
February 2008	Century Sight was incorporated
May 2008	Great Wall was incorporated
October 2008	Relocated our Hong Kong office and resumed our Hong Kong production facility to its current location in Chai Wan, Hong Kong
December 2010	深圳市龍崗區橫崗村萬里印業廠 (Shen Zhen Shi Long Gang Qu Heng Gang Cun Prosperous Printing Factory), the processing factory established in 1995, was converted into a WFOE and renamed Prosperous (SZ)

August 2013	We were recognised as one of the "2013 China Top 100 Printing Enterprise (2013年中國印刷企業100強排行榜)" by the Printing Managers Magazine (印刷經理人雜誌)
September 2014	Our Company completed the drawdown of the first tranche of the Convertible Loan
December 2014	Our Company completed the drawdown of the second tranche of the Convertible Loan
March 2016	We were awarded the "Excellent Member Award of the Year (優秀會員單位)" by the Shenzhen Graphic Society (深圳市印刷學會)
April 2016	Our Company completed the drawdown of the third tranche of the Convertible Loan
July 2016	Our Group acquired the Properties through the acquisition of Mr. Classic and Great China Gains

OUR CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group consisted of our Company, Century Sight, Great Wall, Printplus, Prosperous (SZ), Mr. Classic, Great China Gains, Super Noble and Tactful Hero. The following table summarises the details of our Company and our Group's subsidiaries:

Name	Date of Incorporation / Establishment	Place of Incorporation / Establishment	Principal business activities
PPCL	23 December 1992	Hong Kong	Trading of books and paper products and investment holding
Century Sight	22 February 2008	Hong Kong	Investment holding
Great Wall	23 May 2008	Hong Kong	Trading and production of books and paper products
Printplus	18 February 2004	Hong Kong	Trading of books and paper products
Prosperous (SZ)	3 December 2010	The PRC	Production of books and paper products
Mr. Classic	6 January 2016	BVI	Investment holding
Great China Gains	6 January 2016	BVI	Investment holding
Super Noble	10 March 2008	Hong Kong	Property investment
Tactful Hero	10 March 2008	Hong Kong	Property investment

Our Company

Our Company was incorporated in Hong Kong on 23 December 1992 as a private company limited by shares with an initial authorised share capital of HK$150,000 divided into 150,000 shares of HK$1 each, of which one share was respectively issued and allotted to L & L Limited ("**L&L**") (which was owned as to 50% by Mr. Lam and 50% by Mr. Leung Kwong Hung ("**Mr. Leung**") at the relevant time) and Mr. Chow Lim Yuk ("**Mr. Chow**"), an Independent Third Party. On 28 April 1993, Mr. Chow transferred 1 share to Mr. Lam for cash at par and on 25 May 1993, 149,998 shares were issued and allotted to L&L for cash at par. Hence, as at 25 May 1993, Mr. Lam owned 1 share and L&L owned 149,999 shares in our Company.

On 22 November 1993, the authorised share capital of our Company was increased to HK$1,000,000 by the creation of 850,000 shares of HK$1 each, of which 570,000 shares and 280,000 shares were respectively issued and allotted to L&L (which was owned as to 33.34% by Mr. Lam, 33.33% by Mr. Leung and the remaining 33.33% by Mr. Hung Ching Ho ("**Mr. Hung**") at the relevant time) and Mr. Sze Chun Lee ("**Mr. Sze**"), who joined the Company to be responsible for the sales function and is an Independent Third Party, for cash at par. Hence, as at 22 November 1993, the shareholding structure of our Company was as such:

Name of shareholder	Number of share(s) owned	Shareholding
Mr. Lam	1	0.0%
L&L	719,999	72.0%
Mr. Sze	280,000	28%
Total	1,000,000	100%

On 28 February 1996, Mr. Hung transferred his 33.33% interests in L&L to Mr. Lam.

On 12 August 1996, L&L (which was owned as to approximately 67% by Mr. Lam and the remaining approximately 33% by Mr. Leung at the relevant time) ceased to hold the shares in our Company and transferred 259,999 shares, 235,000 shares, 125,000 shares and 100,000 shares to Mr. Lam, Mr. Leung, Mr. Chan Wai Ming ("**Mr. Chan**") and Mr. Li Mun Kun ("**Mr. Li**"), respectively for cash at par. On the same day, Mr. Sze also transferred 155,000 shares to Mr. Leung for cash at par. The said share transfers were properly completed on 16 August 1996. Upon completion of the said share transfers, the shareholding structure of our Company was as such:

Name of shareholder	Number of share(s) owned	Shareholding
Mr. Lam	260,000	26%
Mr. Leung	390,000	39%
Mr. Sze	125,000	12.5%
Mr. Chan	125,000	12.5%
Mr. Li	100,000	10%
Total	1,000,000	100%

On 17 April 1997, as requested by the bank to increase its share capital, the authorised share capital of our Company was increased to HK$5,000,000 by the creation of 4,000,000 shares of HK$1 each, of which 1,040,000 shares, 1,560,000 shares, 500,000 shares, 400,000 shares and 500,000 shares were issued and allotted to Mr. Lam, Mr. Leung, Mr. Chan, Mr. Li and Mr. Sze, respectively, for cash at par, proportional to their existing shareholding in our Company.

On 12 March 2001, as Mr. Chan and Mr. Sze decided to leave our Company and as an incentive for Mr. Chau Chi Man Raymond ("**Mr. Chau**") to join our Company to take up the responsibility from Mr. Sze for handling the sales function, Mr. Chan transferred 625,000 shares to Mr. Chau for a cash consideration of HK$650,000, Mr. Sze transferred 625,000 shares to Mr. Chau for a cash consideration of HK$650,000 and Mr. Lam transferred 250,000 shares to Mr. Chau for a cash consideration of HK$260,000. The total consideration of the said share transfers was determined based on negotiation and mutual agreement between the transferors and Mr. Chau. The said share transfers were all properly completed on 20 March 2001. Upon completion of the said share transfers, the shareholding structure of our Company was as such:

Name of shareholder	Number of share(s) owned	Shareholding
Mr. Lam	1,050,000	21%
Mr. Leung	1,950,000	39%
Mr. Li	500,000	10%
Mr. Chau	1,500,000	30%
Total	5,000,000	100%

In December 2001, Mr. Chau decided to leave our Company and transfer his shareholding to the remaining three shareholders. On 12 December 2001, Mr. Chau first transferred his entire shareholding in our Company which comprised 1,500,000 shares to Mr. Leung at a cash consideration of HK$4,500,000, which was determined based on the consideration he paid for the purchase of his shareholding in March 2001 and taking into account the sales and profit that he brought to our Company during his course of employment. The share transfer was properly completed on 20 December 2001. In turn, on 27 December 2001, Mr. Leung transferred 350,000 shares to Mr. Li at a cash consideration of HK$1,050,000 and 600,000 shares to Mr. Lam at a cash consideration of HK$1,800,000. The consideration was determined based on Mr. Leung's original costs attributable to the acquisition of the relevant portion of shares in our Company from Mr. Chau. The share transfers were properly completed on 31 December 2001. Upon completion of the said share transfers, the shareholding structure of our Company was as such:

Name of shareholder	Number of share(s) owned	Shareholding
Mr. Lam	1,650,000	33%
Mr. Leung	2,500,000	50%
Mr. Li	850,000	17%
Total	5,000,000	100%

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of our Company ceased to have any nominal value.

On 10 September 2014, due to his retirement, Mr. Leung transferred his entire shareholding in our Company, comprising 2,500,000 shares, to Mr. Lam at the cash consideration of HK$4,500,000, which was determined by the parties after arm's length negotiations with reference to, among other things, the financial position and business prospects of our Company at the relevant time (including the unaudited net asset value of our Company as at 31 December 2013) and Mr. Leung's past contributions to our Group. The share transfer was properly completed on 25 September 2014.

On 20 September 2014, Fine Time entered into the Original Convertible Loan Agreement with, among others, our Company in relation to the subscription of the Convertible Loan, further details of which are set out in the sub-section headed "*Pre-IPO Investment*" in this section.

On 30 March 2016, due to his retirement, Mr. Li transferred his entire shareholding in our Company, comprising 850,000 shares, to Mr. Lam at the cash consideration of HK$4,500,000, which was determined by the parties after arm's length negotiations with reference to, among other things, the financial position and business prospects of our Company at the relevant time (including the unaudited net asset value of our Company as at 31 December 2015) and Mr. Li's past contributions to our Group. The share transfer was properly completed on 31 March 2016.

On 25 July 2016, Fine Time converted the entire principal amount of the Convertible Loan into 1,250,000 Shares.

On 13 September 2016, Mr. Lam transferred all his shares in our Company to First Tech at the cash consideration of HK$10. The share transfer was properly completed on 14 September 2016.

On 14 September 2016, each and every share of our Company was divided into 96 Shares and immediately following completion of the share subdivision, First Tech and Fine Time held 480,000,000 and 120,000,000 Shares respectively.

On 15 November 2017, pursuant to written resolutions passed by all our Shareholders, the share capital of our Company was increased from approximately HK$27 million to approximately HK$42 million without issuing any Shares by way of a capital contribution of HK$15,000,000 made by Mr. Lam on behalf of First Tech in cash.

As at the Latest Practicable Date, the issued share capital of our Company was owned as to 80% by First Tech and the remaining 20% by Fine Time.

Our Company commenced business since 1992 and carries on trading of books and paper products. We are also an investment holding company.

Century Sight

Century Sight was incorporated in Hong Kong on 22 February 2008 as a private company limited by shares with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, of which 1 share was issued to Cartech Limited, an Independent Third Party, as initial subscriber and was, in turn, transferred to Mr. Lam for cash at par on 29 April 2008. On 16 April 2008, 30 shares and 69 shares were issued and allotted to Mr. Lam and our Company, respectively, for cash at par.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Century Sight ceased to have any nominal value.

On 29 July 2016, as part of the Reorganisation, our Company acquired 31 shares in Century Sight, representing 31% of its entire issued share capital, from Mr. Lam at the cash consideration of HK$10. The share transfer was properly completed on the same day. After the aforesaid acquisition, Century Sight became a wholly-owned subsidiary of our Company.

Century Sight commenced business in 2008 and is an investment holding company.

Great Wall

Great Wall was incorporated in Hong Kong on 23 May 2008 as a private company limited by shares with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, of which 1 share was issued to Cartech Limited, an Independent Third Party, as initial subscriber and was, in turn, transferred to Century Sight for cash at par on 13 June 2008. On 2 June 2008, 99 shares were issued and allotted to Century Sight. Accordingly, as at the Latest Practicable Date, Century Sight holds the entire issued share capital of Great Wall.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Great Wall ceased to have any nominal value.

Great Wall commenced business in 2008 and carries on trading and production of books and paper products.

Printplus

Printplus was incorporated in Hong Kong on 18 February 2004 as a private company limited by shares with an authorised share capital of HK$10,000 divided into 100 shares of HK$100 each, of which 99 shares and 1 share were issued to our Company and Mr. Leung, respectively.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Printplus ceased to have any nominal value.

On 10 September 2014, due to his retirement, Mr. Leung transferred 1 share, representing his entire shareholding in Printplus, to Mr. Lam at the cash consideration of HK$100, which was determined by the parties after arm's length negotiations with reference to the original acquisition costs of such share by Mr. Leung. The share transfer was properly completed on 25 September 2014.

On 29 July 2016, as part of the Reorganisation, our Company acquired 1 share in Printplus, representing 1% of its total issued share capital, from Mr. Lam at the cash consideration of HK$10. After the aforesaid acquisition, Printplus became a wholly-owned subsidiary of our Company.

Printplus commenced business in 2004 and carries on trading of books and paper products.

Prosperous (SZ)

The predecessor of Prosperous (SZ) was 深圳市龍崗區橫崗村萬里印業廠 (Shen Zhen Shi Long Gang Qu Heng Gang Cun Prosperous Printing Factory), which is a processing factory established in the PRC in May 1995 by Mr. Lam and an Independent Third Party. On 3 December 2010, the processing factory was converted into a WFOE and renamed Prosperous (SZ).

Prosperous (SZ) was established with an initial registered capital of RMB10,000,000 and commenced business in December 2010. Prosperous (SZ) produces books and paper products. Since the time of its establishment, Prosperous (SZ) has been owned as to 100% by our Company.

On 26 May 2011, the registered capital of Prosperous (SZ) was increased from RMB10,000,000 to RMB60,000,000. As at the Latest Practicable Date, the registered capital of Prosperous (SZ) had been fully paid up by our Company.

Mr. Classic

Mr. Classic was incorporated in the BVI on 6 January 2016 with an authorised share capital of 50,000 shares divided into US$1.00 each, of which 1 share was issued to Silverise Limited, an Independent Third Party, as initial subscriber, and the remaining 49,999 shares were issued to Mr. Lam for cash at par on 20 July 2016. The 1 share held by Silverise Limited was transferred to Mr. Lam for cash at par on 20 July 2016.

On 29 July 2016, as part of the Reorganisation, our Company acquired 50,000 shares in, and the shareholder's loan in the sum of HK$7,594,944.20 extended by Mr. Lam to, Mr. Classic from Mr. Lam at the total consideration of HK$62,177,741, which was determined by the parties after arm's length negotiations with reference to the unaudited net asset value of Super Noble as at 29 July 2016 (after taking into account of the revaluation of the properties held by Super Noble as at 29 July 2016 of

HK$61,900,000 as appraised by an independent valuer) and shall be deemed to be an interest free, unsecured and on demand loan due and owing by our Company to Mr. Lam.

Mr. Classic is an investment holding company.

Great China Gains

Great China Gains was incorporated in the BVI on 6 January 2016 with an authorised share capital of 50,000 shares divided into US$1.00 each, of which 1 share was issued to Silverise Limited, an Independent Third Party, as initial subscriber, and the remaining 49,999 shares were issued to Mr. Lam for cash at par on 20 July 2016. The 1 share held by Silverise Limited was transferred to Mr. Lam for cash at par on 20 July 2016.

On 29 July 2016, as part of the Reorganisation, our Company acquired 50,000 shares of US$1 each in, and the shareholder's loan in the sum of HK$10,944,501.95 extended by Mr. Lam to, Great China Gains from Mr. Lam at the total consideration of HK$71,659,711, which was determined by the parties after arm's length negotiations with reference to the unaudited net asset value of Tactful Hero as at 29 July 2016 (after taking into account of the revaluation of the properties held by Tactful Hero as at 29 July 2016 of HK$69,900,000 as appraised by an independent valuer) and shall be deemed to be an interest free, unsecured and on demand loan due and owing by our Company to Mr. Lam.

Great China Gains is an investment holding company.

Super Noble

Super Noble was incorporated in Hong Kong on 10 March 2008 as a private company limited by shares with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, of which 1 share was issued to Cartech Limited, an Independent Third Party, as initial subscriber and was, in turn, transferred to Mr. Lam for cash at par on 29 April 2008. On 16 April 2008, 53 shares, 23 shares and 23 shares were issued and allotted to Mr. Lam, Madam Yung Yuk Wah ("**Madam Yung**") and Madam Lam Po Kam ("**Madam Lam**"), who is Mr. Li's spouse, respectively, for cash at par. Hence, as at 29 April 2008, Super Noble was owned as to 54% by Mr. Lam, 23% by Madam Yung and 23% by Madam Lam.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Super Noble ceased to have any nominal value.

On 29 April 2016, Madam Yung transferred 23 shares, representing her entire shareholding in Super Noble, to Mr. Lam at the cash consideration of HK$14,000,000, which was determined by the parties after arm's length negotiations with reference to, among other things, the financial condition and business prospects of Super Noble at the relevant time (including the unaudited net asset value of Super Noble as at 31 December 2015). The share transfer was properly completed on 3 May 2016.

On 8 July 2016, following Mr. Li's retirement from our Group in March 2016, Madam Lam also transferred 23 shares, representing her entire shareholding in Super Noble, to Mr. Lam at the cash consideration of approximately HK$13,830,000, which was determined by the parties after arm's length negotiations with reference to, among other things, the financial condition and business prospects of Super Noble at the relevant time (including the unaudited net asset value of Super Noble as at 31 December 2015). The share transfer was properly completed on 14 July 2016. The consideration paid to Madam Lam was less than that of Madam Yung because Madam Lam was merely a passive investor of Super Noble whereas Madam Yung had acted as the company secretary of and performed other administrative duties for Super Noble without remuneration over the years.

On 29 July 2016, as part of the Reorganisation:

(a) Mr. Classic subscribed, and Super Noble allotted and issued, 9,900 shares at the cash consideration of HK$9,900; and

(b) immediately following the above subscription, Mr. Classic acquired 100 shares in Super Noble from Mr. Lam at the cash consideration of HK$100 and Mr. Lam assigned, and Mr. Classic accepted an assignment of, the shareholder's loan in the sum of HK$7,594,944.20 extended by Mr. Lam to Super Noble in consideration of Mr. Classic acknowledging to Mr. Lam indebtedness of the same amount.

After completion of the above transactions, Super Noble became a wholly-owned subsidiary of Mr. Classic.

Super Noble commenced business in 2008 and is a property investment company.

Tactful Hero

Tactful Hero was incorporated in Hong Kong on 10 March 2008 as a private company limited by shares with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, of which 1 share was issued to Cartech Limited, an Independent Third Party, as initial subscriber and was, in turn, transferred to Mr. Lam for cash at par on 29 April 2008. On 16 April 2008, 1 share was each issued to Madam Yung and Madam Lam, who was Mr. Li's spouse, for cash at par. Hence, as at 29 April 2008, Mr. Lam, Madam Yung and Madam Lam each had one-third of the shareholding in Tactful Hero.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Tactful Hero ceased to have any nominal value.

On 29 April 2016, Madam Yung transferred 1 share, representing her entire shareholding in Tactful Hero, to Mr. Lam at the cash consideration of HK$14,000,000, which was determined after arm's length negotiations between the parties with reference to, among other things, the financial condition and business prospects of Tactful Hero at the relevant time (including the unaudited net asset value of Tactful Hero as at 31 December 2015). The share transfer was properly completed on 3 May 2016.

On 8 July 2016, following Mr. Li's retirement from our Group in March 2016, Madam Lam also transferred 1 share, representing her entire shareholding in Tactful Hero, to Mr. Lam at the cash consideration of approximately HK$13,830,000, which was determined by the parties after arm's length negotiations with reference to, among other things, the financial condition and business prospects of Tactful Hero at the relevant time (including the unaudited net asset value of Tactful Hero as at 31 December 2015). The share transfer was properly completed on 14 July 2016. The consideration paid to Madam Lam was less than that of Madam Yung because Madam Lam was merely a passive investor of Tactful Hero whereas Madam Yung had acted as the company secretary of and performed other administrative duties for Tactful Hero without remuneration over the years.

On 29 July 2016, as part of the Reorganisation:

(a) Great China Gains subscribed, and Tactful Hero allotted and issued, 997 shares at the cash consideration of HK$997; and

(b) immediately following the above subscription, Great China Gains acquired 3 shares in Tactful Hero from Mr. Lam at the cash consideration of HK$3 and Mr. Lam assigned, and Great China Gains accepted an assignment of, the shareholder's loan in the sum of HK$10,944,501.95 extended by Mr. Lam to Tactful Hero in consideration of Great China Gains acknowledging to Mr. Lam indebtedness of the same amount.

After completion of the above transactions, Tactful Hero became a wholly-owned subsidiary of Great China Gains.

Tactful Hero commenced business in 2008 and is a property investment company.

Reasons for the acquisitions of Mr. Classic and Great China Gains by our Group

From the commencement of the Track Record Period and up to the respective dates of our acquisition of Mr. Classic and Great China Gains, being the respective holding company of Super Noble and Tactful Hero, our Group leased from Super Noble and Tactful Hero the Properties as the premises for our Hong Kong Factory, with a total monthly rent of HK$301,000. Our Directors consider the acquisition of Mr. Classic and Great China Gains was beneficial to our Group and our Shareholders as a whole, after taking into account that (i) owning the premises for our production facilities allows us to minimise any disruption to our operation and the relocation costs in the event that the owner of the Properties does not want to continue leasing us the Properties on terms commercially acceptable to our Group; (ii) the inclusion of the Properties in our Group increased our asset base and thus put us in a better bargaining position when negotiating financing with banks in the future; (iii) our financial performance is expected to improve following the acquisition since the annual interest expense which we would otherwise have incurred had the acquisition been partly financed by bank borrowings will be less than the annual rentals we paid to Super Noble and Tactful Hero prior to the acquisitions or, where applicable, the market rent for comparable premises in the vicinity; and (iv) we will reduce our reliance on and minimise the amount of connected transactions with our Controlling Shareholders after Listing.

Our former subsidiary — South Sea

South Sea was incorporated in Hong Kong on 14 August 1984 as a private company limited by shares with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, of which 2 shares were issued to its initial subscribers. After various issues and transfers of shares in South Sea between 1984 and 2008, South Sea had an authorised and issued share capital of 10,000,000 shares, of which 9,999,999 shares were held by South Sea International Holdings Limited ("**SSIH**") and 1 share was held by its nominee, both of which are Independent Third Parties. In 2008, the management of SSIH (who became acquainted with Mr. Lam through social occasions) approached Mr. Lam with a view to entering into negotiations on the possible disposal of South Sea as part of its business restructuring plans. South Sea provided printing and related services to overseas customers and shared some of the same geographical markets as our Group, such as the U.K.. Mr. Lam considered the acquisition of South Sea would bring immediate benefits to our Group in terms of the expansion of our Group's customer base and production capacity. During the negotiations, Mr. Lam proposed to acquire the business and assets of rather than the shares in South Sea but such proposal was not acceptable to the management of SSIH. Accordingly, on 2 June 2008, Century Sight and Mr. Lam acquired 9,999,999 shares and 1 share from SSIH and its nominee respectively at a total consideration of HK$1,748,000, which was determined after arm's length negotiations with reference to, among other things, the customer profile of and assets owned by South Sea (the "***South Sea Acquisition***"). After completion of the South Sea Acquisition, South Sea became a subsidiary of our Group. On 27 August 2012, the authorised share capital of South Sea was increased from HK$10,000,000 divided into 10,000,000 shares of HK$1 each to HK$24,000,000 divided into 24,000,000 shares of HK$1 each, and 14,000,000 shares were issued to Century Sight on the same day to capitalise the liabilities of South Sea due to Century Sight. Since then and prior to South Sea's deregistration, there was no further change in the share capital or shareholding of South Sea. With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of South Sea ceased to have any nominal value.

Given the long operating history of South Sea prior to its acquisition by our Group and in order to protect its viable business from any potential past liabilities of South Sea, Mr. Lam decided to divert the customers of South Sea to Great Wall with the aim that Great Wall would take over all the existing business and customers of South Sea and South Sea would eventually be disposed or dissolved. Thus, after completion of the South Sea Acquisition, the customers of South Sea were invited to place future orders with Great Wall and the employees of South Sea were transferred to Great Wall to continue to serve these customers. Thereafter, South Sea did not carry on any active business activities apart from holding certain machinery and equipment which were disposed of to Great Wall in 2013. During the preparation for the Listing, our Directors reviewed the corporate structure of our Group and decided that South Sea should not form part of our Group due to its lack of business activities and as such, an application for deregistration of South Sea was lodged with the Companies Registry on 11 May 2016 and South Sea was subsequently dissolved on 23 September 2016.

Our Directors confirm that South Sea has complied in all material respects with the applicable laws, rules and regulations in Hong Kong since completion of the South Sea Acquisition and prior to its deregistration. For the two years ended 31 December 2014, South Sea recorded a profit after tax of approximately HK$260,000 and HK$6,000, which were attributable to the disposal of the company's machinery and equipment to Great Wall as mentioned above and adjustment of over provision of income tax in the previous year respectively, while it recorded a loss of approximately HK$14,000 for the year ended 31 December 2015. Our Directors further confirm that subsequent to the South Sea Acquisition and up to the date of its deregistration, South Sea was not involved in any litigation or arbitration proceedings.

REORGANISATION

In preparation for the Listing, we undertook the Reorganisation to rationalize the business and structure of our Group which involved the following steps:

1. *Conversion of the Convertible Loan by Fine Time*

On 25 July 2016, Fine Time converted the entire principal amount of the Convertible Loan into 1,250,000 Shares.

2. *Acquisition of the remaining shares in Century Sight not already owned by our Company from Mr. Lam*

On 29 July 2016, our Company acquired 31 shares in Century Sight, representing 31% of its entire issued share capital, from Mr. Lam at the cash consideration of HK$10. After the aforesaid acquisition, Century Sight became a wholly-owned subsidiary of our Company.

3. *Acquisition of the remaining share in Printplus not already owned by our Company from Mr. Lam*

On 29 July 2016, our Company acquired 1 share in Printplus, representing 1% of its total issued share capital, from Mr. Lam at the cash consideration of HK$10. After the aforesaid acquisition, Printplus became a wholly-owned subsidiary of our Company.

4. *Restructuring of the shareholding structures of Super Noble and Tactful Hero to become wholly-owned subsidiaries of Mr. Classic and Great China Gains respectively and acquisition of Mr. Classic and Great China Gains by our Company*

On 29 July 2016:

(a) (i) Mr. Classic subscribed, and Super Noble allotted and issued, 9,900 shares at the cash consideration of HK$9,900; and

(ii) immediately following the subscription referred to in sub-paragraph (a)(i) above, Mr. Classic acquired 100 shares in Super Noble from Mr. Lam at the cash consideration of HK$100 and Mr. Lam assigned, and Mr. Classic accepted an assignment of, the shareholder's loan in the sum of HK$7,594,944.20 extended by Mr. Lam to Super Noble in consideration of Mr. Classic acknowledging to Mr. Lam indebtedness of the same amount;

(b) upon completion of the transactions referred to in paragraph (a) above, our Company acquired 50,000 shares in, and the shareholder's loan in the sum of HK$7,594,944.20 extended by Mr. Lam to, Mr. Classic at the total consideration of HK$62,177,741, which shall be deemed to be an interest free, unsecured and on demand loan due and owing by our Company to Mr. Lam ("**Debt A**"); and

(c) (i) Great China Gains subscribed, and Tactful Hero allotted and issued, 997 shares at the cash consideration of HK$977; and

(ii) immediately following the subscription referred to in sub-paragraph (c)(i) above, Great China Gains acquired 3 shares in Tactful Hero from Mr. Lam at the cash consideration of HK$3 and Mr. Lam assigned, and Mr. Classic accepted an assignment of, the shareholder's loan in the sum of HK$10,944,501.95 extended by Mr. Lam to Tactful Hero in consideration of Mr. Classic acknowledging to Mr. Lam indebtedness of the same amount;

(d) upon completion of the transactions referred to in paragraph (c) above, our Company acquired 50,000 shares in, and the shareholder's loan in the sum of HK$10,944,501.95 extended by Mr. Lam to, Great China Gains at the total consideration of HK$71,659,711, which shall be deemed to be an interest free, unsecured and on demand loan due and owing by our Company to Mr. Lam ("**Debt B**", together with Debt A, the "**Debts**").

5. Transfer of all the shares in our Company by Mr. Lam to First Tech

On 13 September 2016, Mr. Lam transferred his entire shareholding in our Company to First Tech at the cash considerations of HK$10.

6. Share subdivision

On 14 September 2016, each and every share of our Company was divided into 96 Shares and immediately following completion of the Share subdivision, First Tech and Fine Time held 480,000,000 and 120,000,000 Shares respectively.

7. Deregistration of South Sea

South Sea had no significant business activities during the Track Record Period and shall not form part of our Group upon Listing. A shareholders' resolution was passed by shareholders of South Sea for its deregistration, and South Sea was dissolved on 23 September 2016.

8. Set-off of the indebtedness owing from Mr. Lam to our Company pro tanto against the Debts

Pursuant to a set-off agreement dated 25 October 2016 made between our Company and Mr. Lam, our Company satisfied the repayment of part of the Debts by setting-off *pro tanto* the indebtedness in the sum of HK$75,475,497 owing from Mr. Lam to our Company against the Debts to take effect on 29 July

2016 and after such set-off, our Company remained indebted to Mr. Lam in the sum of HK$58,361,955.

9. Increase in share capital of our Company

On 15 November 2017, pursuant to written resolutions passed by all our Shareholders, the share capital of our Company was increased from approximately HK$27.5 million to approximately HK$42.5 million without issuing any Shares by way of a capital contribution of HK$15,000,000 made by Mr. Lam on behalf of First Tech in cash.

All relevant regulatory approvals for the Reorganisation have been obtained and the Reorganisation complies with the relevant laws and regulations.

PRE-IPO INVESTMENT

Our Company and Mr. Lam entered into a convertible loan agreement with Fine Time on 20 September 2014 (the "**Original Convertible Loan Agreement**"), which was supplemented by a supplemental convertible loan agreement dated 25 July 2016, clarifying the intention of the parties at the time of entry of the Original Convertible Loan Agreement that the conversion price of the Convertible Loan was set at HK$17.6 per Share and making housekeeping and other consequential amendments (the "**Supplemental Convertible Loan Agreement**", together with the Original Convertible Loan Agreement, the "**Convertible Loan Agreement**"). Pursuant to the Convertible Loan Agreement, our Company agreed to obtain from Fine Time a convertible loan in the aggregate principal amount of HK$22,000,000 comprising three tranches with the principal amount of HK$10,000,000, HK$5,000,000 and HK$7,000,000 respectively (the "**Convertible Loan**").

Principal terms of the Convertible Loan

The table below summarises the principal terms of the Convertible Loan by Fine Time:

Name of Investor	Fine Time
Date of drawdown	As regards the first tranche of the Convertible Loan of HK$10 million, 30 September 2014; As regards the second tranche of the Convertible Loan of HK$5 million, 31 December 2014; and As regards the third tranche of the Convertible Loan of HK$7 million, of which HK$2 million was drawn down on 31 October 2014 and HK$5 million was drawn down on 19 April 2016
Interest	12% per annum, five-sixth (5/6th) of which interest was agreed to be borne and paid by Mr. Lam on behalf of our Company
Maturity Date	Unless otherwise converted, the Convertible Loan shall be repaid by our Company on the date falling thirty months after the date of the Original Convertible Loan Agreement (i.e. 20 March 2017)
Conversion Right	Fine Time may convert all (but not any portion) of the outstanding principal amount of the Convertible Loan commencing from the relevant drawdown date of the Convertible Loan and prior to the Maturity Date. The number of Shares to be allotted and issued to Fine Time under such conversion right shall be calculated by dividing the outstanding principal amount of the Convertible Loan by the conversion price of HK$17.60

Guarantee	The obligations of our Company under the Convertible Loan Agreement are personally guaranteed by Mr. Lam, which shall terminate upon Listing
Basis of determination of the consideration	Based on arm's length negotiations between our Company and Fine Time after taking into account, among other things, the financial information of our Group, the timing of the subscription and the illiquidity of our Shares as a private company when the Convertible Loan Agreement was made
Investment cost per Share	Approximately HK$0.183
Discount to the Offer Price	A discount of approximately 38.89% to the mid-point of the indicative Offer Price range of HK$0.25 to HK$0.35, based on our enlarged issued share capital immediately upon completion of the Share Offer
Use of net proceeds and its utilisation by our Company	The first and second tranches of the Convertible Loan shall be used for general working capital of the Group while the third tranche of the Convertible Loan shall be used for disbursement of the professional fees which may be incurred by our Group in connection with the Listing. The entire amount of the Convertible Loan had been utilised as at the Latest Practicable Date
Shareholding in our Company upon Listing (assuming the Offer Size Adjustment Option is not exercised and without taking into account the Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme)	15%
Lock-up Period	6 months from the Listing Date
Special Rights granted to Fine Time	*Board appointment right*. Fine Time has the right to nominate one director to the board of our Company *Pre-emptive right*. Fine Time shall have the right to participate in all future issuances by our Company of equity securities to the extent necessary to maintain its proportionate fully diluted equity interest in our Company prior to the Listing. Such rights shall not apply to the issuances of securities pursuant to an approved employee stock option plan, stock purchase plan, or similar benefit programme or agreement (of which Mr. Lam and/or his related parties are not entitled to participate in), or the Share Offer *Tag-along right*. In the event that Mr. Lam intends to sell his shares to any third party purchaser, or in the case where our Company becomes the subject of a takeover by any third party purchaser, Fine Time shall have pre-emption rights to purchase such shares, and the right to tag-along and sell its investment on an "as converted" basis to the said third party purchaser under such terms as may be agreed on a pro-rata basis

	Veto rights. Our Group has provided covenants not to take certain corporate actions without the prior approval of Fine Time. These matters include, among others, declaration and payment of any dividends, amendment of the constitutional documents of any member of our Group, issuance of new shares and securities in our Company and change in the size and composition of the board or senior management of any member of our Group
	Information rights. Fine Time has the right to receive monthly and quarterly consolidated management accounts and annul audited consolidated accounts and annual operating plan and annual budget of our Group
	Put Option upon the occurrence of an Event of Default. Fine Time shall have the put option to require Mr. Lam to purchase the Convertible Loan and/or Shares held by Fine Time at the consideration equivalent to the total principal amount of the Convertible Loan plus interest at the rate of 20% per annum calculated from the respective dates of drawdown of the Convertible Loan to the date of completion of such put option minus any interest and dividends received by Fine Time. The Events of Default include, among others, (a) failure of our Company to obtain a listing on an internationally recognised stock exchange on or before the maturity date of the Convertible Loan; (b) failure to pay any amount of the Convertible Loan on the due date; and (c) material breach of any representation, warranty or undertaking under the Convertible Loan Agreement by our Company or Mr. Lam (the "**Put Option**")
Termination and Waiver of special rights granted to Fine Time	By virtue of a waiver executed under seal by Fine Time in favour of Mr. Lam on 14 February 2017 (the "**Waiver**"), Fine Time irrevocably and unconditionally waived the Put Option. The other rights stated in "Special rights granted to Fine Time" will terminate upon Listing
Public float for the purposes of Rule 11.23 of the GEM Listing Rules	All the Shares held by Fine Time will not be considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules since Fine Time will be a Substantial Shareholder and hence, a connected person of our Company upon Listing
Strategic benefits to our Company	Our Directors believe that the investment by Fine Time will benefit our Group by providing strategic and development cooperation opportunities and advice to the business of our Group
Share-based payments	None

Information regarding Fine Time

Fine Time is a company incorporated in the BVI with limited liability and its principal business activity is investment holding. As at the Latest Practicable Date, the total issued share capital of Fine Time comprised (i) US$1,000 divided into a total of 1,000 ordinary shares of US$1.00 each issued to Mr. Chuang Fu-Yuan, at a price of US$1,000; and (ii) a total of 15,000,000 class A shares issued to two shareholders at a total price of HK$15,000,000, of which Net Pacific Finance Group Limited ("**Net Pacific**") has subscribed for 10,000,000 class A shares at a total price of HK$10,000,000. All the shareholders of Fine Time, whether being a holder of the ordinary shares or class A shares, shall share the profits and risks of Fine Time according to their respective total contribution in debt and equity to Fine Time. As Net Pacific contributed HK$10,000,000 out of a total debt and equity contribution received by Fine Time of HK$22,000,000, Net Pacific holds 45.4% of the economic interest in Fine Time. However, holders of class A shares do not have any voting rights at the general meetings of Fine Time and accordingly, Net Pacific is not a controlling shareholder of Fine Time. Net Pacific is a wholly owned subsidiary of Net Pacific Financial Holdings Limited, a company listed on the Singapore Exchange with stock code of 5QY. Net Pacific and Net Pacific Financial Holdings Limited carry on the business of providing financing services to small to medium-sized companies in the PRC and Hong Kong.

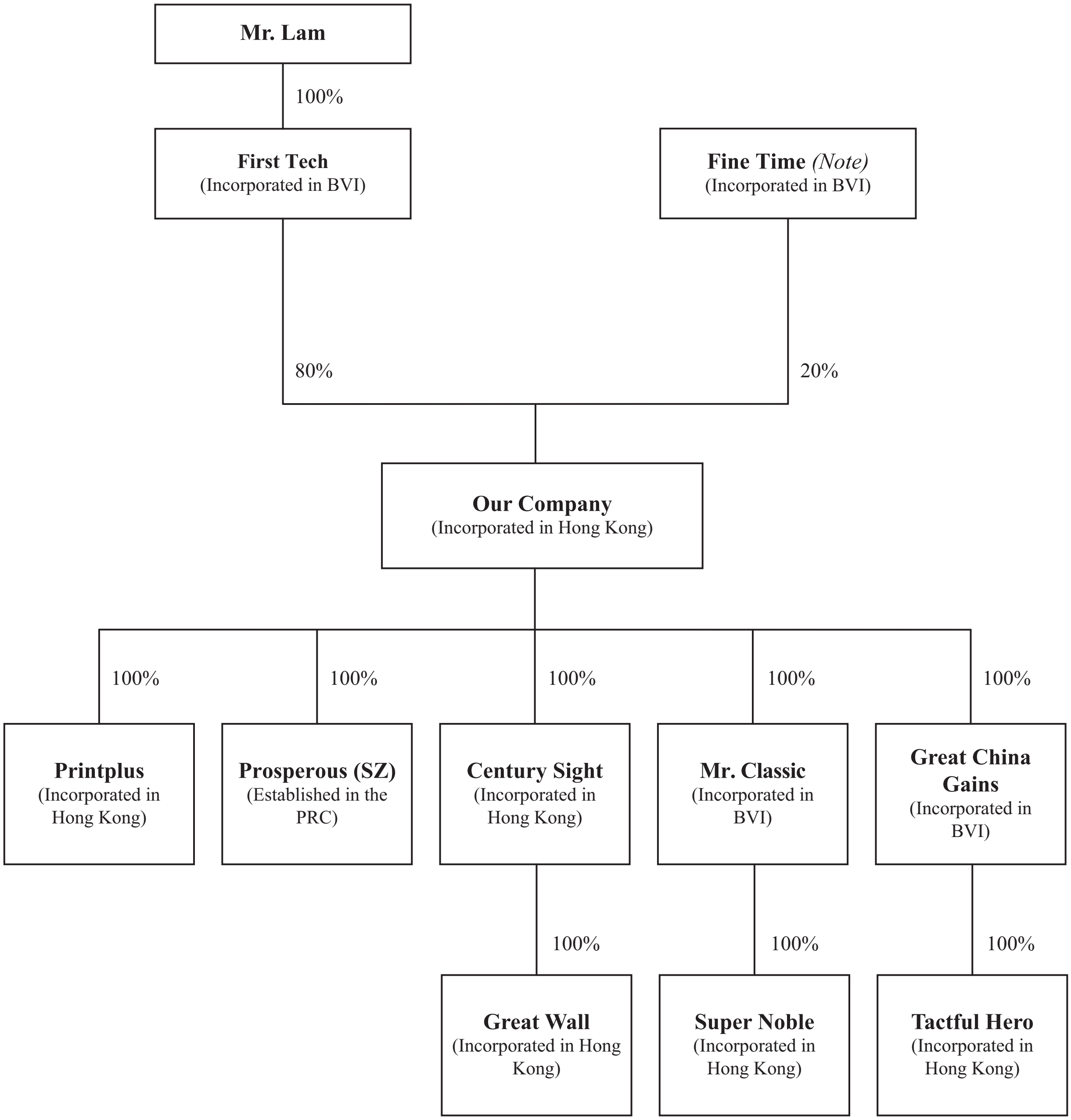
According to the annual report of Net Pacific Financial Holdings Limited dated 31 March 2017, Mr. Ong Chor Wei, our non-executive Director, is a substantial shareholder in Net Pacific Financial Holdings Limited with an approximately 10.82% deemed interest in its issued share capital. For details of the relationship between Mr. Ong Chor Wei and Net Pacific, please refer to the sub-section headed "*Appendix V — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 1. Disclosure of interests — (a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations*" in this prospectus. Save as disclosed in this prospectus, to the best of the knowledge of our Directors, Fine Time, Net Pacific and their ultimate controlling shareholders do not have any relationship with our Group, Directors, senior management, or any of our connected persons.

Opinion of our Hong Kong Legal Advisers and the Sole Sponsor's confirmation

Our Hong Kong Legal Advisers are of the view that the Put Option is a benefit conferred solely on Fine Time, the exercise of which is at its absolute discretion and may be waived by it at any time without the consent of the other parties to the Convertible Loan Agreement and accordingly, the entry of the Waiver by Fine Time does not constitute a new agreement and need not follow the 28 Day / 180 Day requirement under the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange.

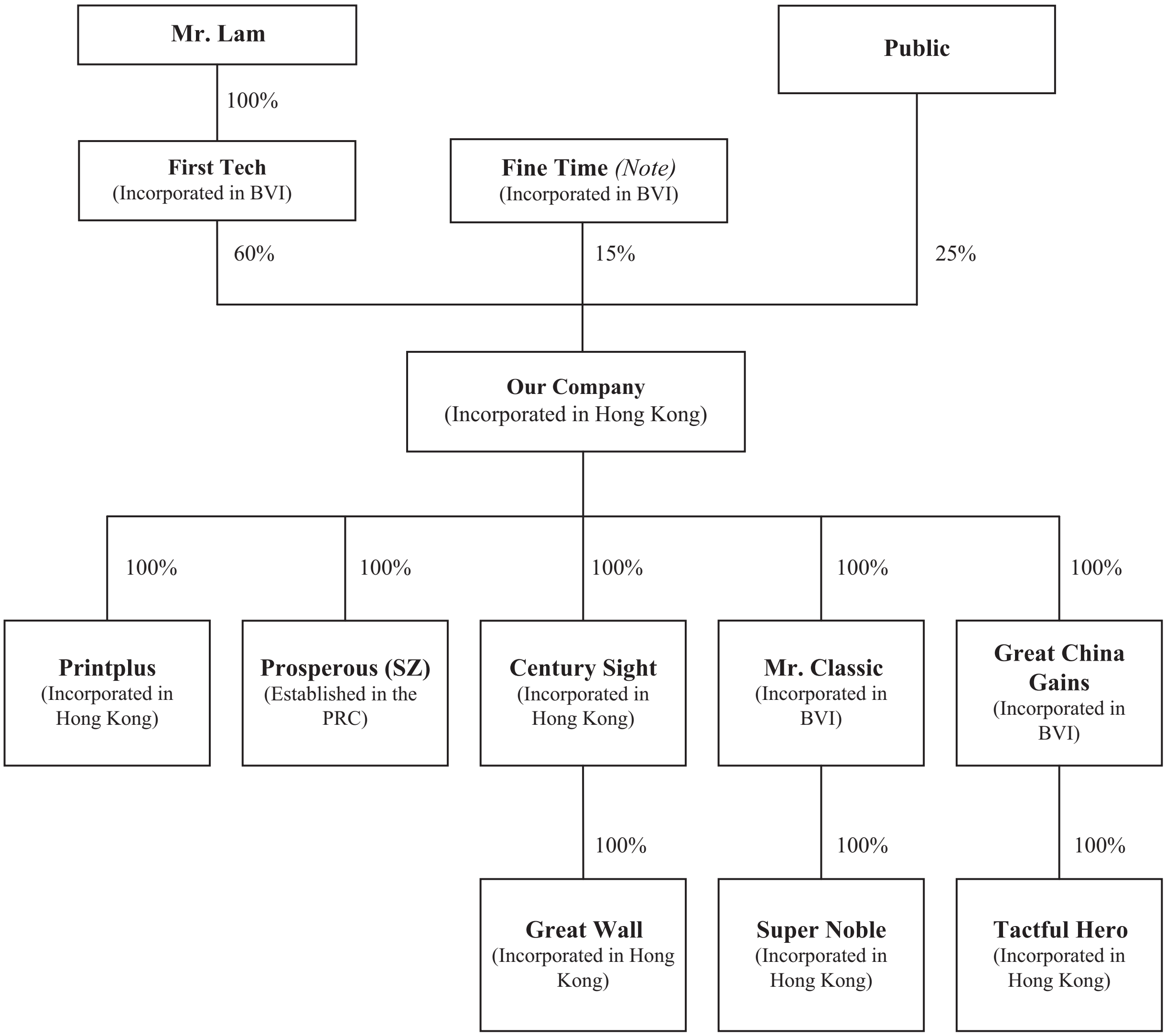
The Sole Sponsor has confirmed that the terms of the Convertible Loan are under normal commercial terms and on the basis of the opinion of our Hong Kong Legal Advisers as mentioned above and that the investment by Fine Time pursuant to the Convertible Loan Agreement was completed more than 28 clear days before the first submission of the listing application form for the Listing, are in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

The following chart illustrates our shareholding and corporate structure immediately upon completion of the Reorganisation but prior to the Share Offer:



Note: For information regarding the shareholding structure of Fine Time, please refer to the sub-section headed "Information regarding Fine Time" in this section.

The following chart set forth our shareholding and corporate structure upon completion of the Share Offer (assuming the Offer Size Adjustment Option is not exercised):



Note: For information regarding the shareholding structure of Fine Time, please refer to the sub-section headed "Information regarding Fine Time" in this section.

BUSINESS OVERVIEW

We are a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers located in the U.S., U.K., Australia and Europe (excluding U.K.). Our printing products include (i) leisure and lifestyle books (such as photography books, cookbooks and art books); (ii) educational textbooks and learning materials (such as primary, secondary and tertiary level school books); (iii) children's books (such as movie and video game series); and (iv) other paper-related products (such as national maps, leaflets, greeting cards, journals and calendars). Paper and ink are the principal raw materials used in our Group's business.

Our Group was established in Hong Kong in 1992 by Mr. Lam and two other individuals who are Mr. Lam's former colleagues and friends, with our headquarter located in Hong Kong, where our sales and customer services teams are situated to serve our Group's global customer base. In addition to our internal sales team which mainly sources orders from Hong Kong-based print brokers, we also commission Independent Third Party sales representatives to source clients from the U.S., U.K. and Europe (excluding U.K.) during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our two production sites were the Shenzhen Factory and the Hong Kong Factory. Each of these factories is a self-functioning printing and production arm of our Group, and they share the printing workload allocated by our management. While our Shenzhen Factory is able to provide printing service for large quantity printing orders at competitive price, our Hong Kong Factory also enables us to complete printing orders for certain national maps, politics and religion-related printing products, which are otherwise strictly regulated in the PRC.

For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our revenue was approximately HK$401.2 million, HK$377.8 million, HK$386.0 million and HK$155.9 million, respectively. Our net profit was approximately HK$11.7 million, HK$11.9 million and HK$13.0 million for the year ended 31 December 2014, 2015 and 2016, respectively. We recorded net loss of approximately HK$0.3 million for the five months ended 31 May 2017, mainly as a result of the under-provision of tax in prior years.

COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths enable our Group to compete effectively in the printing services market which is highly competitive among printing service providers.

Reputation as a reliable printing service provider

We believe we enjoy a strong reputation in our ability and reliability in providing large quantities of high quality printing products within tight timelines. We maintain the quality of our services and products by implementing stringent quality control procedures to meet our customers' requirements. Our quality control team is responsible for ensuring that our raw materials used or semi-finished and finished printing products produced by us pass through our quality control procedures and meet our customers' standards. To ensure our product quality, our raw materials procurement policy is to select suppliers from our approved list who possess relevant qualifications (such as the FSC/CoC Certificate) as required by our customers from time to time and who have a satisfactory track record of quality and on-time delivery. We also monitor our production process, and conduct performance and reliability tests to ensure that our products have a low defect rate and meet our customers' expectations. In addition, we communicate regularly with our customers from the initial stage of production planning to the last step of product delivery, in order to obtain before and after-sales feedbacks on our products and services. We have not experienced any material product return or substantive quality complaints during the Track Record Period.

We received many awards in relation to our service capabilities and the quality of our products. We were recognised as one of the "Top 30 Printing Enterprise in Shenzhen of the Year 2015" (2015年度深圳市印刷行業30強企業); one of the "2013 China Top 100 Printing Enterprise" (2013年中國印刷企業100強排行榜), and one of the "Top 100 Cultural and Creative Companies in Shenzhen (2015-2016)" (深圳市文化創意百強企業 (2015-2016)). We were also awarded the "Excellent Member Award of the Year" (優秀會員單位) by the Shenzhen Graphic Society (深圳市印刷學會) in 2016. Please refer to the sub-section headed "— *Awards and accreditations*" in this section for details.

Adherence to international standards

We are certified to meet international standards in respect of our environmental control and social accountability. In particular, we have been certified in relation to the quality management systems (ISO 9001:2008), the environmental management system (ISO14001:2004 + Cor. 1:2009), and the compliance with the Code of Business Practice of International Council of Toy Industries (ICTI). Moreover, both of our Shenzhen Factory and Hong Kong Factory have been certified to FSC-STD-40-004 (V2-1) FSC Standard for Chain of Custody Certification, which is essential for our compliance with the environmental control and social accountability standards as typically expected or required by our international customer base. Please refer to the sub-section headed "— *Licences, permits and certifications*" in this section for details. We believe our adherence to product quality, operational effectiveness and environmental control is the key to our reputation and business success.

Established and long standing business relationships with reputable customers

Our major customers are Hong Kong-based print brokers with customers in overseas markets and international publishers located in the U.S., U.K., Australia and Europe (excluding U.K.). The publications of our customers cover various sectors. We have established long standing business relationships with our major customers whose publications are diversified and unique. As at the Latest Practicable Date, we have established business relationships with our top ten customers during the Track Record Period for around one to 24 years. Our Directors believe that the strength and depth of the relationships which we have built with our customers is a direct result of our strong focus on customer service and sales support, as well as our ability to produce high quality printing products in a consistent, timely and efficient manner. As such, by providing high quality printing products and maintaining supportive business relationships with our customers, we have been able to secure from them a stable business flow. Our long-term business relationships and track record with reputable international customers have also helped us to impress and secure orders from new customers. Furthermore, as a result of the importance which we place on customer support, we have acquired a solid understanding of our customers' businesses and specific needs, which, in turn, has enabled our Group to not only further entrench ourselves with such customers but also to operate with greater stability through improved production planning and economies of scale in raw materials procurement.

Ability to provide a wide spectrum of printing services

We constantly strive to maintain our established market player position through providing a wide spectrum of printing services to our customers, satisfying customers' specific needs for layout, colour management, sample making, printing and binding. In particular, we are equipped with advanced colour management systems to provide value-added services to our customers on pre-press colour management. Please refer to the sub-section headed "— *Competitive strengths — Technologically advanced production machinery*" for details.

In addition, our team has in-depth industry knowledge and experience, and is capable of recommending suitable printing solutions to implement our customers' design ideas of publications, offering technical advice to customers on the design and implementation of printing products requiring sophisticated craftsmanship such as pop-up books, and providing our customers with tailor-made printing products (such as board books and books in gift sets) in accordance with their specific requests.

We are able to satisfy our customers' needs with cost and time efficiency

Our full scale and highly-automated production factories in both the PRC and Hong Kong enable us to provide competitively priced products promptly and offer flexibility to our customers in fulfilling their needs for printing services. In particular, our Hong Kong Factory enables us to provide printing services for certain national maps, politics and religion-related printing products, which are otherwise strictly regulated in the PRC. We are also able to leverage on our long standing business relationships with reputable suppliers to procure specific materials with efficiency, so as to accommodate our customers' particular requirements for special types of paper or binding materials.

During the Track Record Period, we have managed to fulfil our customers' complex orders which required the printing products in sets with multiple books to be delivered to various destinations within tight schedules. Our ability to process a large number of printing orders speedily and efficiently enables us to source orders from customers who demand for high quality printing products with quick turnaround time.

Technologically advanced production machinery

As at the Latest Practicable Date, our Shenzhen Factory and Hong Kong Factory had a total of 21 printing presses with a combined estimated maximum printing capacity of approximately 833.6 million sheets per annum. We possess technical expertise in providing colour management, printing and binding services to satisfy our customers' needs. We believe that the technologies of the printing industry are constantly evolving, and thus the availability of advanced, flexible, cost-saving and efficient production machinery is essential to our success. Our highly-automatic machinery includes advanced models of computer-to-plate systems, digital printers, automatic binding systems and one-colour to eight-colour printing machines. We are also equipped with lamination machines, laser die-cutting machines, paper-cutting machines, folding machines and stamping machines. Our key equipment and machinery of our production lines are mainly imported from reputable suppliers in Japan and Germany. Please see the sub-section headed "— *Production facilities, machinery and capacity — Production sites*" in this section for details about our key machinery and equipment. We believe that these equipment and machinery enable us to produce printing products with efficiency and quality.

In addition to advanced hardware equipment, we have also made continual investment in software upgrades as well as system integration. In particular, during the Track Record Period we have deployed the GMG systems and PressView software to streamline our colour management and print quality control process. The GMG systems and PressView software further strengthened our capacity in pre-press colour management, the key process of which include colour separation, colour density and spectral data measurement as well as colour calibration. The integration of such colour management and print quality control systems and our ink supply and scanning equipment has greatly enhanced our colour management capability, reduced the time and cost required for post-print adjustment due to colour correction, as well as strengthened our ability to produce printing products with quality and colour effects satisfactory to our customers.

Moreover, we have an in-house engineering team of experienced technicians, who are responsible for regular maintenance of our production equipment and machinery. The prompt technical support from our in-house engineering team not only helps us reduce maintenance expenses, but also enables us to avoid material or prolonged operational interruption due to equipment or machinery failure, so as to increase the utilisation of our production machinery. We believe that our experienced in-house engineering team helps us maintain the printing machinery without reliance on or delay arising from the technical support from our overseas machinery suppliers.

Strong and stable management team with a proven track record

Our Group commenced operation in the printing industry since 1992, and is led by an experienced senior management team spearheaded by Mr. Lam, our CEO and chairman. Mr. Lam possesses more than 35 years of experience in the printing industry. Over the years, Mr. Lam has also accumulated in-depth knowledge of publication and printing products and stayed abreast of industry development and relevant market trends. Mr. Lam is supported by an experienced and committed management team who possess in-depth knowledge of the business and operating environment of the printing and publishing industry. Ms. Chan Sau Po, our executive Director and chief financial officer, has been working with our Group since 1997 and has over 24 years of experience in financial, management accounting and information system management. Each of Mr. Hu Min, our Vice President (Production), and Mr. Wong Wai Keung, our Vice President (Production and Material Control), has been working in the printing industry for over 22 years and 35 years, respectively. Other members of our senior management team all have over 20 years of experience in their respective areas of expertise. For more information about our Directors and senior management, please refer to the section headed "*Directors, Senior Management and Employees*" in this prospectus. We believe Mr. Lam, as our CEO and chairman, together with our management team, will continue to lead our Group through its future growth and expansion.

BUSINESS STRATEGIES

We intend to continue to build our competitive strengths so as to increase market share and profitability. To achieve our goal, we plan to implement the following business strategies:

Improve our equipment and the level of automation

We focus on offering printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers located in the U.S., U.K., Australia and Europe (excluding U.K.). In order to capture greater market share in the printing industry, our Directors believe that we need to constantly maintain and upgrade our production equipment, as well as to improve our level of automation in production.

Also, accompanying China's continuous economic development, the labour costs in China have risen at a relatively fast pace. The rising general labour cost further increases the difficulty in cost control. As such, we intend to continue to increase the level of automation through purchasing technologically advanced equipment to produce high quality printing products at competitive prices.

Expand customer base and strengthen sales and marketing coverage

We intend to leverage our established and growing reputation to expand our sales and marketing network in areas with high potential for growth. We intend to increase market awareness in markets with business growth opportunities, such as the U.S. and U.K.. We plan to achieve the above through, among others, the following strategies:

- explore and target new customers, in particular top tier publishers in the U.S. and U.K.;
- explore opportunities of further cooperation with sales representatives in the U.S., and U.K., and support them to grow their sales team so that they are able to enhance the sales network, to better help on sourcing clients for us, and to achieve our market expansion in a more efficient and cost-effective way; and

- enhance our website to include more information to showcase our Group, our products and service capabilities.

Continue to attract and retain top talent in the industry

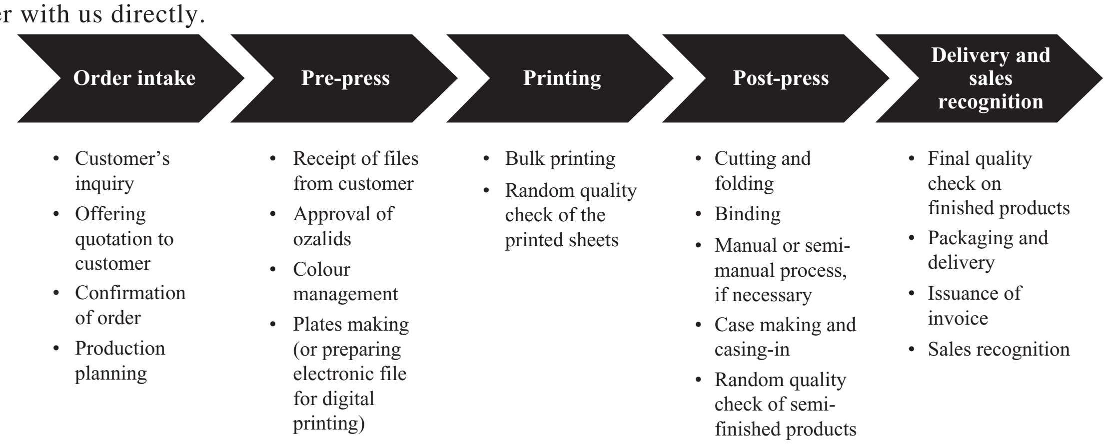
In order to broaden our sales network and customer base, we intend to expand and enhance our sales and marketing team by recruiting more experienced sales personnel in the future. Along with our continuous upgrades of machinery and production systems, we also plan to recruit more experienced technicians to strengthen our in-house engineering team. The availability of sales talent and technicians is key to our success in the industry, and we value our employees' industry experience as our most important asset. We will continuously seek to recruit and retain talent who possess in-depth knowledge and experience in the printing industry, as well as sales force who have good connection and knowledge in business development for expanding our customer base and sourcing suppliers. We will further enhance our customer service to strengthen customer loyalty.

We offer our employees career development opportunities through our internal training programmes to continuously enhance their technical and management skills, as well as their industry knowledge. We encourage our employees to fulfil their individual potential with a view to enhance the overall capability of our team and the quality of our customer service.

BUSINESS MODEL

Our Group provides printing services through our two production sites, being our Shenzhen Factory and Hong Kong Factory. During the Track Record Period, we printed and sold books and other paper-related products to Hong Kong-based print brokers with customers in overseas markets and to international publishers located in the U.S., U.K., Australia and Europe (excluding U.K.).

The following diagram depicts our workflow in the printing production process. Our workflow is generally initiated when a customer (including publisher and print broker) requests for our quotation either directly or through our Independent Third Party sales representatives, and then places purchase order with us directly.



We have an in-house sales and marketing team with principal focus on Hong Kong-based print brokers, and we also commission Independent Third Party sales representatives who principally focus on sourcing orders from international publishers. Our sales and marketing team is experienced in serving customers of different countries and regions, such as U.S., U.K., Australia and Europe (excluding U.K.). Please refer to the sub-section headed "— *Sales and marketing*" in this section for details about our sales and marketing team.

The raw materials that we use in our production mainly include paper and ink. We usually maintain our inventory of paper at a level sufficient for two to three months of our operation. Each of our Hong Kong

Factory and Shenzhen Factory has storage facilities for raw materials. Please refer to the sub-section headed "— *Procurement and suppliers*" in this section for details about our raw materials and suppliers.

We carry out the production process of printing products in our Shenzhen Factory and/or our Hong Kong Factory. We may also engage sub-contractors from time to time to carry out certain specialised processes or fulfil orders during peak season. Please refer to the sub-section headed "— *Production facilities, machinery and capacity*" in this section for details about our production process.

PRODUCTS AND SERVICES

Our printing products include (i) leisure and lifestyle books (such as photography books, cookbooks and art books); (ii) educational textbooks and learning materials (such as primary, secondary and tertiary level school books); (iii) children's books (such as movie and video game series); and (iv) other paper-related products (such as national maps, leaflets, greeting cards, journals and calendars). During the year ended 31 December 2016, we also provided services of binding books and package boxes to a printing company in the PRC, details of which are set out in the sub-section headed "— *Sub-contracting — Our relationship with Royal Step (SZ)*" in this section. The following table sets forth the components of our revenue by product category for the period indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000 (unaudited)	% of revenue	HK$'000	% of revenue
Leisure and lifestyle books	264,816	66.0%	253,107	67.0%	260,273	67.4%	72,698	57.8%	99,869	64.1%
Educational textbooks and learning materials	80,892	20.2%	70,747	18.7%	78,614	20.4%	37,688	30.0%	38,052	24.4%
Children's books	51,145	12.7%	52,426	13.9%	43,659	11.3%	15,107	12.0%	14,884	9.6%
Other paper-related products	4,365	1.1%	1,470	0.4%	1,189	0.3%	305	0.2%	58	0.0%
Provision of sub-contracting services	-	-	-	-	2,308	0.6%	-	-	2,997	1.9%
Total	401,218	100.0%	377,750	100.0%	386,043	100.0%	125,798	100.0%	155,860	100.0%

For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our Group produced approximately 801.1 million, 768.0 million, 733.4 million and 345.6 million sheets, respectively. During the same period, leisure and lifestyle books as well as educational textbooks and learning materials were the main contributors to our revenue, where approximately 66.0%, 67.0%, 67.4% and 64.1%, respectively, of our Group's total revenue were from leisure and lifestyle books; and approximately 20.2%, 18.7%, 20.4% and 24.4%, respectively, of our Group's revenue were from educational textbooks and learning materials.

We are also engaged in the production of other paper-related products. During the Track Record Period and up to the Latest Practicable Date, our other paper-related products mainly include national maps and certain tailor-made paper products such as leaflets, greeting cards, journals and calendars.

Our production sites in Shenzhen and Hong Kong are equipped to provide printing services for book products in a wide range of styles, including case bound, soft bound, saddle stitched, wire-O, spiral, as well as handcraft products. The table below sets forth the book styles typically requested by our customers during the Track Record Period:

Book styles	Description	Sample picture
Case bound	A book bound with a stiff or hard cover	
Soft bound	A book bound with a paper or other non-board cover	
Saddle-stitched	A common way of binding pamphlets and booklets which may be less than five-millimetre 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-stitched books may be saddle-wire stitched or saddle-thread stitched	
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	

Book styles	Description	Sample picture
Handcraft products	Book products requiring handcraftsmanship for the binding process, which mainly include board books, books in gift sets and set books with deluxe decoration	

PRODUCTION FACILITIES, MACHINERY AND CAPACITY

Production Sites

As at the Latest Practicable Date, we had two production sites in operation, being the Shenzhen Factory located in Shenzhen, Guangdong Province, the PRC, and the Hong Kong Factory located in Hong Kong, whose particulars are set out as follows:

Facilities	Location	GFA (as to Shenzhen Factory) / Saleable area (as to Hong Kong Factory)	Status	Principal usage
Shenzhen Factory	Shenzhen, Guangdong Province, the PRC	Approximately 516,224.2 sq. ft. (equivalent to 47,958.8 sq. m.)[1]	Leased, expiring in May 2020	Printing production plant; warehouse; and office
Hong Kong Factory	Chaiwan, Hong Kong	27,941 sq. ft. (equivalent to approximately 2,595.8 sq. m.)	Self-owned	Printing production plant; office of sales and marketing team; and corporate headquarter

Note:

(1) Certain premises of the Shenzhen Factory have been leased from a lessor who was unable to provide the relevant building ownership certificates or other documents proving the relevant title of the properties. As a result, we are not able to register the lease agreements of such premises with the relevant PRC authorities in accordance with the applicable PRC laws and regulations. Please refer to the sub-section headed "– *Property and plant*" in this section for details.

Our production sites are equipped with automated production machinery. The following table sets forth the major printing press machines installed in our Shenzhen Factory and Hong Kong Factory as at the Latest Practicable Date:

		Number installed at		
Type	**Model**	**Shenzhen Factory**	**Hong Kong Factory**	**Remaining useful life (years)**
Eight Colour Press	Komori Lithrone LS-440SP	4	–	4
Six Colour Press	Komori Lithrone LS-640	1	–	4
Five Colour Press	Komori Lithrone LS-540	2	1	2-4
Five Colour Cover Printing Press	Komori Lithrone LS-529	1	–	4
Four Colour Press	Komori Lithrone LS-440	2	1	2-4
Four Colour Press	Komori Lithrone L-440/X	1	–	4
Four Colour Press	Komori Lithrone GL-440-H	2	–	9
Two Colour Press	Komori Lithrone LS-240	2	–	4
One Colour Press	Heidelberg SM102-2-P	1	–	4
Digital Press	Canon C7000VP	1	–	5
Digital Press	Konica Minolta C8000	1	–	7
Digital Press	Indigo HP5000	–	1	8
Total		**18**	**3**	

As at the Latest Practicable Date, we had a total of 21 printing presses. Almost all of our printing machinery is imported from overseas manufacturers in Japan and Germany. As at the Latest Practicable Date, 20 of the printing press machines in our Shenzhen and Hong Kong production sites are owned by our Group while one printing press machine is under a 48-month finance lease with maturity in March 2021.

As at the Latest Practicable Date, the ages of our production lines range from one to 16 years, with the average being approximately 9.4 years. Our in-house engineering team, comprising technicians with experience in printing machinery, is responsible for regular maintenance of our production equipment and machinery. Typically, our in-house engineering team conducts regular maintenance monthly and major maintenance annually at our production sites. If any malfunction or hazard in respect of our equipment and machinery is detected during our regular maintenance within the warranty period, the relevant manufacturers will assist us in resolving such problems. We have not experienced any material or prolonged operational interruption due to equipment or machinery failure during the Track Record Period.

Production Capacity

The table below sets out information about the estimated maximum production capacity and the estimated average utilisation rate of our production facilities for book products during the Track Record Period:

(in millions of sheets per annum, except for percentages)	For the year ended 31 December			For the five months ended 31 May
	2014	2015	2016	2017
Estimated maximum printing capacity(1)	865.9	840.3	833.6	351.3
Actual printing output(2)	801.1	768.0	733.4	345.6
Estimated average utilisation rate(3)	92.5%	91.4%	88.0%	98.4%

Notes:

(1) Calculated based on (a) a production capacity of 9,000 sheets per hour including the downtime required for the change of printing plates and for colour adjustment, 22 production hours per day; (b) 249 production days for the year ended 31 December 2014, 250 production days for the year ended 31 December 2015 and 2016, and 99 production days for the five months ended 31 May 2017; and (c) the respective number of printing presses operated by us. Such an estimated maximum printing capacity is only to provide an illustration of our Group's typical capacity.

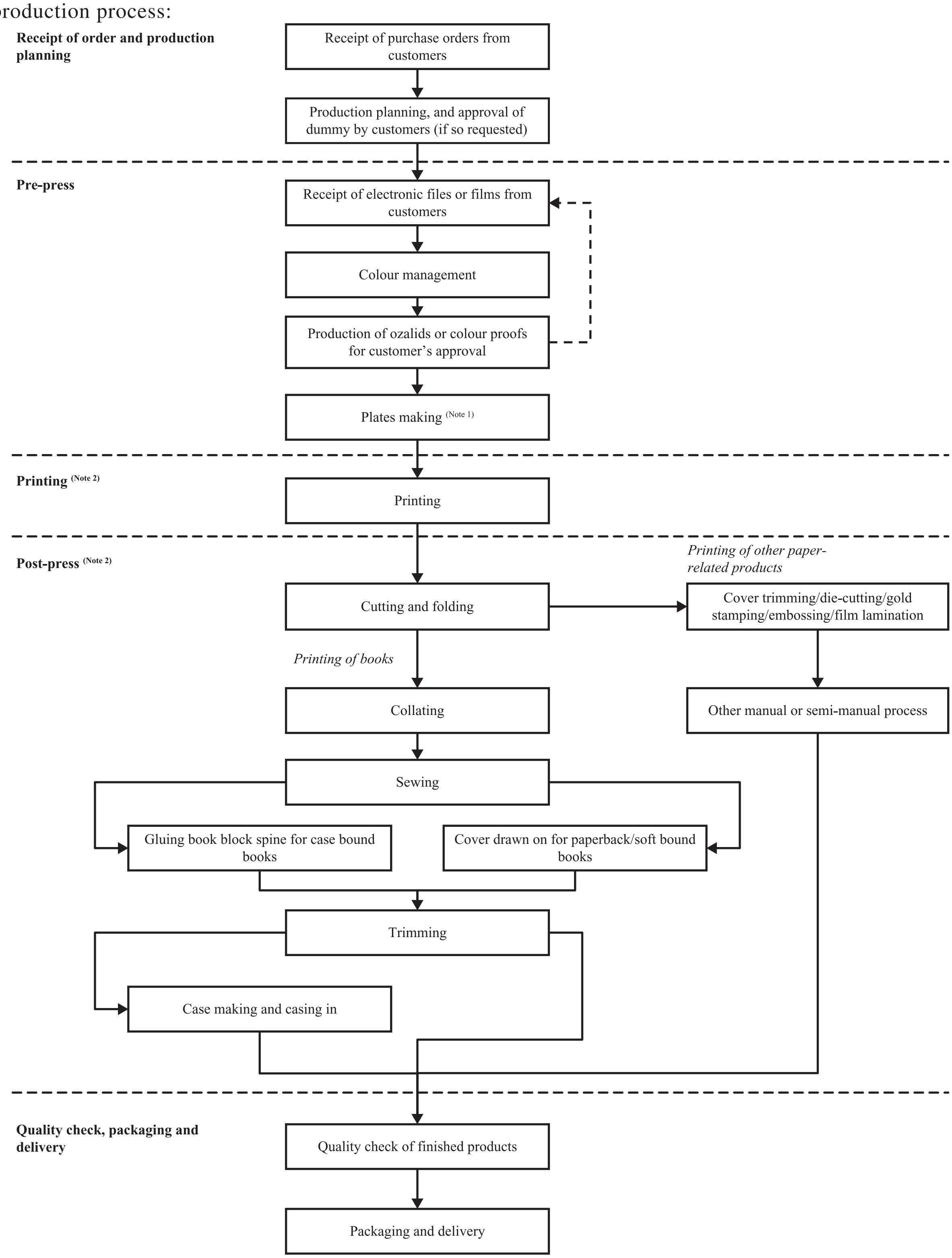
(2) Calculated based on the actual sheets printed during the relevant period.

(3) Calculated based on the actual production volume of the relevant period divided by the estimated maximum production capacity of the relevant period. In some situations, particularly during peak seasons, our machines operated at more than 22 hours per day or more than the respective assumed production days for the year. As the production capacity is calculated based on the assumptions as disclosed in note (1) above, the estimated average utilisation rates as set out in this table are for reference only and are subject to change if the underlying assumptions were different.

During the Track Record Period, the estimated average utilisation rate of our production facilities was relatively stable, being approximately 92.5%, 91.4%, 88.0% and 98.4%, respectively, for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. According to Frost & Sullivan, an utilisation rate around 90% is generally considered as optimal utilisation of the maximum production capacity in the printing business.

Production Process

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



Notes:

(1) Printing plates are not required in digital printing.

(2) Our quality control is performed throughout the whole production process. Please refer to the sub-section headed "— *Quality control — In-process quality control*" in this section for details.

The table below sets forth the number of production staff assigned to each major step in our printing production process as at the Latest Practicable Date:

Production step	**Number of staff assigned**
Receipt of order and production planning	25
Pre-press	44
Printing	125
Post-press	401
Quality check, packaging and delivery	135
Total	730

(i) Receipt of customer orders

Upon receiving requests from our customers for quotations, our sales team will work with our quotation team and production and material control department to prepare a proposal based on several factors such as the estimated material and labour costs, ordering quantity, expected delivery schedule and our expected profit margin, as well as other special requirements from the customer. In the event that the customer rejects a proposal, the sales team will review the estimate to consider providing a more accommodating offer. When our quotation is accepted, the customer will place the purchase order with us, which will then be forwarded by our sales team to the production and material control department and the customer service team with job sheets created in the enterprise resources planning system with the customer's detailed specifications, so that our production scheduling team in the production and material control department can arrange for the planning and scheduling of the production process, and the purchase order is in the pipeline for fulfilment.

The main responsibility of the production and material control department is to ensure that our production sites have the requisite resources, raw materials, personnel, technical support, capacity and quality control in order to meet the requirements of the job order. Where sub-contractors are required to perform specific printing procedures or job orders, the production and material control department will arrange for quotations and will take such sub-contractors into account in the planning of the overall production schedule.

The production and material control department also manages the purchasing team and quality control team, and it coordinates with our production department who is responsible for the plate-making, printing as well as post-press process, so as to ensure that the printing process is completed efficiently, on schedule and with high quality.

(ii) Dummy and testing

Before bulk printing and subject to customers' requirements or for our own testing purpose, we would make a dummy for products to ensure the new design can be implemented by our production workflow. If so requested, we would also send the dummy to our customers for approval. We also conduct quality testing on raw materials that we use in fulfilling our customers' purchase order, so as to ensure that our raw materials satisfy not only the applicable industry standards but also our customers' specifications.

(iii) Pre-press

Pre-press activities generally involve a series of steps such as digital manipulation, colour separation, proofing and plate-making.

In this stage, we receive the output file from our customers typically in digital format. These documents will be converted by or made compatible with our pre-press systems. To minimise the colour difference, our colour management system is implemented through the whole colour separation process, covering colour correction, imposition, digital proof, plate output and press machine.

Once the output file is checked and imposed, our computer-to-plate department will prepare an inkjet ozalid or colour proof of the product for the customer's review, comment and approval. Once the ozalids or colour proofs have been approved by the customer, the computer-to-plate department will transfer the images 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.

(iv) Printing

After the machines have been set up and adjusted, the printed sheets will be checked against the ozalids or colour proofs. Once this is approved, the bulk printing will commence. The machine technician will then randomly check the printed sheets to ensure consistent print 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. Our auto-ink supply system and colour management system ensures the efficiency and quality of our printing process. When a sheet of paper passes through multiple printing units, different colours are printed on the paper. We are equipped with multiple-colour printing units ranging from one-colour to eight-colour capacities, most of which are highly-automated with computerised control system. Our one-colour printing machine is mainly used for printing monochrome publications such as novels. Two-colour printing machines are mainly used for printing jobs with one or two colours such as manuals, whereas four-colour printing machines process more complicated printing jobs such as 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.

In addition to the CTP printing as described above, we have also deployed digital printing equipment in 2014 to cater for small-to-medium volume printing orders, such as teacher's guides or books in non-mainstream languages editions. Without the use of printing plates, digital printing has many advantages over CTP printing, such as less wastage, lower production costs and shorter lead time, which enable us to achieve higher profit margin. We intend to gradually expand our digital printing capacity so as to further strengthen our service capability and improve our profitability.

(v) Post-press

Once printing has been completed, the printed sheets must undergo post-press and finishing process so that the print product takes its final form. Post-press operations typically involve cutting, folding, collating, sewing and trimming of the individually printed sheets.

For the manufacture of a typical book, the printed sheets 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. For covers or print products with a packaging box, the post-press process typically requires a coating to be applied onto the printed surface to protect it from scratching and to brighten the colour fidelity. This is usually accomplished by a coating machine which applies film lamination onto the printed paper or cardboard.

For other paper-related products or subject to the customers' specific requirements, further processing of the individually printed sheets may be required, which mainly include die-cutting, gold stamping, embossing, as well as certain manual or semi-manual assembling process.

(vi) Quality assurance

Quality assurance is performed to examine the quality of our incoming raw materials, work-in-progress and finished goods against the acceptance quality level standard at every stage of the production process. Our Group has implemented certain measures to ensure that the production process is conducted with efficiency, cost effectiveness and high quality. Such measures include (i) conducting quality control throughout the whole production process so that quality issues are identified and corrected in a timely manner; (ii) reviewing daily production reports to update order status and ensuring on-time delivery; (iii) scheduling weekly meetings to review and monitor the production schedule and resources planning; (iv) making prompt enquiry and investigation into identified red flags of quality control and/or production schedule to ensure satisfactory delivery; and (v) documenting various reports for quality control for record and future analysis. Please refer to the sub-section headed "— *Quality control*" in this section for details about our quality assurance measures. Our executive Directors and senior management of the Company closely monitor the operations at our production sites, so as to ensure that our Group's guidance and instructions are being strictly followed.

(vii) Packaging and delivery

Some of our customers require our delivery of the finished products to overseas destinations, and some only instruct us to make the delivery to their designated warehouse in the PRC or Hong Kong. Our shipping team is responsible for the planning, coordination and overall logistics in relation to packaging and delivery of our finished products. The shipping team reserves vehicle and/or container space with freight forwarders according to the shipping information as set out in our customers' shipping instructions, and coordinates with the relevant parties including our warehousing department. Our shipping team produces a loading list and packing list upon the loading of goods onto vehicles and distributes the documents to our customs declaration team.

If the publications are printed in our Shenzhen Factory and would be delivered to overseas destinations, we would prepare the clearing form accordingly and, together with the required documentation and information, submit all the relevant documentation to the competent customs office. Once cleared, the goods will be delivered to destinations designated by our customers. As long as the goods are loaded onto the container ship, a bill of lading will be sent to us by the freight forwarder or shipping company and the bill of lading will then be sent to the customer by email or couriered together with the pro forma invoice for the goods. The customer will then arrange for receipt of the goods at destination.

The time span from the placement of orders by customers to the completion of production (and issuing of invoice to the customer) is typically one to two months. However, this is dependent upon customer's needs, specific requirements, planning of product launches as well as our production capacity and schedule. As such, the time required for entire process of order fulfilment may vary from case to case, ranging from around one week to ten months.

Sub-contracting

We have been outsourcing certain production procedures to sub-contractors in Shenzhen and Hong Kong.

Our sub-contractors are typically engaged to (i) carry out certain production process for certain types of books which we do not receive regular orders and therefore do not maintain the required machinery or large number of staff with those specialised technique on full-time basis, such as gilding on book blocks, UV Coating of paper or screen printing which we are unequipped to conduct; (ii) perform certain labour-intensive production procedures, such as the handcrafting processes for the production of pop-up books, which we consider it more economical to outsource according to order volume rather than retaining a large number of staff to process in-house; and (iii) accommodate the large volume of orders during peak season generally from April to September each year. In general, the production procedures which require engagement of sub-contractors do not form key parts of the production process. Due to the specialised nature of such procedures and treatments, our management considers that the investment of machinery and labour in such specialised equipment is not an effective use of funds and resources, and therefore considers the sub-contracting of such process to be more cost-effective and time efficient.

We select our sub-contractors upon considering several key factors such as their location, reliability, production capacity, product quality and price. We negotiate the terms and conditions of each sub-contracting order with independent sub-contractors on a job-by-job basis with reference to the prevailing market terms and conditions. We did not enter into any long-term sub-contracting agreement during the Track Record Period, and we engaged sub-contractors based on our needs. We would obtain copies of the required licences and permits from sub-contractors to ensure that they are properly licensed to carry out the sub-contracted work. Generally we supply the major raw materials, such as paper, to sub-contractors for our assignments, and they are generally responsible for procuring other requisite ancillary materials such as glue and binding accessories. From time to time, we may send our staff to these sub-contractors to monitor the production, conduct quality inspection, and obtain samples of work-in-progress and finished goods. We also perform quality control tests on the semi-finished/finished products processed by our sub-contractors before further using them in our production process and/or delivering the finished products to our customers.

During the Track Record Period, the sub-contracting fees paid to sub-contractors amounted to approximately HK$22.6 million, HK$17.1 million, HK$27.5 million and HK$7.5 million, respectively, for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, which represent approximately 7.8%, 6.3%, 10.6% and 6.9% of our cost of sales for the corresponding period respectively.

Our relationship with Royal Step (SZ)

Royal Step (SZ) was one of our sub-contractors during the Track Record Period. Ms. Yao, our executive Director and the spouse of Mr. Lam, held substantial equity interest in Royal Step (SZ) until she transferred all of such equity interest to an Independent Third Party in May 2015. As at the Latest Practicable Date, neither Ms. Yao, nor our Controlling Shareholders, nor any of their respective close associates held any interest in Royal Step (SZ). For further details, please refer to the sub-section headed "*Connected Transactions — Past transactions with related parties — (i) Subcontracting arrangements with Royal Step (SZ)*" in this prospectus.

The table below sets forth the amount of sub-contracting fees paid by our Group to Royal Step (SZ) before and after it ceased to be a connected person of our Group for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May	
	2014		2015		2016		2017	
	HK$'000	% of total sub-contracting fee paid	HK$'000	% of total sub-contracting fee paid	HK$'000	% of total sub-contracting fee paid	HK$'000	% of total sub-contracting fee paid
Sub-contracting fees paid to Royal Step (SZ) before it ceased to be a connected person of the Group . .	13,401	59.4%	133	0.8%	-	-	-	-
Sub-contracting fees paid to Royal Step (SZ) after it ceased to be a connected person of the Group . .	-	-	5,267	30.9%	6,965	25.4%	1,889	25.3%

During the year ended 31 December 2016 and the five months ended 31 May 2017, we also provided services of binding books and package boxes to Royal Step (SZ) at prescribed fees, from which we received service fees amounted to approximately HK$2.3 million and HK$3.0 million, respectively. Our Directors confirmed that our provision of binding services to Royal Step (SZ) were carried out on arm's length negotiations and mutually agreed terms in the ordinary course of business with reference to the comparable market prices and normal commercial terms.

Save for Royal Step (SZ), each of the sub-contractors engaged by us during the Track Record Period and up to the Latest Practicable Date is an Independent Third Party. During the Track Record Period, we did not experience any difficulties in procuring services from sub-contractors, nor have we encountered any material delay in the provision of services by our subcontractors which caused material disruption to our operations.

Protection of Intellectual Properties of Our Products

We actively take steps to protect the intellectual property rights of our customers and prevent unauthorised reproduction or distribution of our customers' printing products by third parties and our employees. We employ the following security measures and procedures to manage our production process and our employees, so as to ensure that customers' files and property are securely monitored and maintained at our production facilities:

- all printing plates are discarded when printing process is completed;
- all defective or redundant products are completely destroyed;
- all hard and soft copies of our customers' master files are archived individually and maintained in secure air-conditioned rooms which are monitored on a 24-hour basis, and no unauthorised entry is permitted into such areas;
- our production facilities and warehouse are under 24-hour security guard to ensure that our properties, including our finished products and our customers' files, are not accessed and removed without authorisation; and
- training are provided to our staff to ensure they understand our security measures and the importance of protecting intellectual property rights.

In addition, we also adopt the following specific internal control measures to prevent employees from unauthorised reproduction or distribution of our customers' printing products:

- We have designated Vice President (Management) to review, approve and supervise all aspects of intellectual property management.
- Under the direct supervision of the Vice President (Management), our production department is responsible for all aspects of daily intellectual property management, the specific measures of which are set out below:
  - overseeing the process of receipt and management of all the hard and soft copies of our customers' master files to avoid the unauthorised retention of our employees;
  - overseeing the process of discarding and destroying the printing plates and redundant products to avoid the unauthorised retention of our employees; and
  - providing training to employees to enhance their awareness of the importance of confidentiality of the intellectual property such as hard and soft copies of our customers' master files, printing plates and redundant products.

- All hard and soft copies of our customers' master files are archived individually and maintained in secure air-conditioned rooms which are monitored on a 24-hour basis, and no unauthorised entry is permitted into such areas. Only authorised supervisor and the management-level employees can assess the hard and soft copies of our customers' master files.
- We generally insert confidentiality clause into the employment agreement with our employees, which clearly classify the corresponding ownership of intellectual property rights, the scope of the use of intellectual property rights, and the liabilities for intellectual property infringement.

In order to ensure that our customers' products and files are protected against infringement, illegal usage and/or leakage during the sub-contracting process, we have also adopted the following measures in managing our sub-contractors:

- reviewing and assessing the sub-contractors' security procedures from time to time to ensure that they have adequate procedures in place before they are accepted by us as an approved sub-contractor;
- requiring that our sub-contractors must strictly follow our guidance and procedure in handling files and printed products, including the complete destruction of defective or discarded printed products;
- ensuring that sub-contractors engaged to produce printing products are never assigned the whole publication to be produced, so that they have no control over any complete printed product;
- sub-contractors are always provided with the processed printing plates for the printing production, so that they have no access to the master electronic files of the publication; and
- maintaining a physical presence by assigning on-site staff at the relevant sub-contractor's facilities from time to time during the production process, which allows us to not only ensure that the printed products are manufactured in accordance with the requisite standard and quality, but also to ensure that printed products are adequately and securely stored.

As confirmed by our Directors, during the Track Record Period and as at the Latest Practicable Date, we have not experienced any material infringement by our sub-contractors and employees of our customers' intellectual properties.

QUALITY CONTROL

We are focused on the quality and reliability of our products. We have established our internal quality assurance standards to meet our customers' requirements. Our quality control procedures are implemented throughout our production process. As at 31 May 2017, our quality control team within the production and material control department was led by a quality control supervisor who has over 13 years of experience in printing quality, and was staffed with 27 quality control personnel. Our quality control team is responsible for ensuring that our raw materials used or semi-finished and finished printing products produced by us pass through our quality control process and meet our customers' standards. We monitor our production process, and conduct performance and reliability testing in an attempt to ensure that our products have a low defect rate and meet our customers' expectations. In particular, certain specialised products for children, such as children's books, may be subject to strict quality and safety standards in jurisdictions where they are sold. Such standards are generally higher than those applicable to many other consumer products, due to the need to protect infants and children from harm arising from unsafe products. We have implemented quality control procedures covering raw materials to finished products, and would also engage third party labs to perform testing on raw materials so as to ensure compliance with applicable standards and to satisfy our customers' requirements. We also communicate regularly with our customers to obtain feedback on the quality of our products. We have not experienced any failure to satisfy quality and safety standards (including standards for children's books) during the Track Record Period.

In recognition of our quality assurance practice, we have been certified in relation to the quality management systems (ISO 9001:2008) and complied with the Code of Business Practice of International Council of Toy Industries (ICTI). We have not experienced any material product return or substantive quality complaints during the Track Record Period.

Incoming Quality Control

To ensure our product quality, our raw materials procurement policy is to select only suppliers on our approved list who have passed our quality control tests and who have a satisfactory record of quality and on-time delivery. We will request our suppliers to provide quality check reports before making deliveries to us. In addition, we conduct random sample checks on raw materials to ensure that they meet our quality requirements. Only raw materials with samples which have passed our incoming quality control will be delivered to our warehouse and utilised in our production. During the Track Record Period, we did not have any material claims against our suppliers due to defective quality of raw materials. All semi-finished products which are processed by our sub-contractors are also inspected before being further utilised in our production process.

In the event that a complaint, return or claim for defective raw materials comes to light after we have used certain raw materials to manufacture our products, we will rely on the supply agreement or negotiation to claim compensation against the suppliers.

In-Process Quality Control

In-process quality control is conducted throughout our production process. Our quality control personnel are stationed at each important stage of the printing process to conduct visual inspection on the products.

In relation to our paper supplies, our quality control personnel will inspect on a sampling basis to determine that the entire batch of paper supply for a particular print order is of the same quality and colour. If the quality of the paper supply does not meet our standards, we will return it to our suppliers for replacement or refund.

To minimise the risk of discrepancy between data files and printing products, our computer-to-plate department will prepare an inkjet ozalid or colour proof of the product for the customer's review, comment and approval. We commence the bulk printing only upon our customers' sign-off on the data files as well as the ozalid or colour proof. For orders with large volume and/or tight schedule, we also encourage and arrange for our customers to conduct their own checks during the production process, so that any issues in relation to the quality, accuracy of contents as well as colour schemes could be resolved promptly.

During the bulk printing process, we will regularly extract samples of printed sheets to match against the proof agreed upon by our customers. If any quality defects are identified, we will immediately pause production and rectify the defect before resuming production. In situations where the finished product does not conform to our stringent quality controls, we either re-process them or dispose of the entire batch of unqualified products and re-print the entire order. If we identify and determine that colour density is insufficient, we will adjust the ink density of that particular production run to ensure that we achieve consistent quality of printing.

Out-going Quality Control

Out-going quality control is conducted during our finishing/binding stage of production, where our production personnel conduct a final visual inspection according to our examination standards. Sample checks on each batch of finished products will be conducted before packaging and delivery to our customers. Products which do not conform to our final proofs may be re-processed or discarded.

Our Group has no sales return policy and does not offer any sales returns. In the event that we are aware of any potential problems or defects with any of our products, our quality control team will first determine the issues and then negotiate with the customer to resolve the issues. During the Track Record Period, we have not experienced any material product return or substantive quality complaints. This is a reflection on our strong quality control and quality assurance capabilities and reinforced our reputation in the market. Our Directors have confirmed that our Group has not provided any warranties for our products or have any agreement with our customers on product liability under our current business arrangements.

CUSTOMERS

We serve Hong Kong-based print brokers with customers in overseas markets and international publishers located in the U.S., U.K., Australia and Europe (excluding U.K.). It is market practice that while some publishers (either sourced directly through our marketing team or referred by Independent Third Party sales representatives) will place purchase orders and make payment to the printing service providers directly, some others prefer to assign the printing project to external print brokers and engage them to handle the printing orders, in which case the print brokers will place purchase orders and make payments to printing service providers like us. These print brokers will normally be reimbursed by the publishers accordingly. We adopt the same marketing and production procedure for both the publishers and print brokers.

In line with industry norms, our sales are made on the basis of individual orders received from our customers (including both publishers and print brokers), and we generally do not enter into long-term contracts or framework sales agreements with our customers. Instead, our customers place purchase orders with us on order-by-order basis to effect each specific transaction. Such purchase orders generally stipulate the price, quantity, payment terms, delivery schedule, destination and shipment arrangements. Such purchase orders are usually made by way of written agreement or exchange of emails setting out the essential terms of the purchase. Once the purchase order is placed and agreed, its terms will not be amended or supplemented without mutual consent. Despite the absence of long-term contracts or framework sales agreements, we have cultivated long-term and stable cooperative business relationships with a number of our major customers. As at the Latest Practicable Date, we have established business relationship with our five largest customers during the Track Record Period for a range of approximately one to 24 years.

Our top five customers collectively accounted for approximately 40.0%, 37.5%, 46.9% and 57.4%, respectively, of our total revenue for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017. Our largest customer for each of the same periods accounted for approximately 13.0%, 12.7%, 23.0% and 25.0%, respectively, of our total revenue. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest customers for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017.

The tables below set forth details of our top five customers during the Track Record Period:

For the year ended 31 December 2014

Rank	Customer	Principal business nature	Years of relationship	Revenue recorded	% of total revenue	Typical credit terms
				(HK$'000)		
1	1010 Printing Group Limited ("**1010 Group**")[1]	The holding company of a Hong Kong-based book printing group whose shares are listed on the main board of the Stock Exchange (stock code: 01127) as at the Latest Practicable Date	24[2]	51,982	13.0%	90 days
2	Customer B	Publisher based in the U.K.	4	29,768	7.4%	90 days
3	Customer C	Print broker based in Hong Kong	11	27,888	7.0%	120 days
4	Customer D	Publisher based in the U.K. and a subsidiary of a media group in the U.K.	16	26,277	6.5%	120 days
5	Customer E	Publisher based in the U.S.	5	24,770	6.2%	75% deposit + 30 days

Notes:

(1) Refers to the Group's transactions during the indicated period with 1010 Printing International Limited and Asia Pacific Offset Limited, respectively, each a print broker based in Hong Kong and a wholly-owned subsidiary of 1010 Group.

(2) Such a period includes the years of business relationship with Asia Pacific Offset Limited and its intra-group companies under the same group before it became a wholly-owned subsidiary of 1010 Group in 2013.

For the year ended 31 December 2015

Rank	Customer	Principal business nature	Years of relationship	Revenue recorded	% of total revenue	Typical credit terms
				(HK$'000)		
1	1010 Group[1]	The holding company of a Hong Kong-based book printing group whose shares are listed on the main board of the Stock Exchange (stock code: 01127) as at the Latest Practicable Date.	24[2]	48,006	12.7%	90 days
2	Customer C	Print broker based in Hong Kong	11	29,553	7.8%	120 days
3	Customer D	Publisher based in the U.K. and a subsidiary of a media group in the U.K.	16	24,029	6.4%	120 days
4	Customer B	Publisher based in the U.K.	4	20,220	5.3%	90 days

Rank	Customer	Principal business nature	Years of relationship	Revenue recorded	% of total revenue	Typical credit terms
				(HK$'000)		
5	Regent Publishing Services Limited(3)	Print broker based in Hong Kong	16	20,104	5.3%	90 days

Notes:

(1) Refers to the Group's transactions during the indicated period with 1010 Printing International Limited and Asia Pacific Offset Limited, respectively, each a print broker based in Hong Kong and a wholly-owned subsidiary of 1010 Group.

(2) Such a period includes the years of business relationship with Asia Pacific Offset Limited and its intra-group companies under the same group before it became a wholly-owned subsidiary of 1010 Group in 2013.

(3) In March 2017, Regent Publishing Services Limited became a subsidiary of 1010 Group.

For the year ended 31 December 2016

Rank	Customer	Principal business nature	Years of relationship	Revenue recorded	% of total revenue	Typical credit terms
				(HK$'000)		
1	1010 Group(1)	The holding company of a Hong Kong-based book printing group whose shares are listed on the main board of the Stock Exchange (stock code: 01127) as at the Latest Practicable Date	24(2)	88,966	23.0%	120 days(3) or 90 days(4)
2	Customer C	Print broker based in Hong Kong	11	31,385	8.1%	120 days
3	Customer E	Publisher based in the U.S.	5	22,569	5.8%	75% deposit + 30 days
4	Regent Publishing Services Limited(5)	Print broker based in Hong Kong	16	19,269	5.0%	90 days
5	Customer F	Publisher based in the U.S.	5	19,154	5.0%	90 days

Notes:

(1) Refers to the Group's transactions during the indicated period with 1010 Printing International Limited and Asia Pacific Offset Limited, respectively, each a print broker based in Hong Kong and a wholly-owned subsidiary of 1010 Group.

(2) Such a period includes the years of business relationship with Asia Pacific Offset Limited and its intra-group companies under the same group before it became a wholly-owned subsidiary of 1010 Group in 2013.

(3) In transactions with 1010 Printing International Limited.

(4) In transactions with Asia Pacific Offset Limited.

(5) In March 2017, Regent Publishing Services Limited became a subsidiary of 1010 Group.

For the five months ended 31 May 2017

Rank	Customer	Principal business nature	Years of relationship	Revenue recorded	% of total revenue	Typical credit terms
				(HK$'000)		
1	1010 Group(1)	The holding company of a Hong Kong-based book printing group whose shares are listed on the main board of the Stock Exchange (stock code: 01127) as at the Latest Practicable Date	24(2)	38,960	25.0%	120 days(3) or 90 days(4)
2	Customer G	Publisher based in the U.S.	1	18,993	12.2%	90 days
3	Customer C	Print broker based in Hong Kong	11	16,788	10.8%	120 days
4	Regent Publishing Services Limited(5)	Print broker based in Hong Kong	16	7,516	4.8%	90 days
5	Customer H	Publisher based in the U.S.	10	7,224	4.6%	90 days

Notes:

(1) Refers to the Group's transactions during the indicated period with 1010 Printing International Limited and Asia Pacific Offset Limited, respectively, each a print broker based in Hong Kong and a wholly-owned subsidiary of 1010 Group.

(2) Such a period includes the years of business relationship with Asia Pacific Offset Limited and its intra-group companies under the same group before it became a wholly-owned subsidiary of 1010 Group in 2013.

(3) In transactions with 1010 Printing International Limited.

(4) In transactions with Asia Pacific Offset Limited.

(5) In March 2017, Regent Publishing Services Limited became a subsidiary of 1010 Group.

During the year ended 31 December 2015, we reduced and eventually discontinued our transactions with one of our top five customers during the year ended 31 December 2014 and 2015, namely Customer B who was located in the U.K. Our revenue from Customer B dropped from approximately HK$29.8 million in the year ended 31 December 2014 to approximately HK$20.2 million in the year ended 31 December 2015.

We terminated our business with Customer B because it had long outstanding account receivables due to us. We offered a credit term of 90 days to Customer B, and despite our collection efforts, it repeatedly failed to fully settle its overdue trade receivables by the due date with us and failed to comply with our credit policies during the year ended 31 December 2015. In addition, our trade receivables were covered by our general credit insurance policy obtained with our credit insurer during the Track Record Period, and we received from our credit insurer a notice to revoke insurance coverage for Customer B with effect from April 2015. Given Customer B's failure to comply with our credit policies and as our overdue trade receivables with Customer B ceased to be covered by insurance, Customer B became a red flag in our credit risk management. We therefore decided to terminate our business relationship with Customer B after we concluded our last order from it in October 2015. Customer B fully settled all the trade receivables due to us in July 2016.

Although the reduction and cessation of our business with Customer B led to a decrease of approximately 43.7% in our revenue from the U.K. in the year ended 31 December 2016 as compared to the year ended 31 December 2015, our total revenue increased by approximately 2.2% during the same period. As such, our Directors believe that it did not and will not have material adverse effect on our business prospect. We have reallocated our resources from Customer B to serving our customers in other geographical location, such as Hong Kong and the U.S., and we recorded stable growth in revenue from these markets in the year ended 31 December 2016.

SALES AND MARKETING

Sales Markets

During the Track Record Period, our Group's total revenue amounted to approximately HK$401.2 million, HK$377.8 million, HK$386.0 million and HK$155.9 million during the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. Most of our sales are made to publishers and print brokers whose customer base covers the U.S., U.K., Australia and Europe (excluding U.K.).

During the Track Record Period, sales to Hong Kong-based print brokers constitute our largest customer base by geographic segment. Our sales to the Hong Kong-based print brokers accounted for approximately 41.8%, 44.4%, 51.7% and 55.0%, respectively, of our Group's revenue for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017. To the best knowledge of our Directors, the printing products we produced for such Hong Kong-based print brokers during the Track Record Period were distributed to different overseas markets, which mainly cover the U.S., U.K., Australia and Europe (excluding U.K.).

The U.S. and U.K. were also two major geographic markets of our Group. Our direct sales to customers based in the U.S. market accounted for approximately 22.3%, 25.5%, 29.3% and 32.8%, respectively, of our Group's revenue for the year ended 31 December 2014, 2015, 2016 and the five months ended 31 May 2017, whilst our direct sales to the customers based in the U.K. market accounted for approximately 21.7%, 18.8%, 10.4% and 7.4%, respectively, of our Group's revenue during the same period. Our direct sales to customers based in other European countries (excluding U.K.) accounted for approximately 4.1%, 1.2%, 0.7% and 0.1%, respectively, of our Group's revenue for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017.

The following table illustrates the breakdown of our revenue by geographical locations of our customers during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000 (unaudited)	% of revenue	HK$'000	% of revenue
Hong Kong	167,633	41.8%	167,639	44.4%	199,654	51.7%	74,214	59.0%	85,714	55.0%
U.S.	89,363	22.3%	96,440	25.5%	113,125	29.3%	32,436	25.8%	51,091	32.8%
U.K.	86,906	21.7%	71,135	18.8%	40,069	10.4%	10,199	8.1%	11,537	7.4%
Australia	26,673	6.6%	19,109	5.1%	13,608	3.5%	3,864	3.1%	1,088	0.7%
Europe (excluding U.K.)	16,436	4.1%	4,683	1.2%	2,469	0.7%	950	0.7%	111	0.1%
Other countries	14,207	3.5%	18,744	5.0%	17,118	4.4%	4,135	3.3%	6,319	4.0%
Total	401,218	100.0%	377,750	100.0%	386,043	100.0%	125,798	100.0%	155,860	100.0%

Sales and Marketing Team

Mr. Lam, our CEO, chairman and executive Director, together with our sales team, are responsible for identifying new business opportunities and establishing relationships with our existing customers and potential new customers. Our sales and marketing team based in our Hong Kong office conducts regular meetings to discuss marketing strategies, sales performance, and means of improving service quality, as well as visit our existing and potential customers to promote our range of products and services.

Direct sales efforts

During the Track Record Period and as at the Latest Practicable Date, our Group had maintained an in-house sales and marketing team which is experienced in serving customers of different countries and regions, such as the U.S., U.K., Australia and Europe (excluding U.K.). We also encourage our sales and marketing team to identify new business opportunities and secure orders from new customers. We would pay bonus to our sales staff for the new customer's orders they procured. In addition, our sales and marketing team works closely with our customers on a regular basis to understand our customers' requirements, follow up with projected sales schedules, and provide relevant industry information to our customers. Through this continual relationship development, our Group aims to attract further business from these customers.

Referral by sales representatives

As our Group does not have any overseas offices, we adopt the industry practice of engaging Independent Third Party sales representatives to leverage on their network of customers and to provide local on-site support to our customers, which is in line with industry practice. The sales representatives are principally responsible for, among others, liaising between us and our customers and/or prospective customers and procuring printing orders for us. Such sales representatives also provide certain ancillary services in connection with their business referrals, which mainly include dealing with pre-sale and/or after-sale inquiries, coordinating orders or delivery schedules as well as conducting periodical customer visits. We consider engaging sales representatives with good relationship within the industry a more efficient and cost effective way of quickly broadening our sales networks and reaching out to targeted international customers, as compared to employing an international sales force to achieve the same result, or maintaining satellite offices in locations where we have no significant presence.

The table below sets forth a breakdown of our revenue by sales channels during the Track Record Period:

	Year ended 31 December						Five months ended 31 May	
	2014		2015		2016		2017	
	HK$'000	% of total revenue	HK$'000	% of total revenue	HK$'000	% of total revenue	HK$'000	% of total revenue
Direct sales	271,700	67.7%	270,222	71.5%	241,861	62.7%	115,954	74.4%
Sales referred by sales representatives	129,518	32.3%	107,528	28.5%	144,182	37.3%	39,906	25.6%
	401,218	100.0%	377,750	100.0%	386,043	100.0%	155,860	100.0%

Publisher customers referred by our sales representatives place orders with us directly and the commission is calculated on an order-by-order basis. The compensation to sales representatives for their sales referrals, as agreed upon in our agency commission agreements with sales representatives, is based either upon an agreed proportion of the net sales collected at a rate of approximately 4.0% to 5.0%, or the surplus of the sales price procured by the sales representative as compared to our quoted price. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our commission paid to our sales representatives amounted to approximately HK$10.0 million, HK$10.7 million, HK$12.5 million and HK$2.3 million, respectively, representing approximately 32.8%, 36.4%, 39.2% and 24.3%, respectively, of our total distribution costs during the same periods.

From time to time, sales representatives themselves may also place orders with us directly and act as a print broker between us and the publishers. In this way, their profits will simply be based on the surplus of the sales price procured by the sales representative as compared to our quoted price. In both cases, our credit and payment terms are generally similar.

During the Track Record Period, we have engaged four sales representatives, among which two were based in the U.K., one in the U.S. and one in the Netherlands, respectively. In March 2016, we ceased our engagement of one of the two sales representatives in U.K. by mutual consent as its referred customer failed to satisfy our credit insurer's credit rating requirements. We have retained the other three sales representatives based in the U.S., U.K. and the Netherlands, respectively, as at the Latest Practicable Date. We have entered into agency commission agreements with each of our sales representatives, the principal terms of which are set forth below. Each of our agency commission agreements with sales representatives was subsisting as at the Latest Practicable Date.

Subject matter	To appoint the sales representative as the Group's sales agent to expand the Group's existing business in the respective market for book printing and binding.
Term of agreement and renewal	Each agreement has an initial term of three years (which has expired prior to the Track Record Period), after which it would automatically renew at each year end for another one-year term, unless both parties agreed otherwise prior to the renewal.
Sales commission	• Either based upon 4% to 5% of the net sales collected, or the surplus of the sales price procured by the sales representative as compared to our quoted price. • The Group is allowed to work with any direct approach made to the Group from new customers in the respective market, in which case the sales commission will not apply.

Our sales representatives correspond with our sales and marketing team to discuss each potential printing order. We screen and select our sales representatives based on various criteria, including their relationship with reputable publishers, their reputation, track record, and brand management experience. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any disputes as to the agency commission agreement.

Each of our sales representatives is an Independent Third Party, and, to the knowledge of our Directors, none of our Company, our subsidiaries, our Shareholders who own more than 5% of our issued capital, our Directors, our senior management or their respective associates has any interest in or has any past or present relationships (including employment, family or trust relationships) with any of our sales representatives.

Sales and Marketing Strategies

Our sales and marketing efforts are customer-driven because we believe that our knowledge of customers' requirements and specifications is essential to our ability to offer products which satisfy their changing needs. In addition to maintaining internal records of our existing customers' previous orders and credit history, we also collect information about publishers which we identify as our potential customers. We use such information to guide us in developing our marketing efforts with better focus. With respect to each of our existing key customers, we strive to increase or at least maintain both the range of our product offering and the ordering volume from them. With respect to potential new customers, we will make speculative approach to certain targeted potential customers in the publishing industry. We meet with our existing and potential customers periodically to understand their changing needs and discuss how our products and capabilities can be effectively utilised to fulfil their business needs.

As part of our Group's marketing and promotional activities, our sales and marketing team visits various international book fairs and exhibitions, so as to better understand the market and industry trends as well as to establish relationships with new customers. During the Track Record Period, our Group attended a few selected renowned book fairs, such as The London Book Fair in the U.K., The Frankfurt Book Fair in Germany, as well as the BookExpo America in the U.S. In the future we also plan to visit the Bologna Children's Book Fair in Italy and the Beijing Book Fair in China. These trade fairs or exhibitions are important to our Group in that apart from being able to identify and reach new customers, they serve as a channel for our Group to obtain feedback from our customers. Such feedback provides opportunities for our Group to continuously improve our products in order to satisfy future expectations from our customers. Other benefits our Group has gained from visiting such exhibitions include maintaining contact and relationship with our customers and obtaining up-to-date industry information.

SEASONALITY

Demand for our products is subject to seasonal fluctuation. The peak season for our Group is typically from April to September (or in the second and third quarter of a financial year) as books are produced and shipped overseas before the start of the new school year and before the Christmas and New Year holidays. For the year ended 31 December 2014, 2015 and 2016, our Group's revenue in the second and third quarter of the year was approximately HK$244.8 million, HK$218.1 million and HK$225.8 million, respectively, representing approximately 61.0%, 57.7% and 58.5%, respectively, of our Group's annual revenue. Please also refer to the sub-section headed "*Risk Factors — We are subject to seasonal fluctuation in revenue*" in this prospectus.

PRICING POLICY

Our publisher customers usually approach us and request for our quotation either directly or through introduction by our Independent Third Party sales representatives. Depending on the nature of enquiries, our sales and marketing team will work together with our quotation team and production and material control department to provide our customers with quotations and the expected delivery schedule. The same process is applicable for enquiries from print brokers.

We determine our price on an order-by-order basis, and we generally adopt the cost-plus pricing policy for our books and other paper-related products. Factors taken into account for our price scale would usually include, among others, the costs of material and labour, ordering quantity, expected delivery schedule, the expected profit margin determined by our management team as well as our relationship with the customers. Other factors to consider also include credit terms and the customer's special requirements.

We offer volume rebates to selected long-standing customers who manage to achieve agreed annual revenue targets. Such volume rebates are offered at progressive rates as a percentage of the total invoice amount with the respective customer within the effective period. We also offer early payment discount to customers who settle their payment ahead of the agreed credit terms. During the Track Record Period, we have entered into agreements with selected customers to offer them volume rebates at rates ranging from 0.3% to 6.5%. Our early payment discount is offered at rates ranging from 1% to 3%. Both the progressive rebate structure of volume rebates and the discount rates of early payment discount are determined on a case-by-case basis and the settlement of rebates and discounts are generally made through direct reduction from accounts receivables. For the three years ended 31 December 2016 and the five months ended 31 May 2017, the total amount of volume rebates we offered was approximately HK$0.5 million, HK$0.7 million, HK$1.3 million and HK$0.5 million, respectively, and the total amount of early payment discount we offered was approximately HK$1.6 million, HK$1.6 million, HK$2.7 million and HK$2.6 million, respectively.

CREDIT POLICY

We use our best endeavours to exercise tight credit control, and our Group's finance department regularly reviews the credit terms of each existing customer. In assessing the creditworthiness of our new customers, we mainly determine the payment method and credit terms granted to such customers with reference to, among other things, the length of business relationships, payment history, and financial strength and credibility of such customer. We generally offer credit terms to customers ranging from 30 to 180 days following our issue of invoice.

In addition, it is our credit assessment procedure to apply for insurance coverage for transactions with our customers before we confirm commitment to the transactions. The said insurance policy covers all transactions with customers who shall be evaluated and approved by the insurer at a maximum coverage amount specifically assigned to each of such customers, and in the event that the insurer is unable to provide satisfactory insurance coverage for transactions with customers, we will, after taking into account overall circumstances such as payment history, reduce or limit our transaction amount or require deposit. In general, any transaction exceeding transaction amount of HK$1,000,000 shall be approved by at least one executive Director with respect to the exact credit terms after considering overall circumstances such as the historical settlement records and insurance coverage offered by the insurer. For transactions below HK$1,000,000, the exact credit terms shall be approved by the Group's finance department.

We conduct monthly review of our trade receivables, reporting any overdue trade receivables or other red flags to our credit risk management. In case of outstanding trade receivables, written reminders will be sent to the respective customers. We will also stop processing orders for and/or shipping products to customers who still fail to settle overdue trade receivables after our written reminders. If, after our efforts and repeated reminders, we still cannot recover the outstanding trade receivables, we may also consider taking legal actions and/or ceasing transaction with the defaulting customers in specific cases. During the Track Record Period, we had not encountered payment dispute except for those pending legal proceedings against certain customers in connection with their overdue payments. Please refer to the sub-section headed "— *Legal proceedings*" in this section for details. To manage our credit risk, we also maintain a general insurance policy to safeguard against credit risk pertaining to transactions with clients. Please refer to the sub-section headed "— *Insurance*" in this section for details.

Our suppliers and sub-contractors generally grant us credit terms in the range of 30 to 145 days as well as the right of replacement or refund for raw materials or products delivered with defective quality. We normally settle our purchases by way of bank transfer and/or letter of credit.

PROCUREMENT AND SUPPLIERS

The raw materials that we use in our production mainly include paper and ink. During the Track Record Period, raw materials and consumables accounted for approximately 53.4%, 54.7%, 53.2% and 57.2%, respectively, of our cost of sales for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017. Among our key raw materials, paper is the major component, representing approximately 40.8%, 39.7%, 38.3% and 42.8%, respectively, of our cost of sales during the

Track Record Period. Depending on the requirement of our customers, wood-free paper, matt/glossy art paper, art board and grey board are the common types of paper we purchase. Other raw materials used in our production also include printing plates, packaging materials, glue and other ancillary materials.

Generally we are responsible for sourcing raw materials required for our production, except that certain customers prefer providing us with their own paper supply for the production of their printing products due to their specific requirements on raw materials and production management.

The following table sets out a breakdown of raw materials used during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May	
	2014		2015		2016		2017	
	HK$'000	% of total cost of sales	HK$'000	% of total cost of sales	HK$'000	% of total cost of sales	HK$'000	% of total cost of sales
Paper	118,643	40.8%	106,930	39.7%	99,674	38.3%	46,639	42.8%
Ink	6,258	2.2%	5,722	2.1%	5,814	2.2%	1,749	1.6%
Printing plates	9,217	3.2%	10,066	3.8%	5,850	2.2%	3,369	3.1%
Packaging materials	5,911	2.0%	9,177	3.4%	11,818	4.5%	4,950	4.5%
Glue	3,823	1.3%	2,479	0.9%	4,685	1.8%	2,609	2.4%
Cloths	511	0.2%	859	0.3%	182	0.1%	585	0.5%
Gold stamping materials	33	-	348	0.1%	355	0.1%	374	0.3%
Others(1)	10,957	3.7%	11,768	4.4%	10,267	4.0%	2,059	1.9%
Total	155,353	53.4%	147,349	54.7%	138,645	53.2%	62,334	57.2%

Note:

(1) Other raw materials mainly include other ancillary materials and consumables.

Subject to our customers' specific requirements, we endeavour to work with FSC/CoC certified paper suppliers to ensure that the paper purchased and used in our production of printing products for such customers are in compliance with all applicable standards of environmental care and social responsibility. We purchase paper mainly from paper trading companies as well as trading arms of paper manufacturers, and the paper will be delivered to our production sites and warehouse in Shenzhen and Hong Kong. We generally source paper from paper manufacturers (or their local trading arms) when we make bulk purchase procurement. We generally maintain the inventory of paper at a level that is sufficient for two to three months of our operation. We do not have any framework supply agreement or other long-term supply contracts with any of our suppliers. We closely monitor the market prices of paper, and negotiate for favourable pricing terms by comparing quotations from different suppliers available in the market.

During the Track Record Period and as at the Latest Practicable Date, we have established long-term and stable relationship with our five largest suppliers for a range of approximately one to 18 years. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our five largest suppliers accounted for approximately 49.8%, 43.1%, 41.8% and 48.1%, respectively, of our total purchases, and our largest supplier for each of the reporting periods accounted for approximately 26.4%, 9.8%, 12.8% and 14.1%, respectively, of our total purchases. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017.

The tables below set forth details of our top five suppliers during the Track Record Period:

For the year ended 31 December 2014

Rank	Supplier	Principal business nature	Years of relationship	Amount of purchases	% of total purchases	Typical credit terms
				(HK$'000)		
1	Supplier A	The Hong Kong trading arm of a paper manufacturer based in Japan	9	41,889	26.4%	145 days
2	Supplier B	Paper trading company based in Hong Kong and a subsidiary of a Hong Kong-listed company engaged in the business of printing and trading of paper products	11	10,892	6.9%	120 days
3	Supplier C	Printing plates trading branch based in Shenzhen, the PRC of a multi-national group with headquarter in Japan	13	10,184	6.4%	120 days
4	Supplier D	Paper trading company based in Hong Kong and a subsidiary of a Hong Kong-listed company	18	8,133	5.1%	120 days
5	Supplier E	Paper trading company based in Hong Kong	17	8,011	5.0%	120 days

For the year ended 31 December 2015

Rank	Supplier	Principal business nature	Years of relationship	Amount of purchases	% of total purchases	Typical credit terms
				(HK$'000)		
1	Supplier E	Paper trading company based in Hong Kong	17	13,734	9.8%	120 days
2	Supplier A	The Hong Kong trading arm of a paper manufacturer based in Japan	9	13,108	9.4%	145 days
3	Supplier B	Paper trading company based in Hong Kong and a subsidiary of a Hong Kong-listed company engaged in the business of printing and trading of paper products	11	12,821	9.2%	120 days

Rank	Supplier	Principal business nature	Years of relationship	Amount of purchases	% of total purchases	Typical credit terms
				(HK$'000)		
4	Supplier F	Paper trading company based in Hong Kong	15	10,447	7.5%	120 days
5	Supplier C	Printing plates trading branch based in Shenzhen, the PRC of a multi-national group with headquarter in Japan	13	10,001	7.2%	120 days

For the year ended 31 December 2016

Rank	Supplier	Principal business nature	Years of relationship	Amount of purchases	% of total purchases	Typical credit terms
				(HK$'000)		
1	Supplier G	Paper trading company with group headquarter in Japan	7	17,698	12.8%	120 days
2	Supplier A	The Hong Kong trading arm of a paper manufacturer based in Japan	9	13,285	9.6%	145 days
3	Supplier B	Paper trading company based in Hong Kong and a subsidiary of a Hong Kong-listed company engaged in the business of printing and trading of paper products	11	11,830	8.5%	120 days
4	Supplier D	Paper trading company based in Hong Kong and a subsidiary of HK-listed company	18	8,332	6.0%	120 days
5	Supplier C	Printing plates trading branch based in Shenzhen, the PRC of a multi-national group with headquarter in Japan	13	6,862	4.9%	120 days

For the five months ended 31 May 2017

Rank	Supplier	Principal business nature	Years of relationship	Amount of purchases	% of total purchases	Typical credit terms
				(HK$'000)		
1	Supplier G	Paper trading company with group headquarter in Japan	7	11,394	14.1%	120 days
2	Supplier A	The Hong Kong trading arm of a paper manufacturer based in Japan	9	9,801	12.1%	145 days

Rank	Supplier	Principal business nature	Years of relationship	Amount of purchases	% of total purchases	Typical credit terms
				(HK$'000)		
3	Supplier B	Paper trading company based in Hong Kong and a subsidiary of a Hong Kong-listed company engaged in the business of printing and trading of paper products	11	9,625	11.9%	120 days
4	Supplier H	Paper trading company based in Hong Kong	1	4,682	5.8%	60 days
5	Supplier C	Printing plates trading branch based in Shenzhen, the PRC of a multi-national group with headquarter in Japan	13	3,349	4.1%	120 days

We select our suppliers based on their product quality, reliability, price and delivery schedule. Our raw materials procurement policy is to select only suppliers on our approved list who have passed our quality control tests and who have a satisfactory record of quality and on-time delivery. The quality and delivery performance of each supplier is evaluated monthly, and the allocation of our ordering quantity may be adjusted for subsequent periods based on results of the evaluation. We would cease transaction with a supplier if it fails our annual evaluation or if we receive complaints which relate to the quality of raw materials.

We believe that we have established stable cooperation relationships with our key suppliers, which enable us to obtain a reliable supply of most of the raw materials essential to our business operations. We do not rely on any single supplier for each type of principal raw material. We have not encountered any material disruption of our business as a result of a shortage of raw materials during the Track Record Period, and we do not expect any material difficulty in procuring raw materials for our requirements.

We purchase raw materials for our production through purchase orders to suppliers. Our purchase order generally sets out the key terms and conditions of each transaction, including the pricing terms, specification of the raw materials, quantity and delivery schedule. Such purchase orders are usually placed by way of written agreement or exchange of emails, and are legally binding once accepted by the suppliers. Once the purchase order is placed and accepted, the terms of purchase order will not be amended or supplemented without mutual consent.

We are not under any obligation to purchase raw materials from our suppliers until we actually place a purchase order. The actual purchase price is in most cases determined on the basis of prevailing market conditions, historical prices and credit terms. During the Track Record Period, prices of our principal raw materials and the credit terms have remained relatively stable.

INVENTORY MANAGEMENT

We adopt a stringent inventory control policy. Records on inventory movements are required to be updated periodically, and we review the inventory level on a weekly basis to ensure such records are up-to-date. We closely monitor and control our inventory levels of raw materials to ensure smooth supply for production. In particular, given that paper is the principal raw material used in our production, we manage our inventory of paper in accordance with our production schedules as well as the then price of paper. In order to maintain our inventory of paper at an adequate level and in view of cost efficiency, we typically procure paper in bulk rolls and keeps a stock at a level that fulfils production needs for approximately two to three months. We may purchase additional paper stock to fulfil extraordinary orders or in anticipation of significant increase in paper price, or procure specific types of paper to satisfy customers' particular needs. During the Track Record Period, we have derived other income from selling surplus of our paper stock. Please refer to the sub-section headed "*Financial Information — Description of selected items for the consolidated statements of profit or loss — Other income*" in this prospectus for details.

We have taken measures at our warehouses, including pest control, to insure the quality of our paper stock. We carry out physical inventory counts periodically for better control and management of inventories to ensure the accuracy and completeness of stock-in and stock-out information on record. In addition, our Group adopted the "first-in first-out" method to ensure inventories of older age will not be unnecessarily accumulated for an extended period of time. Generally, provision will be made for inventories which are considered obsolete after taking into account the aging of the inventory items, the movement and usefulness or residual value of the inventories.

AWARDS AND ACCREDITATIONS

Our management's commitment to excellence and the strong reputation of our Group and quality of our products are evidenced by the awards and accreditations we received. The table below sets forth some of the major awards and accreditations we received:

Year	Award / Recognition	Awarding authority/institution
2017	"BOCHK Corporate Environmental Leadership Awards 2016" (中銀香港企業環保領先大獎2016)	Bank of China (Hong Kong) and Federation of Hong Kong Industries
2017	"Model Enterprise of the Year 2016" (2016年度先進企業)	Residents Committee of Henggang Town, Longgang District, Shenzhen (橫崗社區居民委員會)
2017	One of the "Top 100 Cultural and Creative Companies in Shenzhen (2015-2016)" (深圳市文化創意百強企業(2015-2016))	Culture, Sports and Tourism Administration of Shenzhen Municipality (深圳市文體旅遊局)
2017	One of the "Top 30 Printing Enterprise in Shenzhen of the Year 2015" (2015年度深圳市印刷行業30強企業)	The Association of Shenzhen Printing Industry (深圳市印刷行業協會)
2016	Model Enterprise of Corporate Social Responsibility for the Year 2016 (2016年度企業履行社會責任示範單位)	Henggang Sub-district Office of Longgang District, Shenzhen (深圳市龍崗區橫崗街道辦事處)
2016	"Excellent Member Award of the Year" (優秀會員單位)	Shenzhen Graphic Society (深圳市印刷學會)
2015	Recognition of Excellence — G7 Master Qualified Facility	International Digital Enterprise Alliance (Idealliance) and Advanced Printing Technology Centre Ltd. (APTEC)
2013	One of the "2013 China Top 100 Printing Enterprise" (2013年中國印刷企業100強排行榜)	The Printing Managers Magazine (印刷經理人雜誌)
2012	"Hong Kong Printing Awards 2012" (2012年第24屆香港印製大獎)	Graphic Arts Association of Hong Kong, Hong Kong Publishing Professionals Society, Hong Kong Trade Development Council, and Leisure and Cultural Services Department

Year	Award / Recognition	Awarding authority/institution
2012	"Silver Asian Print Awards 2012"	Print World Asia Group
2012	"2012 IBPA Benjamin Franklin Award — The Bill Fisher Award for Best First Book (Children's/Young Adult)"	Independent Book Publishers Association (IBPA)
2012	"2012 Silver Winner (Children's Nonfiction) — Nautilus Book Award"	Marilyn McGuire & Associates, Inc.
2011	"Moonbeam Children's Book Awards — 2011 Silver Medal Winner/Non-Fiction Picture Book"	Jenkins Group & IndependentPublisher.com

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have one registered trade mark in Hong Kong. For details, please refer to the sub-section headed "*B. Further Information about our business — 2. Intellectual property rights*" in Appendix V to this prospectus.

As at the Latest Practicable Date, our Group is also the registered owner of two domain names, the details of which are set out in sub-section headed "*B. Further Information about our business — 2. Intellectual property rights*" in Appendix V to this prospectus.

We recognise the importance of protecting and enforcing intellectual property rights. We are not aware of any material infringement of our intellectual property rights during the Track Record Period. However, due to the nature of our business, we may be exposed to claims by third parties for defamation or infringement of intellectual property rights. Please refer to the sub-section headed "*Risk Factors — Risks relating to our business — We may be exposed to claims by third parties for defamation or infringement of intellectual property rights*" in this prospectus. As at the Latest Practicable Date, we are not aware of any pending or threatened claims against us or any of our subsidiaries relating to the infringement of any third parties' intellectual property rights by us.

COMPETITION

The industry that we operate in is highly fragmented. Our Directors believe that there are various printing companies operating in Hong Kong and the PRC. We also face competition from printing companies in other developing countries for our international business. We expect to face intense competition from our existing competitors and new market entrants in the future. Our Directors consider the followings as major entry barriers to the printing industry: (i) the relatively significant initial investment and slow return; (ii) requirement for comprehensive knowledge; and (iii) an established network in the market. The main areas of competition in our industry are product quality, production capacity, pricing and timely delivery.

Along with the higher penetration rate of electronic devices and convenience of access via online platforms, we also face competition from electronic books as they gained higher popularity and experienced significant growth in sales in the developed countries in recent years. Compared with printed books, electronic publications offer a convenient or even interactive reading experience to the readers. Please refer to the sub-section headed "*Risk Factors — We are subject to challenges from technological advancements in publishing and new forms of information dissemination*". According to the Frost & Sullivan Report, given that electronic books offer convenience in reading with a higher portability, while printed books are usually perceived as offering better reading experience and some books are only available in the printed form, printed books will continue to coexist and compete with electronic publications. Please also refer to the sub-section headed "*Industry overview — Impact of electronic books* *on printing industry*" for a comparison of the key characteristics between electronic books and printed books.

HEALTH, WORK SAFETY, AND ENVIRONMENTAL MATTERS

Our business is subject to relevant Hong Kong and PRC national and local health, work safety, social and environmental laws and regulations.

Occupational Health and Safety

Our business operations in Hong Kong are subject to the Factories and Industrial Undertakings Ordinance (Chapter 59 of the laws of Hong Kong), the Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong) and the Employees' Compensation Ordinance (Chapter 282 of the laws of Hong Kong), which stipulate our duty in relation to the health, safety and compensation of our employees. For details, please refer to the sub-sections headed "*Regulatory Overview — Hong Kong regulatory overview — Health and safety*" and "*Regulatory Overview — Hong Kong regulatory overview — Employment*" in this prospectus.

Our business operations in the PRC are subject to the Production Safety Law of the PRC (中華人民共和國安全生產法), the Labour Law of the PRC (中華人民共和國勞動法), the Labour Contract Law of the PRC (中華人民共和國勞動合同法) and other relevant laws and regulations which stipulate requirements to maintain safe production conditions and to protect the occupational health of employees. Pursuant to these requirements, any entity that is not sufficiently facilitated or equipped to ensure safe production may not engage in production and business operation activities. Entities operating in the PRC must provide production safety education and training programmes, as well as a safe working environment to employees. For details, please refer to the sub-sections headed "*Regulatory Overview — PRC regulatory overview — E. Production safety*" and "*Regulatory Overview — PRC regulatory overview — G. Labour*" in this prospectus.

We have implemented safety measures at our production sites and established guidelines for work safety and occupational health safety to minimise the risk of injury of employees. We also conduct regular training sessions for employees at our production sites on accident prevention and management. According to the written confirmation provided by the Labour Department of Hong Kong, and the written confirmation from Longgang District Administration of Work Safety of Shenzhen Municipality (深圳市龍崗區安全生產監督管理局), our Directors confirmed that (i) no administrative sanctions or penalties that have a material and adverse effect on our financial condition or business operations have been imposed upon us for the violation of health and safety laws or regulations in either Hong Kong or the PRC during the Track Record Period; and (ii) save as disclosed in the sub-sections headed "*— Legal proceedings*", "*— Non-compliance*" and "*— Health, Work Safety, and Environmental Matters — Occupational health and safety — Material workplace accident*" in this section, we have in all material respects complied with all the relevant laws, rules and regulations relating to health and work safety in both Hong Kong and the PRC, and there were no other material work-related injuries or fatalities at our production sites during the Track Record Period and up to the Latest Practicable Date.

We maintain work-related injury insurance policies for our employees in Hong Kong and the PRC. No material work-related injury insurance was made during the Track Record Period or pending as at the Latest Practicable Date, except for the Material Workplace Accident as set out below and one on-going employee's compensation and/or personal injuries claim against us at the District Court of Hong Kong as disclosed in the sub-section headed "*— Legal proceedings*" in this section.

Material workplace accident

We recorded one material workplace accident in March 2017 at our Shenzhen Factory which resulted in the death of one employee and regulatory actions against Prosperous (SZ) and Mr. Lam (as the legal representative of Prosperous (SZ)). All of such regulatory actions were fully concluded and settled as at the Latest Practicable Date.

Background

On 28 March 2017, a worker at our paper warehousing team died as a result of an accident inside our paper warehouse at the Shenzhen Factory (the "**Material Workplace Accident**"). On the date of accident, the deceased and his co-worker ("**Employee A**") were working together at the scene to sort paper rolls, where Employee A drove an electrical forklift truck and the deceased helped on the loading of paper rolls onto the forklift truck. When the accident happened, Employee A was operating a reverse turn of the forklift truck loaded with two paper rolls while he saw the deceased walking towards the front of forklift truck. Employee A thus braked the forklift truck abruptly, resulting in the loaded paper rolls fell from the forklift truck and hit the deceased. Hospital emergency staff was called immediately but the deceased passed away at the hospital later the same date.

The relevant paper sorting work usually requires two workers work as a group in our paper warehouses, where one operates the electrical forklift truck and the other assists the loading of paper rolls onto the forklift truck (who should immediately leave the loading area when the paper rolls are loaded and stay away from the forklift truck). The nature of such paper sorting work and the work place would normally pose no danger to life at all.

Employee A carries a valid license required for the operation of electrical forklift truck, and each of Employee A and the deceased has completed the safety training regularly provided by our Group. The electrical forklift truck has passed regular inspection, and the accident did not involve handling of faulty machinery and equipment.

Post accident actions

On 2 May 2017, the Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) issued a report certifying that the Material Workplace Accident was a work injury case. As such, the family of the deceased is entitled to compensations pursuant to terms of the work-related injury insurance policies as maintained by us for our employees. Prosperous (SZ) also made certain ex-gratia payments to the family of the deceased.

Other than certain ex-gratia payments to the family of the deceased by Prosperous (SZ) out of goodwill, plus the regulatory penalties as disclosed in the section headed "*— Health, Work Safety, and Environmental Matters — Occupational health and safety — Material workplace accident — Final assessment*" in this section, we did not incur, and would not expect to incur, any expenses in connection with the Material Workplace Accident. Our Directors confirmed that we have not experienced material interruption to our operations as a result of the accident. Our Directors also believe that this accident neither had nor would have material adverse impact on our business, financial condition and results of operations.

Immediately after the Material Workplace Accident, we have implemented the following preliminary measures:

(a) we suspended Employee A's work immediately after the accident, and then re-assigned him to other duties which involves no operation of forklift truck;

(b) we held a meeting (which was chaired by Mr. Lam, our executive Director and CEO) with all members of our Group's management team to report the accident and formulate the plan of remedial actions;

(c) we suspended the production at Shenzhen Factory the day following the accident and convened a meeting to update all of our Shenzhen Factory employees with special safety training sessions;

(d) we had a meeting with the local authorities in charge of the administration of work safety to report details of the accidents and our improvement and enhancement measures to be implemented at our Shenzhen Factory;

(e) we convened a meeting with all operators of forklift truck to remind them of the strict compliance with the respective standard operating procedures and safety requirements at all times and provided update training and will continue to do so at least on quarterly basis; and

(f) we issued a memorandum on work safety to all employees of the Group to reiterate the importance of strict compliance with safety operation procedures.

Initial inspections and investigations by governmental authorities and external safety consultant

Subsequent to the Material Workplace Accident, the local authorities in charge of the administration of work safety, which include Longgang District Administration of Work Safety of Shenzhen Municipality (深圳市龍崗區安全生產監督管理局), Work Safety Supervision Committee of Henggang Community (深圳市龍崗區橫崗街道安全管理委員會) and Work Safety Supervision Office of Yuanshan Community (深圳市龍崗區園山街道安全生產監督管理辦公室) conducted inspections at our Shenzhen Factory. Pursuant to such inspections, it was required that our Shenzhen Factory shall take certain follow-up measures in terms of strict compliance with applicable work safety guidance, which mainly include maintenance of electrical installation and fire safety facilities, use of protective gears by staffs, storage of raw materials, as well as display of warning signs and work safety-related notices. Within the respective prescribed deadline and as at the Latest Practicable Date, we have fully adopted recommendations from such local authorities and implemented corrective measures as required in such inspections.

We received the certification report issued by the Authority (i.e. Longgang District Administration of Work Safety of Shenzhen Municipality (深圳市龍崗區安全生產監督管理局)) in May 2017 which certified that all the required rectification measures have been completed by specified timeline.

In compliance with the PRC laws and regulations and at the request of Longgang District Administration of Work Safety of Shenzhen Municipality (深圳市龍崗區安全生產監督管理局), we also engaged an external safety consultant who conducted an independent investigation of the Material Workplace Accident and reviewed the relevant safety measures involved in April 2017. Based on the findings and recommendation from the external safety consultant, we also implemented a number of enhanced safety measures on top of our regular safety procedures to prevent future accidents of similar nature which include:

- electrical installations as well as the storage of chemicals and inflammable materials are strictly monitored by the designated safety officer;
- inflammable materials are stored in safe condition away from electrical apparatus and heat sources, light and other electrical heat generators;
- preventive measures for power overloads are taken and electrical installations are regularly checked and repaired by qualified electrician;

- lights, fans and other electrical apparatus are subject to regular maintenance;
- we have further revised and updated our internal policies in relation to work safety, occupational health, internal safety trainings to employees as well as emergency and safety plans, which policies will be reviewed by our safety officer on a regular basis; and
- safety officers are assigned to conduct spot check at workplaces as well as the equipment being operated by workers so as to ensure that workers comply with our safety guidance.

The external safety consultant is also of the view that the risks which it identified pertaining to the operation of Prosperous (SZ) is acceptable.

Review of Internal Control Consultant

We have also implemented the rectification measures as recommended by the Internal Control Consultant, the details of which are set out in the section headed "*Business – Internal control and corporate governance measures*".

Settlement Agreement

On 8 April 2017, Prosperous (SZ), out of goodwill, entered into an agreement (the "**Settlement Agreement**") with the family of the deceased to the effect that (1) Prosperous (SZ) shall make ex-gratia compensation of RMB170,000 (inclusive of RMB30,000 which has been utilised as disbursement for medical, funeral and miscellaneous expenses); and (2) the family of the deceased agreed not to raise any further request or complaint with respect to the Material Workplace Accident against Prosperous (SZ), failing which Prosperous (SZ) is entitled to recovery of the said ex-gratia payments.

Final Assessment

Further to the initial inspections and subsequent reviews in April and May 2017, the Longgang District Administration of Work Safety of Shenzhen Municipality (深圳市龍崗區安全生產監督管理局) (the "**Authority**") obtained the approval on its investigation report of the Material Workplace Accident from the People's Government of Longgang District of Shenzhen Municipality (深圳市龍崗區人民政府) on 2 June 2017, on the basis of which the Authority issued its administrative penalty decisions (the "**Final Assessment**") with respect to the Material Workplace Accident.

The Final Assessment, in addition to the previous initial inspections conducted by the Authority as described in the sub-section headed "*— Health, work safety, and environmental matters — Occupational health and safety — Material workplace accident — Initial inspection and investigations by governmental authorities and external safety consultant*" above, concluded that the Material Workplace Accident occurred due to:

- as direct causes, each of the deceased and Employee A failed to follow the standard operating procedures and safety guidelines implemented by Prosperous (SZ) in loading paper rolls onto the forklift truck; and
- as indirect causes, (a) Prosperous (SZ) failed to manage and ensure safe production, failed to identify and mitigate risks, and failed to take precautionary measures to prevent the operation of forklift truck in manners not in compliance with safety guidelines and requirements; and (b) Mr. Lam, being the legal representative of Prosperous (SZ), failed to discharge his leadership responsibility in respect of managing and ensuring safe production and identifying risks at the Shenzhen Factory.

In addition to the implementation of enhanced safety measures as disclosed in the sub-section headed "*— Health, work safety, and environmental matters — Occupational health and safety — Material* *workplace accident — Initial inspections and investigations by governmental authorities and external safety consultant*" in this section, we have also implemented a number of enhanced internal control measures subsequent to the Material Workplace Accident and as at the Latest Practicable Date, details of which are set forth in the sub-section headed "— *Internal control and corporate governance measures — Internal control*" in this section.

The Final Assessment made by the Authority imposed the following administrative penalties, which have been fully settled as at the Latest Practicable Date:

Party	Liability	Penalty
Mr. Lam	As the legal representative of Prosperous (SZ), Mr. Lam failed to discharge his leadership responsibility in respect of managing and ensuring safe production and identifying risks at the Shenzhen Factory, which is deemed as breach of Article 18 of PRC Safety Law.	Administrative fine of RMB36,000 pursuant to Article 92 of PRC Safety Production Law (中華人民共和國安全生產法) ("**PRC Safety Law**")
Prosperous (SZ)	Prosperous (SZ) failed to manage and ensure safe production, failed to identify and mitigate risks, and failed to take precautionary measures to prevent the operation of forklift truck in manners not in compliance with safety guidelines and requirements which is deemed as breach of Article 22 of PRC Safety Law.	Administrative fine of RMB220,000 pursuant to Article 109 of PRC Safety Law

In addition to settlement of penalty, the following remedial actions were taken:

1. Mr. Lam has undertaken safety production training course and appointed a designated safety production consultant to assist him in managing and ensuring safe production and identifying risks at the Shenzhen Factory.

2. Prosperous (SZ) has:

    (a) conducted a thorough examination over all the operation sites;

    (b) provided training to staff so that they can identify and halt any operations when there are risks and/or breaches in relation to the relevant standard safety procedure; and

    (c) provided specific training to all of the 14 forklift truck drivers on various aspects including case study of the Material Workplace Accident, equipment training, safety regulation training and forklift truck operation training.

Views of our PRC Legal Advisers

Our PRC Legal Advisers are of the view that:

(1) Under the Regulations on Work Injury Insurance (工傷保險條例), since the Material Workplace Accident has been certified as a work injury case by the Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局), the family of the deceased are entitled to the prescribed compensation and other subsidies from the Work Injury Insurance Fund (工傷保險基金). On 22 June 2017, Shenzhen Human Resources and Social Security Bureau (深圳市人力資源和社會保障局) approved the compensation (the "**Insurance Compensation**") to the deceased's family. Since Prosperous (SZ) has made contribution to the

work injury insurance for the deceased, the deceased's family was entitled to the Insurance Compensation. Pursuant to the Interpretation of the Supreme People's Court of Some Issues concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury (最高人民法院關於審理人身損害賠償案件適用法律若干問題的解釋), for the employee who is legally covered by work injury insurance and suffers personal injury due to work injury, if the employee or his/her family sues the employer at the people's court for civil compensation, the people's court shall inform them that the dispute shall be dealt with pursuant to the Regulations on Work Injury Insurance (工傷保險條例), according to which the chance of the deceased's family to succeed in any further claim against Prosperous (SZ) for the civil compensation caused by the work injury case is very low. Up to the Latest Practicable Date, the deceased's family did not raise any claims against Prosperous (SZ).

(2) Although not legally required to do so, Prosperous (SZ) has made ex-gratia payments to the deceased's family pursuant to the Settlement Agreement. Should deceased's family, in breach of the Settlement Agreement, decide to initiate legal proceedings against Prosperous (SZ), Prosperous (SZ) is entitled to recovery of the said ex-gratia payments.

(3) Since the Authority issued the Final Assessment demanding the payment of certain administrative penalty by Prosperous (SZ) and Mr. Lam, which payments have been settled as at the Latest Practicable Date, it is unlikely for either Prosperous (SZ) or Mr. Lam to face further administrative penalty or any other form of penalty. Further, the Final Assessment only imposed administrative penalty without any reference to criminal liability, therefore the risk of future prosecution against Prosperous (SZ) or Mr. Lam is extremely remote.

Views of our Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) are of the view, which the Sole Sponsor concurs, that Mr. Lam is, in overall, competent and able to fulfil his duties of care and diligence, and hence is suitable to act as a Director pursuant to Rules 5.01 and 5.02 of the GEM Listing Rules as he possesses the experience, knowledge and skill as well as the character to be a director of our Company. In arriving at their view, our Directors and the Sole Sponsor have taken into consideration the following:

(i) there is no evidence that the Material Workplace Accident involved any act of dishonesty, fraudulence or suggested any issue of integrity on the part of Mr. Lam which would affect his suitability as a director of a listed company;

(ii) the Material Workplace Accident, being accidental in nature, was the only material workplace accident in our Hong Kong Factory and Shenzhen Factory during the Track Record Period and does not indicate any systematic failure of our safety measures;

(iii) while Mr. Lam was ultimately responsible for the operation of Prosperous (SZ) as a legal representative, he was only imposed a monetary penalty by the relevant governmental authorities for leadership failure according to the Final Assessment. As advised by our PRC Legal Advisers, it is extremely remote for Mr. Lam to be subject to any further administrative penalties or criminal prosecution by any judicial, regulatory or governmental authority in relation to the Material Workplace Accident;

(iv) Mr. Lam, as a Controlling Shareholder and chairman of the Company, has been responsible for the Company's overall management during the Track Record Period. The Internal Control Consultant has not identified any internal control deficiencies that was indicative of wrongdoing by Mr. Lam;

(v) Under the leadership of Mr. Lam, the Company has undertaken remedial actions immediately following occurrence of the Material Workplace Accident. Mr. Lam also took personal initiatives in accommodating and comforting the deceased's family members during the application for Insurance Compensation as well as other miscellaneous matters pertaining to the funeral of the deceased;

(vi) Mr. Lam has engaged private consultants to enrich himself on work place safety management and corporate governance, and sought advice from such consultants to enhance his knowledge on the relevant legislations, rules and regulations; and

(vii) All the deficiencies identified by the local authorities in their inspections of the Shenzhen Factory subsequent to the Material Workplace Accident have been rectified and the corresponding enhanced work safety measures have been implemented. In this regard, the Sole Sponsor has taken the following actions to conduct independent due diligence of the Material Workplace Accident:

(a) Reviewing reports issued by local authorities as well as the evaluation report issued by an independent safety consultant, which report summarises the investigation into the Material Workplace Accident conducted by such independent safety consultant;

(b) Conducting site visit to the Shenzhen Factory together with legal counsels and Internal Control Consultant to verify that all deficiencies identified in the reports of the local authorities as well as the external safety consultant have been rectified and corresponding enhanced work safety measures have been implemented at Shenzhen Factory; and

(c) Obtaining opinion from the Internal Control Consultant regarding the adequacy and effectiveness of the Group's internal control measures for the management and monitoring of its ongoing compliance with applicable work safety laws and regulations. The Internal Control Consultant has confirmed that it is satisfied with the rectification measures as at the Latest Practicable Date.

(d) Reviewing the certification report issued by the Authority (i.e. Longgang District Administration of Work Safety of Shenzhen Municipality (深圳市龍崗區安全生產監督管理局)) in May 2017 which certified that all the required rectification measures have been completed by specified timeline.

As set forth in the sub-sections headed "*— Health, work safety, and environmental matters — Occupational health and safety — Material workplace accident — Post accident actions*" and "*— Health, work safety, and environmental matters — Occupational health and safety — Material workplace accident — Inspection and investigations by governmental authorities and external safety consultant*" in this section, our Group has laid down and implemented additional safety measures to enhance internal control measures in order to monitor ongoing compliance with the relevant laws and regulations to prevent the recurrence of such material workplace accident in the future. On the basis that: (a) the external safety consultant did not note any findings of material weakness or insufficiency in the workplace and work safety management of our Shenzhen Factory after our implementation of enhanced safety and internal control procedures; (b) we only recorded one material workplace accident during the Track Record Period and up to the Latest Practicable Date; (c) there has been no recurring of similar work safety accidents since our implementation of the enhanced safety measures; and (d) after this accident, our workmen are strictly required to observe the rules of operating the forklift truck and all the related work safety guidance when operating in the work site, our Directors are of the view, and the Sole Sponsor concurs, that these measures are adequate and effective to promote a safe and healthy environment for the workers at our production sites and to prevent recurrence of the safety-related incidents.

Environmental Matters

Our operations in Hong Kong are subject to the Waste Disposal Ordinance (Chapter 354 of the laws of Hong Kong), the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the laws of Hong Kong), the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Noise Control Ordinance (Chapter 400 of the laws of Hong Kong) and the Water Pollution Control Ordinance (Chapter 358 of the laws of Hong Kong), which regulate environmental matters in connection with activities that produce or discharge waste water and chemical waste, air pollutants and noise. For details, please refer to the sub-section headed "*Regulatory Overview — Hong Kong regulatory overview — Environmental protection*" in this prospectus.

Our operations in the PRC are subject to PRC environmental laws and regulations including the Environmental Protection Law of the PRC (中華人民共和國環境保護法), which, together with the Prevention and Control of the Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法), the Prevention and Control of the Water Pollution Law of the PRC (中華人民共和國水污染防治法), the Prevention and Control of the Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法) and the Prevention and Control of the Solid Waste Pollution Law of the PRC (中華人民共和國固體廢物污染環境防治法), govern a broad range of environmental matters, including air pollution, noise emissions, discharge of waste water and waste residues. Please refer to the sub-section headed "*Regulatory Overview — PRC regulatory overview — C. Environmental protection*" in this prospectus.

Our printing and packaging process produces pollutants such as waste water, chemical waste, noise, smoke and dust. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, fees paid by our Group for the compliance with environmental protection requirements were approximately HK$195,398, HK$331,405, HK$371,604 and HK$200,771, respectively. Our management is committed to minimising the impact of such waste on the environment. We have also established environmental guidelines on processing waste paper and set up waste paper auto-clearing device at our production sites.

We recognise the importance of environmental protection. We have been using printing ink made from soybeans, which is more environmentally friendly, and reduced the use of and reliance on the traditional petroleum-based ink. We have also been certified in relation to the environmental management system (ISO14001.2004 + Cor. 1:2009). According to the written confirmation provided by the Environmental Protection Department of Hong Kong, and the public search duly conducted by our PRC Legal Advisers on the website of Bureau of Environmental Protection and Water Affairs of Longgang District, Shenzhen Municipality (深圳市龍崗區環境保護和水務局)[1], our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date (i) we did not receive any complaint from our customers or any other parties in respect of any environmental protection issues in either Hong Kong or the PRC; (ii) we have not experienced any material environmental incidents arising from our production activities in either Hong Kong or the PRC; (iii) no material administrative sanctions or penalties were imposed upon us for the violation of environmental laws or regulations in either Hong Kong or the PRC which had an adverse impact on our operations; and (iv) we have not failed to comply with or been in breach of any environmental laws or regulations in either Hong Kong or the PRC.

We expect the annual compliance cost in respect of our environment obligations will not experience significant change from that of the Track Record Period.

[1] http://www.hbswj.lg.gov.cn

INSURANCE

We contribute to social insurance for our employees as required by the relevant laws and regulations in Hong Kong and the PRC, including the Mandatory Provident Fund scheme in Hong Kong, as well as the pension insurance, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance in the PRC. For more information, see the sub-sections headed "*— Employees*" and "*— Non-compliance*" in this section.

In addition, we also maintained the following insurance policies during the Track Record Period, which include: (i) property insurance to safeguard against damages to certain fixed assets at our production sites as a result of accidental fire etc., (ii) employees' compensation insurance to safeguard against losses arising from disease, fatality, or injury of our employees, (iii) life insurance policy for senior management of the Company, pursuant to which the Company (as beneficiary) will be entitled to compensation in case of the accidental death of certain senior management, and (iv) a general insurance policy to safeguard against credit risk pertaining to transactions with clients. It is our policy to obtain insurance coverage for transactions with all of our customers and it is our practice to submit all our transactions for evaluation by the insurer. The said insurance policy covers all transactions with customers who have been evaluated and approved by the insurer at a maximum coverage amount specifically assigned to each of such customers, and in the event that we are unable to do so for transactions with certain customers due to unsatisfactory evaluation by the insurer, we will reduce or limit our transaction amount with such customers or require such customers to pay a deposit. As at 31 December 2014, 2015 and 2016 and 31 May 2017 and as at the Latest Practicable Date, approximately HK$90.6 million, HK$57.6 million, HK$51.5 million, HK$68.7 million and HK$89.3 million, respectively, of our trade receivables were covered by such credit insurance policy.

We believe that we have property and liability insurance policies with coverage and insured limits that are customary for similar companies with business operations in Hong Kong and the PRC. However, our insurance coverage may not be adequate to cover all losses that may occur. Please see "*Risk Factors — Risks relating to our business — Our business operations may be affected by fire, adverse weather conditions, natural disasters, acts of war, terrorist attacks and geopolitical tensions, or outbreak of a contagious epidemic disease*" in this prospectus. We review our insurance coverage annually, and we will continue to assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice, so as to align with our needs and with industry practices in Hong Kong and the PRC.

During the Track Record Period, we had one on-going employee's compensation and/or personal injuries claim which has been taken over and handled by the insurer and remains on-going as at the Latest Practicable Date. Please refer to the sub-sections headed "*— Health, work safety, and environmental matters — Occupational health and safety*" and "*— Legal proceedings*" in this section for details. Save as disclosed herein and as confirmed by our Directors, we had not made and did not make or had not been subject to any material insurance claims during the Track Record Period and as at the Latest Practicable Date.

EMPLOYEES

As at the Latest Practicable Date, we had a workforce of 877 full-time employees in total (including our three executive Directors but excluding our one non-executive Director and three independent non-executive Directors), of whom approximately 92% were employed in the PRC and approximately 8% in Hong Kong. We have adopted a labour union for our employees in the PRC. Our Directors believe that the relationship and cooperation between the management and staff has been good and this is expected to continue in the future. There has not been any incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration relating to labour disputes that has affected our operations during the Track Record Period.

We generally recruit employees from the open market or through internal referral. We actively pursue a strategy to recruit, develop and retain talented employees by (i) providing them with training programmes on a regular basis to keep them abreast of their knowledge in the products we distribute, technology development and market conditions of the printing industry; (ii) aligning employees' compensation and incentives with their performance; and (iii) providing them with a clear career path with opportunities for additional responsibilities and promotions.

The table below sets out a breakdown of our employees by function as at the Latest Practicable Date:

Function	Number of Employees	% of Total
Administration	83	9.5%
Production	614	70.0%
Sales and marketing	31	3.5%
Finance and accounting	10	1.1%
Production material control (including procurement and quality management)	62	7.1%
Inventory management and logistics	69	7.9%
Management	8	0.9%
Total	877	100.0%

Our employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme under which we are required to contribute a fixed percentage of the employees' payroll costs (the maximum mandatory contributions is HK$1,500 monthly) to the scheme. Contributions to the Mandatory Provident Fund are recognised as an expense in the period in which the related service is performed.

For the employees of our PRC subsidiary, we are required to make contributions to our employee benefit plans, including pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing provident fund in accordance with applicable PRC laws and regulations. However, during the Track Record Period we had non-compliance incidents in relation to the relevant requirements of making contribution to the social insurance and housing provident fund for our employees of Prosperous (SZ). Please refer to the sub-section headed "— *Non-compliance*" in this section for further details.

During the Track Record Period, we had one outstanding employee's compensation and/or personal injuries claim against us at the District Court of Hong Kong, which has been directed to and is being handled by our insurance company's legal counsel as at the Latest Practicable Date. Please refer to the sub-section headed "— *Legal proceedings*" in this section for details.

PROPERTY AND PLANT

Owned Properties

The following table summarises the information regarding our owned properties (the "**Properties**") in Hong Kong as at the Latest Practicable Date:

No.	Address	Use of property	Saleable area
1.	Factory Units A - F on 3/F, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong	Production and ancillary office	12,760.0 sq. ft. (equivalent to approximately 1,185.4 sq. m.)

No.	Address	Use of property	Saleable area
2.	Factory Units F-H with Flat Roofs on 4/F with flat roof on 4/F, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong	Warehouse	2,740.0 sq. ft. (equivalent to approximately 254.6 sq. m.)
3.	Factory Units A-F on 2/F, plus Lorry Parking Space Nos. L5 and L6, Car Parking Space Nos. P13 to P16 on Basement, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong	Production; car parking	12,441.0 sq. ft. (excluding car parking spaces; equivalent to approximately 1,155.8 sq. m.)

All of the Properties have been pledged as security for our general banking facilities as at the Latest Practicable Date. As confirmed by our Hong Kong Legal Advisers, save as disclosed above and in this prospectus, our owned properties in Hong Kong as set forth in the above table possess good and marketable title under the laws of Hong Kong as at the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, none of the above properties was subject to compulsory order for sale or auction in public pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the laws of Hong Kong).

For further details of the above properties owned by our Group, please refer to the Property Valuation Report set out in Appendix III to this prospectus.

Leased Properties

As at the Latest Practicable Date, our Group leased and occupied properties consisting of workshops, warehouses, offices, staff dormitory as well as parking lots located both in Hong Kong and Shenzhen. Our Directors confirm that we are using these leased properties in accordance with the permitted usages under the relevant lease agreements. Set out below is a summary of our leased properties:

No.	Address	Use of property	GFA	Monthly rent	Expiration of lease
Leased property in Hong Kong					
1.	Lorry Parking No. L1 Basement, Yip Cheung Centre, 10 Fung Yip Street, Hong Kong	Parking lot	-	HK$4,200	31 March 2018

Our Hong Kong Legal Advisers have confirmed that the landlord of the said lorry car park under the tenancy agreement is the registered owner pursuant to the search records with the land registry of Hong Kong, and that the tenancy agreement is valid and subsisting and in full force and effect in favour of the tenant and the tenant is entitled to enjoy possession of the said lorry car park on the terms outlined above.

No.	Address	Use of property	GFA	Monthly rent	Expiration of lease
Leased properties in Shenzhen					
2.	Block #1, Hongmian Road, Henggang Town, Longgang District, Shenzhen, the PRC	Production plant and warehouse	Approximately 171,878.1 sq. ft. (equivalent to 15,968.0 sq. m.)	RMB259,716[(1)] (up to 31 May 2017); or RMB301,208 (from 1 June 2017 to 31 May 2020)	31 May 2020
3.	Block #4, Hongmian Road, Henggang Town, Longgang District, Shenzhen, Guangdong Province, the PRC	Staff dormitory	Approximately 44,272.0 sq. ft. (equivalent to 4,113.0 sq. m.)	-	31 May 2020
4.	Block #5, Henggang Industrial Zone#228, Henggang Town, Longgang District, Shenzhen, Guangdong Province, the PRC	Warehouse	Approximately 52,840.0 sq. ft. (equivalent to 4,909 sq. m.)	RMB60,000 (up to 31 May 2017); or RMB73,638 (from 1 June 2017 to 31 May 2020)	31 May 2020
5.	Block #2, Hongmian Road, Henggang Town, Longgang District, Shenzhen, Guangdong Province, the PRC[(2)]	Office and workshop with lightweight equipment	Approximately 134,215.2 sq. ft. (equivalent to 12,469.0 sq. m.)	RMB149,628 (up to 31 May 2017); or RMB187,035 (from 1 June 2017 to 31 May 2020)	31 May 2020
6.	Block #9, Henggang Industrial Zone#228, Henggang Town, Longgang District, Shenzhen, Guangdong Province, the PRC[(2)]	Warehouse and workshop with lightweight equipment	Approximately 53,819.6 sq. ft. (equivalent to 5,000 sq. m.)	RMB70,000 (up to 31 August 2018); or RMB75,000 (from 1 September 2018 to 31 May 2020)	31 May 2020
7.	Block #10, Henggang Industrial Zone#228, Henggang Town, Longgang District, Shenzhen, Guangdong Province, the PRC[(2)]	Warehouse	Approximately 59,201.5 sq. ft. (equivalent to 5,500 sq. m.)	RMB66,000 (up to 31 May 2017); or RMB82,500 (from 1 June 2017 to 31 May 2020)	31 May 2020

Notes:

(1) Represents the total monthly rent of leased properties No.2 and No.3.

(2) Leased properties numbered 5, 6 and 7 collectively as leased properties with title defect ("**Leased Properties with Title Defects**"), which are mainly used as warehouses, workshops with lightweight equipment (such as cutting machine, paper sheeting machine and digital press) as well as offices by our Shenzhen Factory.

Our PRC Legal Advisers advised us that all our landlords in the PRC have the right to lease, and we have the right to occupy and use the properties as set forth in the above table, except for the Leased Properties with Title Defects with an aggregate GFA of approximately 22,969 square metres, which have been leased from a lessor who was unable to provide the relevant building ownership certificates or other documents proving the relevant title of the properties. With respect to the Leased Properties with Title Defects, our PRC Legal Advisers have confirmed that (i) the risk of the government requesting us to cease operation on the said premises is remote, (ii) we as tenant are not under legal obligation to be responsible for any penalty that might apply to the landlord with respect to non-possession of valid title documents under the PRC laws, and (iii) the risk of us (as tenant) being penalised for the landlord's non-possession of valid title documents is remote. As at the Latest Practicable Date, our business operations have not been disrupted due to the lessor's lack of the above relevant property ownership documents in relation to the relevant lease agreements.

Our PRC Legal Adviser also advised us that, as of the Latest Practicable Date, the lease agreements for the properties numbered 2, 3 and 4 have been registered with the relevant PRC authorities, while the lease agreements for properties numbered 5, 6 and 7 have not been registered with the relevant PRC authorities. As such, we may be subject to a maximum administrative penalty of RMB10,000 according to the relevant PRC laws and regulations for each of our unregistered lease agreements. Our PRC legal adviser is of the view that the mere non-registration of the lease agreements will not affect (i) the validity of the lease agreements or (ii) the occupation and use of the leased properties by us according to the lease agreements and PRC laws and regulations.

Since the Leased Properties with Title Defects are mainly used as warehouses, office, workshops with lightweight equipment (such as cutting machine, paper sheeting machine and digital press) which are removable to other areas currently leased by our Shenzhen Factory or comparable premises within proximity, our Directors are of the view that (i) such title defects, individually or in the aggregate, do not and will not have any material financial or operational impact on our Group and therefore no provision was made in our consolidated financial statements in relation to such title defects; and (ii) if, for any reason, we are evicted from, or can no longer use, any of Leased Properties with Title Defects, we believe we are able to be relocated in a timely manner at minimal expense and would not materially affect our business or financial position.

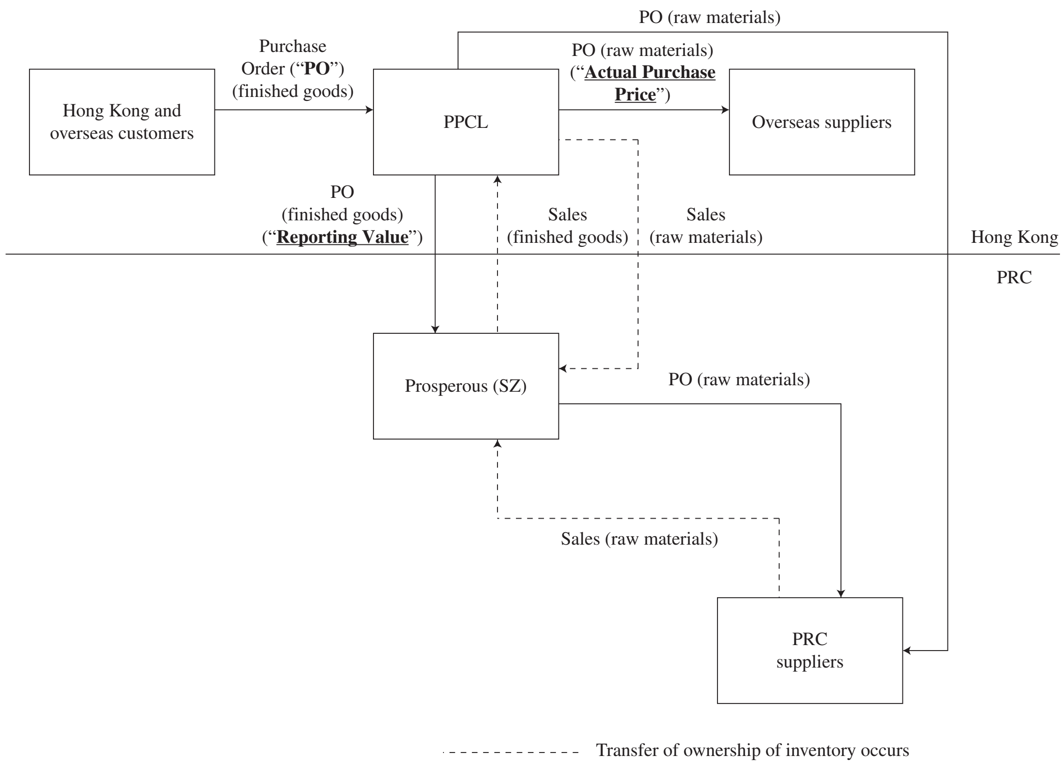
TRANSFER PRICING ARRANGEMENT

Commercial Rationale

During the Track Record Period, Prosperous (SZ) purchased a substantial portion of its raw materials from PPCL, and it sold almost all of its products to PPCL for onward sales to our Hong Kong and overseas customers. When PPCL receives purchase orders from Hong Kong and overseas customers, it will channel the relevant purchase orders to Prosperous (SZ). The respective finished printing products produced by Prosperous (SZ) are then sold to PPCL who then on-sells the finished printing products to our Hong Kong and overseas customers. PPCL may, at the request of Prosperous (SZ), acquire and redirect to it the required raw materials (mainly paper and ink) from third-party suppliers in the PRC, Japan and South Korea and invoice such raw materials to Prosperous (SZ). Such transactions between

PPCL and Prosperous (SZ) are carried out in the mode of general trade or transfer-between-factories (轉廠貿易).

A diagram ("**Diagram**") detailing the transfer pricing arrangement between PPCL and Prosperous (SZ) is set out below:



During the Track Record Period, Prosperous (SZ) was required to report the value ("**Reporting Value**") for the imported raw materials with the PRC customs authority. Based on the Reporting Value and subject to its discretion to raise challenge, the PRC customs authority shall adjudicate the dutiable value ("**Dutiable Value**"). As all the materials sold by PPCL to Prosperous (SZ) were ultimately utilised for production of finished products which were then sold by Prosperous (SZ) to PPCL, it is the Group's practice to fix the Reporting Value with regards to the prevailing dutiable value which has been acceptable to the PRC customs authority instead of linking with the actual purchase price ("**Actual Purchase Price**") borne by PPCL in the first place, and therefore the Reporting Value might be higher or lower than the Actual Purchase Price for different batches of imported raw materials.

Reporting Value with PRC Customs and Tax Issues

Based on the following, our Directors are of the view that (a) both PPCL and Prosperous (SZ) have reported the value of imported raw materials to the PRC customs in compliance with the relevant laws and regulations; and (b) the Group did not underpay import taxes in this connection during the Track Record Period and as at the Latest Practicable Date:

(i) As illustrated in the Diagram, the Actual Purchase Price refers to the value of raw materials as agreed between the third party supplier (as seller) and PPCL (as purchaser), which is recorded on the accounts of PPCL only.

(ii) As illustrated in the Diagram, the Reporting Value refers to the value of raw materials reported to the PRC customs, being the transaction price of such raw materials between PPCL (as seller) and Prosperous (SZ) (as buyer), which is recorded on the accounts of both PPCL and Prosperous (SZ). As such, the transaction price of such raw materials recorded on the ledgers of PPCL and Prosperous (SZ) aligns with the Reporting Value.

(iii) As confirmed by our PRC Legal Advisers, there is no mandatory requirement for the Reporting Value to align with the Actual Purchase Price, and therefore the Reporting Value can be higher or lower than the Actual Purchase Price. So long as the Reporting Value aligns with the ledgers (i.e. the supporting audit documents for the respective audited accounts) of the both PPCL (as seller of raw materials) and Prosperous (SZ) (as buyer of raw materials), there is no false declaration with PRC customs by both PPCL and Prosperous (SZ). Further, so long as the Reporting Value complies with the regulation requirement of Dutiable Value (完稅價格) as set out under PRC Customs Laws (中華人民共和國海關法) and Measures of the Customs of the PRC for the Determination of the Customs Value of Imported and Exported Goods (中華人民共和國海關審定進出口貨物完稅價格辦法), PPCL and Prosperous (SZ) would have complied with its reporting duty and would not be found to have breached. For details, please refer to the sub-section headed "*—Transfer pricing arrangement—Compliance with PRC laws and regulations*" in this section below.

(iv) In any event, all the imported raw materials were subsequently utilised for production of finished products sold by Prosperous (SZ) to PPCL, and therefore Prosperous (SZ) has been granted import tax exemption by the PRC customs authority during the Track Record Period and as at the Latest Practicable Date. In light of the import tax exemption, the Reporting Value is not indicative of any payable tax which has been exempted so long as the finished products were all exported by Prosperous (SZ) to PPCL.

Compliance with PRC laws and regulations

As advised by the PRC Legal Advisers and also confirmed by our Directors, the Group's practice of reporting the Reporting Value, which might be higher or lower than the Actual Purchase Price, for the imported raw materials with the PRC customs authority is in compliance with all relevant PRC laws and regulations on the following basis:

(a) There is no mandatory requirement for the Reporting Value to align with the Actual Purchase Price in the first place. Under PRC Customs Laws (中華人民共和國海關法) and Measures of the Customs of the PRC for the Determination of the Customs Value of Imported and Exported Goods (中華人民共和國海關審定進出口貨物完稅價格辦法), the Dutiable Value (完稅價格) shall be examined and determined by the PRC Customs on the basis of the actual price that the PRC buyer is liable to pay and also actually pays, which is supported by the following:

(i) Our Directors confirmed, as evidenced by the confirmations of the respective local auditors who were engaged to conduct annual financial audit for the year ended 31 December 2014, 2015, 2016 respectively, for PPCL and Prosperous (SZ), that each of PPCL and Prosperous (SZ) provided a ledger recording the same intra-group transaction amounts between PPCL and Prosperous (SZ) to the respective auditor for preparing the audited accounts for the financial year ended 31 December 2014, 2015 and 2016, and each of the auditors has prepared the audited accounts on the basis of the said ledger in accordance with the applicable audit procedure. Furthermore, as confirmed by our PRC Legal Advisor (where the total amounts from respective records were rounded to the nearest integer), the aggregate amounts as stated in the aforesaid ledgers also matched the aggregate Reporting Value in the customs declaration forms filed with the PRC customs in the year ended 31 December 2014, 2015 and 2016. As such, the Reporting Value aligned with the actual price that Prosperous (SZ) was due to pay and actually paid in the year ended 31 December 2014, 2015 and 2016, respectively. There was no false declaration with respect to the Reporting Value.

(ii) We have also obtained written confirmations from the competent customs authority in Shenzhen certifying that Prosperous (SZ) has no record of violating customs laws and regulations during the Track Record Period.

(iii) During the Track Record Period, the PRC customs authority did not raise any challenge against the Reporting Value, and that the Dutiable Value was the same as the Reporting Value.

(b) The Directors also confirmed that it is unlikely for PRC customs authority to raise objection in future since Prosperous (SZ) has been granted import tax exemption by the PRC customs authority during the Track Record Period for the said intra-group transactions, where all the imported raw materials were subsequently utilised for production of finished products exported by Prosperous (SZ) to PPCL.

Accounting Impacts

As disclosed in the sub-section headed "— *Transfer pricing arrangement — Reporting value with PRC customs and tax issues*" in this section, the Reporting Value (being the price invoiced between PPCL as seller and Prosperous (SZ) as buyer of the imported raw materials) could be higher or lower than the Actual Purchase Price (being the price invoiced between PPCL as buyer and the third party supplier as seller of such raw materials). As at 31 December 2014, 31 December 2015 and 31 December 2016 and 31 May 2017, a portion of the finished products resulting from the raw materials imported ("**Import Transaction**") by Prosperous (SZ) from PPCL have not been sold by the Group to external clients and remained as inventories ("**Inventory(ies)**").

According to our accounting policies, our accounting treatment is as follows:

(1) All intra-group transactions are eliminated in full in preparing the consolidated financial statements.

(2) If there is Inventory as at the financial year end, then we will incur unrealised losses ("**Unrealised Losses**") if the Reporting Value is lower than the Actual Purchase Price, while we will incur unrealised profits ("**Unrealised Profits**") if the Reporting Value is higher than the Actual Purchase Price. The amount of Unrealised Losses or Unrealised Profits arising from intra-group transactions will be the difference between:

(a) Actual Purchase Price of the Inventories unsold as at the financial year end; and

(b) Reporting Value of the Inventories unsold as at the financial year end.

However, the Unrealised Profits or Unrealised Losses will still be eliminated in full in preparing the consolidated financial statements of the Group since the same arise from intra-group transactions.

(3) As the Reporting Value of the Import Transaction happened to be lower than the corresponding Actual Purchase Price, the Group incurred unrealised losses (**the "Unrealised Loss**") as at 31 December 2014, 2015 and 2016 and 31 May 2017. For the reasons set out below, each of the PRC Transfer Pricing Adviser and HK Transfer Pricing Adviser is of the

opinion that there is no adverse implication on the compliance with the applicable transfer pricing rules and regulations arising from the Unrealised Loss.

Tax Implications and Compliance

For information regarding the transfer pricing-related laws and regulations in the PRC, please refer to the section headed "*Regulatory Overview — PRC regulatory overview — D. Taxation — d. Transfer pricing*" in this prospectus.

We have engaged the PRC Transfer Pricing Adviser, who is an Independent Third Party, to (a) conduct an analysis in respect of the purchase and sale transactions between PPCL and Prosperous (SZ), which are within the same group ultimately under the same control, for each of the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 (the "**Intra-Group Transactions**"); (b) review our transfer pricing policies; and (c) evaluate our Group's compliance with applicable major tax regulations and transfer pricing guidelines during the Track Record Period (collectively, the "**PRC TP Analysis**"). For the purpose of such PRC TP Analysis, the PRC Transfer Pricing Adviser calculated the profit level that should be earned by Prosperous (SZ) in the Intra-Group Transactions based on the following procedures:

(i) analysed the financial statements and other relevant accounting information of Prosperous (SZ);

(ii) understood the operation model and analysed the functions and risks assumed by Prosperous (SZ);

(iii) understood the pricing policy between PPCL and Prosperous (SZ);

(iv) based on the nature and characteristics of the Intra-Group Transactions and the functional profile of the transactional parties, selected the appropriate transfer pricing analysis methodology, *i.e.*, the transactional net margin method ("**TNMM**"), which examines a net profit indicator that a taxpayer realises from a controlled transaction by reference to the same net profit indicator earned in comparable transactions by an independent company;

(v) determined the comparable transactions, applicable net profit indicator (*i.e.* earnings before interest and taxes margin), and the range of reasonable profit margin derived by comparable companies;

(vi) benchmarked Prosperous (SZ)'s earnings before interest and taxes margin with the normal earnings before interest and taxes margin ranges derived from comparable companies providing similar services as Prosperous (SZ) in accordance with the relevant transfer pricing rules, and determined whether or not the Intra-Group Transactions were in compliance with the relevant PRC laws and regulation; and

(vii) completed the quantitative analysis and issue reports summarising the analysis (the "**Tax Analysis Reports**").

Based on the above PRC TP Analysis, the PRC Transfer Pricing Adviser concluded that:

(a) Pursuant to the Implementation Regulations for Special Tax Adjustments (Trial) (特別納稅調整實施辦法(試行)) ("**STA Rules**"), the tax authority is entitled to make a transfer pricing adjustment if the enterprise's profit level is lower than the median of the inter-quartile range established by comparable. Prosperous (SZ)'s earnings before interest and taxes margin ("**EBIT Ratio**", being the ratio of earnings before interest and taxes over revenue) for each of the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 was higher than the median of the inter-quartile range of comparable companies EBIT Ratio during the respective immediate preceding three years on an weighted average basis:

Prosperous (SZ)'s EBIT Ratio	Comparable companies' EBIT Ratio during the immediately preceding three years on an weighted average basis		
	Lower-quartile	Median	Higher-quartile
1.60% (for the year ended 31 December 2014)	(-1.72%)	0.98%	3.63%
2.05% (for the year ended 31 December 2015)	(-0.56%)	1.89%	3.34%
2.22% (for the year ended 31 December 2016)	0.19%	2.20%	3.51%
3.95% (for the five months ended 31 May 2017)	0.61%	1.95%	2.43%

(b) our Group complied with the applicable transfer pricing rules and regulations in the PRC which requires related party transactions to be carried out at arm's length basis during the Track Record Period; and

(c) no additional income tax provision arising from transfer pricing adjustment would be required for the Track Record Period.

Furthermore, we have also engaged the HK Transfer Pricing Adviser, an Independent Third Party, to evaluate our Group's compliance with applicable transfer pricing rules and regulations in Hong Kong during the Track Record Period (the "**HK TP Review**"). In conducting the HK TP Review, the HK Transfer Pricing Adviser (a) review the Intra-Group Transactions; (b) analysed the gross profit and operating profit of PPCL for the year ended 31 December 2014, 2015 and 2016; (c) analysed PPCL's profits tax implication in Hong Kong as a result of the Intra-Group Transactions and in light of the Unrealised Loss; and (d) analysed PPCL's implication from the perspective of applicable transfer pricing rules and regulations in Hong Kong as a result of the Intra-Group Transactions and in light of the Unrealised Loss.

For information regarding the transfer pricing-related laws and regulations in Hong Kong, please refer to the sub-section headed "*Regulatory Overview — Hong Kong regulatory overview — Transfer pricing*" in this prospectus.

Based on the HK TP Review, the HK Transfer Pricing Adviser concluded that:

(a) the Unrealised Loss should not affect PPCL's tax compliance status from a Hong Kong profits tax perspective; and

(b) PPCL was in compliance with the applicable transfer pricing rules and regulations in Hong Kong in respect of the Intra-Group Transactions during the Track Record Period.

In reaching the view above, our HK Transfer Pricing Adviser has considered the following factors:

(a) PPCL has properly reported that it had engaged in related party transactions with a non-resident PRC company in its profits tax returns during the Track Record Period, with which the IRD has taken into account in adjudicating the profits tax payable. There is no indication that PPCL had engaged in any abusive profit shifting transaction through the sales of raw materials to Prosperous (SZ).

(b) PPCL's principal activity is printing and sales of books and paper products rather than trading of raw materials. Therefore the sale of raw materials to Prosperous (SZ) should not be separated and scrutinised on a standalone basis from a transfer pricing perspective without considering the overall profits derived by PPCL from the whole trading operations as the raw materials are processed into finished products by Prosperous (SZ) which are then sold back to PPCL for onward sale.

(c) Given that the statutory corporate income tax rate in the PRC (being 25%) was significantly higher than the profits tax rate in Hong Kong (being 16.5%) during the Track Record Period, there is no incentive or motive for PPCL to obtain any tax benefit by lowering the prices of raw materials sold to Prosperous (SZ).

We have also adopted the following measures to ensure ongoing compliance with the relevant transfer pricing laws and regulations in the PRC:

- Our Group's transactional transfer pricing arrangements are applied and monitored to ensure compliance with the arm's length principle;
- Intercompany balances and transactions are reconciled within our Group from time to time and at report periods to ensure that no significant difference exists;
- Related party transaction reporting forms prepared by Prosperous (SZ) are reviewed and compared by our Group's accounting manager to identify any discrepancy before submitted to the PRC tax authority, and all the reporting forms are properly filed and maintained in Prosperous (SZ) for inspection; and
- Our Group's accounting manager will monitor the amount of related party transactions to determine whether contemporaneous documents are required to be prepared, and if so required, observe the deadline and make such filings with the relevant tax authority; and our chief financial controller will be responsible for the review, on a regular basis, of our Group's compliance with relevant transfer pricing laws and regulations in the PRC and where necessary, independent consultant will be consulted.

As at the Latest Practicable Date, our Directors were not aware of any inquiry, audit or investigation by any tax authority in the PRC with respect to our intra-Group transactions. Having reviewed and assessed our transfer pricing arrangements relating to transactions between Prosperous (SZ) and PPCL, our Directors are also of the view that, although such intra-Group transactions remain subject to audit and scrutiny by the relevant PRC tax authorities, we have reasonable grounds to defend against any legal challenges to our transfer pricing arrangements. Our PRC Transfer Pricing Adviser is of the view that (a) we have been in compliance with the relevant tax laws and regulations and guidelines the PRC; and (b) there is no implication on the Group's compliance with the applicable transfer pricing rules and regulations arising from the losses incurred for the intra-group transactions between PPCL and Prosperous (SZ) during the Track Record Period. We have also engaged our Internal Control Consultant to review our internal control system and our Company has, among others, adopted all the suggested measures in relation to the ongoing compliance with the relevant transfer pricing laws and regulations in the PRC. Having considered the above and the internal control measures adopted (which were implemented in July 2016), our Directors are of the view, and the Sole Sponsor concurs, that such internal control measures are sufficient and effective. For details of our risks in relation to transfer pricing, please refer to the sub-section headed "*Risk factors — Risks relating to our business — Our operations may be subject to transfer pricing adjustment*" in this prospectus.

LICENCES, PERMITS AND CERTIFICATIONS

As advised by our Hong Kong Legal Advisers, due to the nature of our business operation, we are required to be registered with the Director of Environmental Protection as a chemical waste producer. As advised by our PRC Legal Advisers, according to the PRC laws and regulations, for any business conducted within the PRC relating to the printing business, the entity engaged in such businesses must apply for the printing operation licence (印刷經營許可證) in accordance with the Regulations on the Administration of Printing Industry (印刷業管理條例) before commencement of any such business activity.

Furthermore, as advised by our PRC Legal Advisers, the business of "publication printing (出版物印刷)" falls within the category of "restricted industry" in the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the "**Catalogue**"), therefore 51% or above of the equity interests in a foreign invested enterprises engaged in such business shall be held by PRC investors. Notwithstanding such restrictions, the Regulations on the Administration of Printing Industry and relevant regulations in the PRC provide that wholly foreign-owned enterprises established in the PRC are allowed to (a) carry out the business of "packaging and decoration printing (包裝裝潢印刷品印刷)"; and (b) carry out the business of printing overseas publications upon receiving the requisite licenses from the relevant publication administration authorities and on the condition that all finished products of such overseas publications shall be transported outbound. As such, Prosperous (SZ), being a wholly foreign-owned limited liability company established in the PRC, is permitted to carry out the business of "packaging and decoration printing (包裝裝潢印刷品印刷)" which does not fall in the scope of "publication printing (出版物印刷)" under the Catalogue. Prosperous (SZ) is also allowed to carry out the business of printing overseas publications provided that it obtains the requisite licenses for each overseas publication printing order from the relevant publication administration authorities and transports all finished products of such publications oversea. Our PRC Legal Advisers also advised that, given the licences for printing of overseas publications are approved by administrative authorities in the PRC instead of by judiciary authorities, so long as certain requirements are satisfied, granting of the said licences are administrative in nature. For details, please refer to the sub-section headed "*Regulatory Overview — PRC regulatory overview — A. printing industry*" in this prospectus. Prosperous (SZ) obtained a total number of 541 licenses required for the printing of overseas publications during the three years ended 31 December 2016 and the nine months ended 30 September 2017. As confirmed by our Directors, it was our Company's practice to pre-empt any query on compliance with relevant laws and regulations and only accepted printing orders for which the requisite licences are likely to be granted. Our Directors also confirmed that our Company has never been refused in its application for licences required for the printing of overseas publications during the Track Record Period.

Our Directors consider that, if we could not obtain the requisite licences for any overseas publication printing order, we are able to process such order at our Hong Kong Factory, although additional costs will incur as compared to the production at our Shenzhen Factory, given that the labour costs and other overhead expenses in Hong Kong are generally higher than in Shenzhen.

As at the Latest Practicable Date, our Hong Kong Legal Advisers and PRC Legal Advisers confirmed that each member of our Group had obtained the requisite governmental licenses, permits and certification and renewals thereof which are necessary for our business operations. Please refer to the section headed "*Regulatory Overview*" in this prospectus for details of the applicable regulations.

The following table sets forth a summary of material licences, permits and certifications relating to our business and operations which have been obtained by us:

No.	Licences, permits and certifications	Issuing authorities/ organisations	Date of issue/ award	Date of expiry
Material license				
1.	Printing Operation Licence (印刷經營許可證)	Administration of Press and Publication of Shenzhen Municipality (深圳市新聞出版局)	1 January 2014	31 March 2018 (application for renewal shall be filed during annual inspection)

No.	Licences, permits and certifications	Issuing authorities/ organisations	Date of issue/ award	Date of expiry
Other licences and certifications				
2.	Pollutant Discharge Permit of Guangdong Province (廣東省污染物排放許可證)	Bureau of Environmental Protection and Water Affairs of Longgang District, Shenzhen Municipality (深圳市龍崗區環境保護和水務局)	27 May 2017	26 May 2022
3.	ISO 9001:2008 (Printing of books and packaging materials)	TÜV Rheinland Cert GmbH	7 March 2016	14 September 2018
4.	ISO14001:2004 + Cor. 1:2009 (Printing of books and packaging materials)	TÜV Rheinland Cert GmbH	7 March 2016 (first certification in 2010)	14 September 2018
5.	FSC/CoC Certificates (FSC-STD-40-004 (V2-1))(1)	SGS Hong Kong Limited Systems & Services Certification	3 September 2017	2 September 2022
6.	Certification of Compliance with the Code of Business Practice of International Council of Toy Industries (ICTI)	ICTI CARE Foundation	20 May 2017	19 May 2018
7.	G7 Master Qualification	International Digital Enterprise Alliance (Idealliance) and Advanced Printing Technology Centre Ltd. (APTEC)	1 December 2016	30 November 2017(2)
8.	Authorized Economic Operator (AEO) Certificate (AEO認證企業證書)	Shenzhen Customs of the PRC (中華人民共和國深圳海關)	7 December 2015	—
9.	Registration as a chemical waste producer	Environmental Protection Department, the Government of Hong Kong	1 September 2011	N/A

Notes:

(1) Each of Prosperous (SZ) and Printplus, being subsidiaries of our Group, as well as our Company, has been certified by the FSC/CoC certification.

(2) As at the Latest Practicable Date, we have renewed this certificate with a valid period from 1 December 2017 to 30 November 2018.

We will file application to renew the relevant licences when they are due to expire. Our Directors confirmed that they are not aware of any difficulties in the renewal of other abovementioned licenses when they expire. To ensure that we would be able to timely obtain all necessary licences for our operations, we have assigned personnel to keep track of the expiry dates of all relevant licences and apply for timely renewal.

As at the Latest Practicable Date, save as disclosed in the sub-sections headed "— *Legal proceedings*" and "— *Non-compliance*" in this section, our Hong Kong Legal Advisers and PRC Legal Advisers confirmed that each member of our Group had obtained the requisite governmental licences, permits and certification and renewals thereof which are necessary for its operations, and had complied, in all material aspects, with all applicable laws and regulations in the jurisdiction where it was operating.

BUSINESS ACTIVITIES IN RUSSIA

The U.S. and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting Sanctioned Countries. During the Track Record Period, we provided print products to certain clients, which were eventually delivered to Russia, which is subject to certain International Sanctions that target various Russian industry sectors, entities and persons. The amount of total revenue derived from sales of products which were delivered to locations in Russia represented approximately 0.56%, 0.04%, nil and nil of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. In relation to the delivery of our products to certain locations in Russia during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed to be sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the U.S., the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the International Sanctions. As advised by Hogan Lovells, our legal advisers as to International Sanctions, based on the following procedures conducted by them, the delivery of our products to locations in Russia during the Track Record Period does not implicate any applicable International Sanctions on our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC and HKSCC Nominees: (a) reviewed documents provided by us that evidence the delivery of our products to locations in Russia during the Track Record Period; (b) received written confirmation from us that neither our Group nor any of our affiliates has conducted during the Track Record Period any business dealings in or with any other countries or persons that are the subject of International Sanctions; and (c) reviewed the list of customers to whom our sales of products have been made during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirmed that none of our customers are on such lists.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as of the date of this prospectus:

- we have set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Share Offer or any other funds raised through the Stock Exchange (the "**Monies**");
- to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Lam, Ms. Chan Sau Po and Ms. Yao, and their responsibilities include, among others, monitoring our

exposure to sanctions risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions risks;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries and with Sanctioned Persons. According to our internal control procedures, the risk management committee needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries and with Sanctioned Persons. In particular, the risk management committee will review the information (such as identity and nature of business) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;
- in order to ensure our compliance with those undertakings to the Stock Exchange, our Directors will continuously monitor the use of proceeds from the Share Offer, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or Sanctioned Persons;
- the risk management committee will periodically review our internal control policies and procedures with respect to sanctions matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and
- if necessary, external international legal counsel will provide training programs relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

LEGAL PROCEEDINGS

From time to time we have been, and may in the future be occasionally, involved in legal proceedings or disputes in the ordinary course of business that are common for our industry, including employment disputes and contract disputes with our suppliers or customers.

A. Legal proceeding in Hong Kong

As at the Latest Practicable Date, there was one outstanding personal injuries claim brought by our former employee against us in the District Court of Hong Kong, details of which is set out below.

Nature of the claim	Date of the accident	Applicant	Respondent	Amount/ estimated quantum of damages claimed	Status
An employee of Great Wall allegedly sustained back injury whilst she was allegedly tidying and stacking up the trolley carts in the course of work	26 December 2014	The said employee	Great Wall	Compensation under sections 9, 10 and 10A of the Employees' Compensation Ordinance to be assessed by court, plus interests and costs claimed.	The insurer has taken over conduct of the proceedings. Great Wall is fully indemnified by the insurance with respect to the potential liability under this claim. As at the Latest Practicable Date, both parties were in negotiation of the quantum of compensation.

Our Directors have confirmed that our Group's potential liabilities under such employee's claim are sufficiently covered by insurance.

B. Overseas legal proceedings

I. Background of the overseas legal proceedings

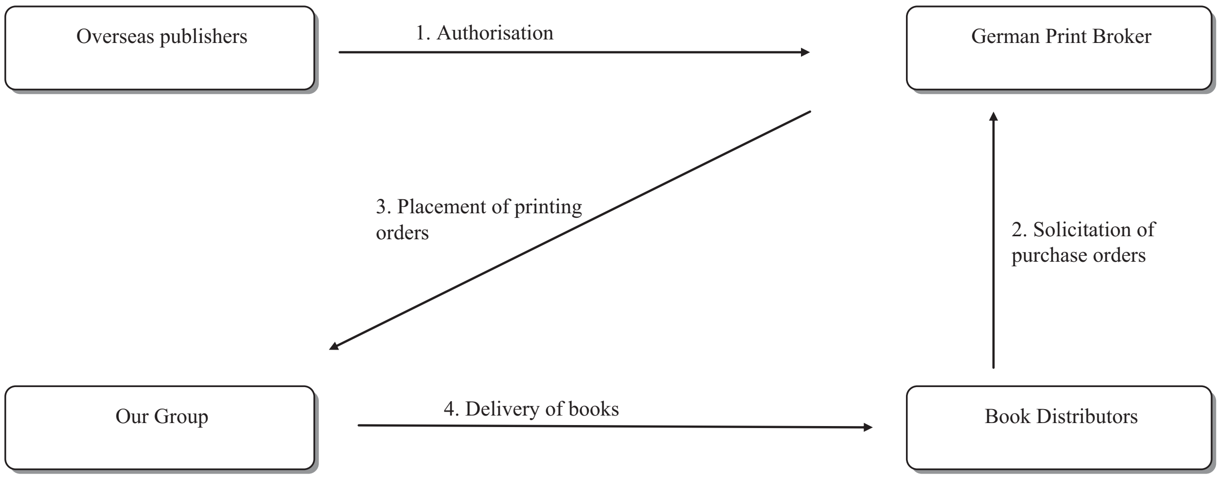
During the Track Record Period, we instituted legal proceedings (the "**Overseas Legal Proceedings**") in five foreign countries where we, as plaintiff, sought to recover unpaid fees for printing products sold and delivered to or upon the instructions of eight former customers. As at the Latest Practicable Date, three Overseas Legal Proceedings remained outstanding while the rest had been settled. Further details of the ongoing and settled Overseas Legal Proceedings are set out below.

As advised by our Directors, all or a majority of the underlying transactions pertaining to the Overseas Legal Proceedings were consummated before the Track Record Period by virtue of an informal arrangement that was established by a print broker based in Cologne, Germany (the "**German Print Broker**"), through a course of dealings, with us and a number of overseas publishers and book distributors with whom the German Print Broker has business relationships (the "**Printing Arrangement**"). The German Print Broker, which was also one of the eight former customers, was introduced to us through a mutual business associate and according to disclosures made by one of its directors in the Overseas Legal Proceedings, it operates a printing and publishing consultancy for book publishers and distributors and offers books for sale to customers in 35 to 45 countries.

To the best of the knowledge of our Directors, four of the eight Overseas Legal Proceedings were commenced in the German courts because, apart from the German Print Broker, three former customers are either publisher or book distributor with their principal operations in Germany and are the long-term clients of the German Print Broker.

Sale and delivery of books under the Printing Arrangement

Given its connections with the overseas publishers, book distributors and printers, the German Print Broker played the important role of an intermediary in the Printing Arrangement where it coordinated with the various participants to facilitate the sale and delivery of books from the overseas publishers to the book distributors via the printers. Based on our Directors' understanding, the following diagram illustrates the relationship between the participants of, and the sale and delivery of books under, the Printing Arrangement:



1. Authorisation by the overseas publishers

The overseas publishers, being the copyright owners of certain books, authorised the German Print Broker to solicit orders from book distributors who wished to purchase their books. Since these overseas publishers normally do not own or operate their printing facilities, they also authorised the German Print Broker to engage printers to print and deliver the books to the book distributors. As part of its agreement with the overseas publishers, the German Print Broker would make such arrangements with the printers and the books distributors that the overseas publishers would be entitled to receive a part of the sale proceeds of the books (the "**Purchase Price**") as consideration for the use of their copyrights (the "**copyright payments**").

2. Solicitation of purchase orders

The German Print Broker solicited and obtained purchase orders for books belonging to different overseas publishers from the book distributors.

3. Placement of printing orders

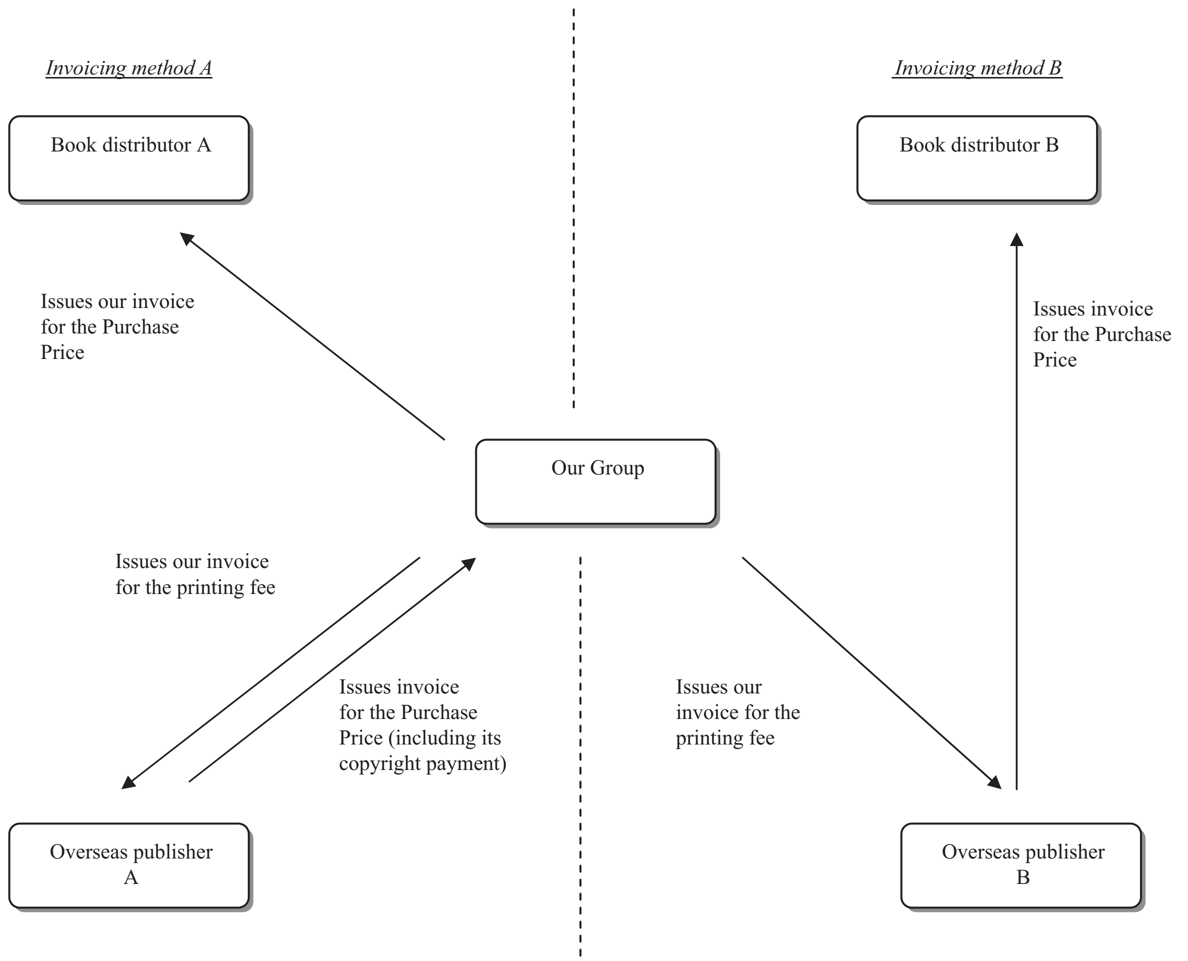
After consolidating the purchase orders obtained from various book distributors, the German Print Broker placed, on behalf of the overseas publishers, printing orders with professional printers (including us) to satisfy such purchase orders. The German Print Broker would also notify us, among other things, the identity of the overseas publisher to which such printing order is related and the party (i.e. the overseas publisher or us) responsible for invoicing and collecting the Purchase Price from the book distributor concerned. Further details of the different methods of invoicing are described below.

4. Delivery of books

We printed and delivered the books to the book distributors in accordance with the instructions of the German Print Broker.

Invoicing methods under the Printing Arrangement

To ensure that copyright payments would be made to the overseas publishers notwithstanding their non-involvement in the printing and delivery of books to the book distributors, the German Print Broker had come up with two invoicing methods where it would designate either our Group ("**Invoicing Method A**") or the relevant overseas publisher ("**Invoicing Method B**") as the party being responsible for invoicing and collecting the Purchase Price from the relevant book distributor. The following diagram illustrates the two invoicing methods:



Invoicing Method A

Under this method, we would invoice book distributor A for the Purchase Price upon our shipment of the books. In accordance with the notifications from the German Print Broker, overseas publisher A would invoice us for the Purchase Price (including its copyright payment), whereas we would invoice overseas publisher A for our printing fee. Since the basis of computation of the copyright payments was not known to us and might vary from shipment to shipment, it was considered more appropriate for overseas publisher A to invoice us for the full amount of the Purchase Price instead of its copyright payment so as to minimise any dispute between the parties. After we had collected the Purchase Price from book distributor A and the invoices between overseas publisher A and us were duly settled, we would retain a part of the Purchase Price as our printing fee, while overseas publisher A would receive the balance of the Purchase Price as its copyright payment.

In the event of default of payment of our invoice by a book distributor other than as a result of its insolvency, we would pursue our claim against such book distributor. However, if a book distributor became insolvent, the German Print Broker would instruct us to cancel our invoice to such book distributor and issue a debit note for our printing fee to the relevant overseas publisher instead.

Invoicing Method B

Under this method, overseas publisher B would invoice book distributor B for the Purchase Price upon our shipment of the books. In accordance with the notification from the German Print Broker, we would invoice overseas publisher B for our printing fee. Overseas publisher B would also collect the Purchase Price from book distributor B. After the invoices between overseas publisher B and us were duly settled, we would receive a part of the Purchase Price as our printing fee, while overseas publisher B would retain the balance of the Purchase Price as its copyright payment.

In the event of the insolvency of an overseas publisher, we would write off the amount due from such overseas publisher as bad debt.

Reconciliation and settlement of the accounts between the overseas publishers and us would occur at such times or times as coordinated by the German Print Broker.

Based on our Directors' understanding, the German Print Broker would take into account factors, such as the geographical location of the book distributors and any pre-existing business relationship between the parties involved, to determine which invoicing method should be adopted in any particular transaction or transactions. Nevertheless, the German Print Broker would endeavour to strike a balance between the two invoicing methods so that the book distributors would not make payments predominantly in favour of the overseas publishers or us during the year.

Remuneration of and our relationship with the German Print Broker

As consideration for its services, the German Print Broker charged the overseas publishers and us commissions, which were calculated based on a predetermined percentage of the copyright payments or the printing fee (as the case may be).

From our perspective, in respect of printing orders placed under the Printing Arrangement, we regarded the German Print Broker as the agent for the overseas publishers or book distributors (as the case may be) rather than as principal. Therefore, in the event of non-payment of printing orders placed under the Printing Arrangement, we would pursue our claims against the non-paying parties instead of the German Print Broker albeit it placed the printing orders with us.

II. *Ongoing Overseas Legal Proceedings*

As at the Latest Practicable Date, there were three ongoing Overseas Legal Proceedings where we claimed against three former overseas customers for unpaid printing fees in the total amount of approximately US$0.75 million (or approximately HK$5.83 million) and approximately EUR0.71 million (or approximately HK$6.06 million) while we were subject to counterclaims for the maximum amount of approximately EUR1.50 million (or approximately HK$12.75 million) and approximately US$0.42 million (or approximately HK$3.24 million) filed by a former overseas customer in an Overseas Legal Proceeding. Our potential liability under these ongoing Overseas Legal Proceedings is not covered by insurance. Details of these ongoing Overseas Legal Proceedings are set forth below:

(1) Legal proceeding in France

Original claim	:	On 23 June 2014, we filed an original action in France by way of a writ of summons against a publisher in France (the "**French Publisher**"). We subsequently revised our claims by way of briefs and as at the Latest Practicable Date, we claimed against the French Publisher approximately US$751,660 (or approximately

		HK$5.83 million) and approximately EUR179,542 (or approximately HK$1.53 million) for the non-payment of printing products (the "**French Original Claim**").
When the underlying transactions of the original claim took place	:	The relevant printing orders were placed with us between June 2009 and July 2013.
Amount of unpaid trade receivable attributable to the French Publisher and previously recorded in our financial statements	:	US$751,660 (or approximately HK$5.83 million) and EUR179,542 (or approximately HK$1.53 million).
Counterclaims	:	Based on their latest brief, the French Publisher counterclaims: (1) approximately US$318,021 (or approximately HK$2.46 million) as copyright payments (the "**Copyrights Claim**") in respect of certain books and other printing products printed by us under the Printing Arrangement, which is the underlying cause of the Copyrights Claim, (2) approximately US$100,000 (or approximately HK$0.78 million) for alleged payments to us or our affiliate which shall be partially off-set against the French Original Claim (the "**Alleged Payment Claim**"), where it alleged to have made a payment of such amount to the German Print Broker with the authorisation of a third party alleged to be our agent, (3) approximately EUR 1,400,363 (or approximately HK$11.90 million) being the primary claim on the grounds of late deliveries of printing products (the "**Late Delivery Primary Claim**"), (4) approximately US$501,210 (or approximately HK$3.88 million), approximately EUR584,047 (or approximately HK$4.96 million), approximately 1,969 Australian Dollars (or approximately HK$11,420) and 1,920 Pounds Sterling (or approximately HK$18,240) being the secondary claim (the "**Late Delivery Secondary Claim**") if the Late Delivery Primary Claim fails, plus legal interests from the date of the judgment; and (5) EUR100,000 (or approximately HK$0.85 million) for moral damages on the grounds of damaged reputation (the "**Damaged Reputation Claim**"), where it alleged to have suffered damage to its reputation and brand as a result of late and/or faulty deliveries. The Copyrights Claim and the Alleged Payment Claim were first filed on 17 December 2014 and 30 April 2016 respectively, while the Late Delivery Primary Claim, the Late Delivery Secondary Claim and the Damaged Reputation Claim were first filed on 5 October 2016.

Latest status	:	Ongoing. After an oral pleading conducted on 11 September 2017 the court requested both parties to provide further evidence and adjourned the case to allow time for the parties to prepare such evidence. The court indicated that it would convene a pleading hearing around the end of 2017 but no definitive new hearing date has been set.
Our French legal advisers' view on the likelihood of success of our original claim	:	Our French legal advisers are of the view that the chance of success of the French Original Claim is likely but remains uncertain with respect to the recovery of the full amount.
Our French legal advisers' and our Directors' views on the validity and likelihood of the counterclaims	:	*As regards their validity:* Our French legal advisers have advised us, and our Directors concur, that the counterclaims (except the Copyrights Claim) are unsubstantiated because: (1) there is at this stage a lack of evidence (i) of our actual authorisation of, or the authority (whether express or implied) of the alleged third party agent to sanction, the payment to the German Print Broker under the Alleged Payment Claim (even though there exists, to our knowledge, certain correspondence between, among others, the German Print Broker and the alleged third party agent which might point to, but are by no means conclusive proof of, the existence of the alleged agency for the payment in question) and (ii) of the reality of such a payment; (2) there is a lack of evidence of the existence of any late and/or faulty deliveries nor has the French Publisher established any causal connection between any delivery made by us and the amounts claimed under the Late Delivery Primary Claim or the Late Delivery Secondary Claim; and (3) there is a lack of evidence of any damage to the French Publisher's reputation to justify the amount claimed under the Damaged Reputation Claim. Our Directors also find it inconceivable for the French Publisher to have waited for more than two years before filing the Late Delivery Claims (both Primary and Secondary) and Damaged Reputation Claim against us if it had sustained substantial monetary and reputational damage as a result of the alleged late and/or faulty deliveries.

Under the Printing Arrangement, details of which are set out in the sub-section headed "*Business — Legal proceedings — B. Overseas legal proceedings — I. Background of the overseas legal proceedings*" above, both Invoicing Method A and Invoicing Method B were adopted for the settlement of our transactions with the French Publisher. The French Original Claims were attributable to transactions where Invoicing Method B was adopted, while the Copyrights Claims were attributable to transactions where Invoicing Method A was adopted. The Copyright Claim arose as a result of the French Publisher's failure to settle our printing fees in respect of those transactions concluded under the Printing Arrangement where Invoicing Method B was adopted and thus, we had to resort to withholding the copyright payments which would otherwise have been payable to the French Publisher in respect of those transactions concluded under the Printing Arrangement where Invoicing Method A was adopted as a self-help remedy. Thus, our French legal advisers and our Directors acknowledge the French Publisher's grounds for the Copyrights Claim and that the French Original Claim shall be reduced (or off-set) to the extent of the Copyrights Claim in the event that the latter is wholly or partially upheld by the court, but disputed its quantum due to the application of different conversion rates between the French Publisher and us.

As regards their likelihood of success:

Our French legal adviser has advised us, and our Directors concur, that based on the currently available documents:

(1) the risk of the Copyrights Claim being successfully pursued against us is uncertain at this stage as regards the amount recoverable, pending further court proceedings and exchange of further evidence, but it is for off-setting against the French Original Claim. It is the French Publisher's case that we are liable to make copyright payments to it in respect of printing orders placed with us via the German Print Broker under the Printing Arrangement. Accordingly, the French Original Claim shall be reduced (or off-set)

to the extent of the Copyrights Claim in the event that the latter is wholly or partially upheld by the court;

(2) the Alleged Payment Claim is for off-setting against the French Original Claim. It is the French Publisher's case that the Alleged Payment Claim represents printing fees to which we are entitled under the Printing Arrangement but paid by the French Publisher to the German Print Broker with the authorisation of a third party alleged to be our agent. Accordingly, the French Original Claim shall be reduced (or off-set) to the extent of the Alleged Payment Claim in the event that the latter is upheld by the court;

(3) the risk of the Late Delivery Primary Claim being successfully pursued against us is remote because (i) the evidence produced by the French Publisher thus far fails to prove the existence of any late and/or faulty deliveries nor does it establish any causal connection between the amounts claimed and any delivery made by us; and (ii) the amount claimed is arbitrary and unjustified as the French Publisher fails to prove any causal connection between the alleged late deliveries and the alleged reduction in price of the printing products on-sold to its customers;

(4) the risk of the Late Delivery Secondary Claim being successfully pursued against us is uncertain at this stage pending further court proceedings and exchange of further evidence and it is difficult to reasonably estimate the amount payable by us to the French Publisher; and

(5) the risk of the Damaged Reputation Claim being successfully pursued against us is remote because there is a lack of evidence showing any damage to the French Publisher's reputation to justify the amount claimed.

The financial impact of the counterclaims on us : Given that (i) our French legal advisers advised that, save for the Copyrights Claim, all the counterclaims against us carry a risk which is remote or the extent of our liability is not estimable with reasonable certainty at this stage; (ii) the Copyrights Claim is for off-setting against the French Original Claim, as detailed in the sub-section headed "*Business— Legal proceedings — B. Overseas legal proceedings — II. Ongoing overseas legal proceedings — (1) Legal proceeding in France — Our French legal advisers' and our Directors' views on the validity and likelihood of the counterclaims*" above; and (iii) our Controlling Shareholders have agreed to indemnify the Group in respect of, among other matters, any payments, costs and expenses resulting from counterclaims in the ongoing Overseas Legal Proceedings. Our Directors have not made any provision for, and (apart from the legal expenses incurred or to be incurred by us) do not expect any material financial impact on our Group resulting from, the counterclaims in this legal proceeding.

Company's and the Sole Sponsor's view on the Directors' suitability : Taking into account that (i) the Copyrights Claim arose from transactions conducted in our ordinary course of business with the French Publisher pursuant to the Printing Arrangement, details of which are set out in the sub-section headed "*Business — Legal proceedings — B. Overseas legal proceedings — I. Background of the overseas legal proceedings*" above and is simply a contractual dispute not involving any allegation of infringement of the French Publisher's copyrights by us; and (ii) there is nothing to suggest any fraud or wilful conduct on the part of any of our Directors in connection with the Copyrights Claim, our Directors are of the view, and the Sole Sponsor concurs, that the Copyrights Claim does not affect the suitability of any of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules.

(2) Legal proceeding in Brazil

Original claim : On 17 July 2015, we filed the Company's statement of claim in Brazil to apply for approximately EUR218,000 (or approximately HK$1.85 million) in respect of non-payment of printing products against a former client in Brazil.

When the underlying transactions of the original claim took place : The application is based on invoices issued by us in 2012.

Amount of unpaid trade receivable attributable to the former customer in Brazil and previously recorded in our financial statements	:	EUR218,000 (or approximately HK$1.85 million).
Counterclaim	:	No counterclaim has been filed.
Latest status	:	The Company filed its response to the defendant's statement of defence. The court records were forwarded to the judge who may schedule an examining trial or award on the case.
Our Brazilian legal advisers' view on the likelihood of success of our original claim	:	Our Brazilian legal advisers consider that the chance of success of our original claim against the former customer in Brazil is probable and estimated that we have approximately 70% chance of success.

(3) Legal proceeding in Slovakia

Original claim	:	On 19 February 2016, 26 April 2016 and 17 August 2016, we filed original actions in Slovakia to claim for approximately EUR102,000 (or approximately HK$0.87 million), EUR56,000 (or approximately HK$0.48 million) and EUR157,000 (or approximately HK$1.33 million) respectively in respect of non-payment of printing products against a former client in Slovakia.
When the underlying transactions of the original claim took place	:	The original claim is based on invoices issued by us between 2011 and 2013.
Amount of unpaid trade receivable attributable to the former customer in Slovakia and previously recorded in our financial statements	:	EUR315,000 (or approximately HK$2.68 million).
Counterclaim	:	No counterclaim has been filed.
Latest status	:	A court hearing originally scheduled to be held on 22 May 2017 was postponed and no new hearing date has been set.
Our Slovakian legal advisers' view on the likelihood of success of our original claim	:	At a preliminary hearing of the Slovakian court, the trial judge was tentatively of the opinion that German law should be the governing law of the dispute between the parties and if that is the case, a substantial portion of our original claim would be time barred since most of the underlying transactions occurred more than 3 years before the commencement of this legal proceeding. Thus, our Slovakian legal advisers are of the view that our original claim is unlikely to prevail if such tentative opinion were to be finally confirmed by the Slovakian court.

As detailed in the sub-section headed "*Business — Legal proceedings — B. Overseas legal proceedings — IV. Expenses incurred by us and our Directors' and the Sole Sponsor's views in relation* *to the overseas legal proceedings*" below, Mr. Lam and two former directors of our Company entered into arrangements in 2012 and 2013 to settle the unpaid trade receivables due from the defendants in each of the ongoing Overseas Legal Proceedings (among other former overseas customers) on the understanding that any unpaid trade receivables recovered by our Company need not be repaid to them. Thus, in the event any of our claims in the ongoing Overseas Legal Proceedings being wholly or partially upheld by the respective courts, any amount awarded to us will be treated as capital contribution to our Company and will be credited to our capital reserve because our Directors consider, after consulting with our reporting accountants, that such recovered amount would not have been paid to our Company for its own benefit but for the aforesaid arrangements which were made by Mr. Lam and the two former directors in their capacity as owners of our Company but not otherwise. Based on the foregoing and the opinions of our legal advisers to the Overseas Legal Proceedings, our Directors have not made any provision for, and (apart from the legal expenses incurred or to be incurred by us) do not expect any material financial impact on our Group resulting from the ongoing Overseas Legal Proceedings.

Mr. Lam, being our Controlling Shareholder, has agreed to indemnify the Group in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by the Group as a result of the ongoing Overseas Legal Proceedings as set out above. To ensure the sufficiency of financial resources to honour his commitments, on 22 August 2017, Mr. Lam obtained a standby facility ("**Standby Facility**") from Net Pacific Finance Group Limited ("**Net Pacific**"), whose shares are listed on the Singapore Exchange (Stock Code: 5QY). For further details about Net Pacific, please refer to the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment — Information regarding Fine Time*" in this prospectus. The Standby Facility is irrevocable and up to HK$30.0 million being made available to Mr. Lam for loan, which is not subject to the security of Mr. Lam's interest in the Company. All the principal and interest of the Standby Facility will be solely borne by Mr. Lam. As at the Latest Practicable Date, Mr. Lam has not made any draw-down of the Standby Facility. Our Directors are satisfied that Mr. Lam has sufficient financial resources to honour his obligations to provide indemnities in respect of the aforesaid counterclaims against our Group in the ongoing Overseas Legal Proceedings.

III. *Settled Overseas Legal Proceedings*

As at the Latest Practicable Date, we had reached settlement of five Overseas Legal Proceedings with the German Print Broker, three former German customers and one former Italian customer. Details of these settled Overseas Legal Proceedings are set forth below:

(1) Legal proceeding in Cologne, Germany against the German Print Broker

Original claim	:	On 30 December 2015 we filed an original action in Germany to claim for approximately EUR365,000 (or approximately HK$3.10 million) in respect of non-payment of printing products against the German Print Broker, which was also our former client.
Counterclaim	:	The German Print Broker counterclaimed against us for (i) approximately US$293,000 (or approximately HK$2.27 million) on the basis of reconciliation of accounts arising from transactions entered between the German Print Broker or its clients and us; (ii) approximately US$109,900 (or approximately HK$0.85 million) on the basis of reconciliation of accounts arising from transactions entered between the French Publisher and us, of which the German Print Broker was the intermediary; (iii) approximately US$765,100 (or approximately HK$5.93 million) and EUR97,000 (or approximately HK$0.82 million) on various grounds such as commission payments (both existing and expected), payments allegedly made or credited to third parties on

		our behalf by the German Print Broker and freight and legal costs; and (iv) approximately US$63,900 (or approximately HK$0.50 million) as penalties for alleged late deliveries. The German Print Broker alleged, without providing any substantive proof, that it was entitled to the copyright payments belonging to various overseas publishers under the Printing Arrangement (for details, please refer to the sub-section headed "*Business — Legal proceedings — B. Overseas legal proceedings — I. Background of the overseas legal proceedings*" above) and since the aggregate amount of these copyright payments was more than the amount of our unpaid printing fees, its counterclaims on the basis of reconciliation of accounts exceeded our original claim.
Date and principal terms of the settlement agreement	:	On 30 June 2017, the parties have submitted the finalised settlement agreement to the court (the "**German Print Broker Settlement Agreement**"). The German Print Broker Settlement Agreement became legally binding after an order based on its agreed terms was issued by the court on 12 July 2017. The material terms of the German Print Broker Settlement Agreement are as follows: a.) We will receive USD120,000 (or approximately HK$0.93 million) in 12 monthly instalments of USD10,000 (or approximately HK$0.08 million) each from an affiliated company of the German Print Broker. EUR27,100 (or approximately HK$0.23 million) deposited by us to the court as security for costs will also be returned to us. b.) Upon receiving specified numbers of instalments, we will deliver certain stocks in our inventory to the affiliated company of the German Print Broker. c.) Upon the fulfilment of their respective obligations under the German Print Broker Settlement Agreement, both the German Print Broker and us will waive the claims against each other. d.) We will withdraw any claims and will not pursue any further claims against Former German Client B, Former German Client C and another former client following the signing of the respective settlement agreements with each of them. e.) An executive director of the German Print Broker will provide a personal guarantee for the payment obligations owed to us under the German Print Broker Settlement Agreement. As at the Latest Practicable Date, we had received the first five monthly instalments of US$10,000 (or approximately HK$0.08 million) each from the affiliated company of the German Print Broker.

*(2) Legal proceeding in Cologne, Germany against a former client ("**Former German Client A**").*

Original claim	:	On 27 March 2014, we filed an original action in Germany to claim for approximately EUR 316,100 (or approximately HK$2.69 million) in respect of non-payment of printing products against Former German Client A.
Counterclaim	:	Counterclaims were filed against us by Former German Client A but were dismissed by the court.
Date and principal terms of the settlement agreement	:	We have entered into a settlement agreement with Former German Client A in April 2017, pursuant to which we received EUR 130,000 (or approximately HK$1.11 million) as settlement amount in June 2017 and EUR 3,693 (or approximately HK$0.03 million) as reimbursement of our court costs in July 2017.

*(3) Legal proceeding in Berlin, Germany against a former client ("**Former German Client B**")*

Original claim	:	On 30 December 2015, we filed an original action in Germany to claim for approximately US$158,000 (or approximately HK$1.22 million) in respect of non-payment of printing products against Former German Client B.
Counterclaim	:	No counterclaim has been filed.
Date and principal terms of the settlement agreement	:	On 29 June 2017, the parties entered into a settlement agreement pursuant to which each of Former German Client B and us, without payment of any consideration by either party, waived any rights and claims it may have against each other in connection with the Printing Arrangement, on the condition that the German Print Broker Settlement Agreement becomes concluded and legally binding. As the Latest Practicable Date, the settlement agreement became legally binding on both parties.

*(4) Legal proceeding in Darmstadt, Germany against a former client ("**Former German Client C**")*

Original claim	:	On 30 December 2014, we filed an original action in Germany to claim for approximately US$37,000 (or approximately HK$0.29 million) in respect of non-payment of printing products against a Former German Client C.
Counterclaim	:	No counterclaim has been filed.
Date and principal terms of the settlement agreement	:	Our claim was dismissed by the German court in January 2017. On 19 June 2017, the parties entered into a settlement agreement pursuant to which each of Former German Client C and us, without payment of any consideration by either party, waived any rights and claims it may have against each other in connection with the Printing Arrangement, on the condition that the German Print Broker Settlement Agreement becomes concluded and legally binding. As at the Latest Practicable Date, the settlement agreement became legally binding on both parties.

(5) Legal proceeding in Italy

Original claim	:	On 7 September 2015, we filed an original claim in Italy to claim for approximately US$943,201 (or approximately HK$7.31 million) in respect of non-payment of printing products against a publisher in Italy (the "**Italian Publisher**").
Counterclaim	:	The Italian Publisher counterclaimed against us for EUR 2.6 million or approximately HK$22.10 million as economic damages and reputation damages on the grounds of (i) printing of books without licence, and/or (ii) the printing of books in excess of a standard licence of 2,000 copies as set forth by Italian law. The Italian Publisher further counterclaimed against us for EUR500,000 or approximately HK$4.25 million on account of loss of profits to which it was allegedly entitled from the sale of the books printed by us.
Date and principal terms of the settlement agreement	:	The parties entered into a settlement agreement in October 2017 pursuant to which each of the Italian Publisher and us, without payment of any consideration by either party, undertook to abandon the court proceedings definitively and waived any right and claims it may have against each other in connection with the Printing Arrangement. All the procedural requirements for the settlement were completed on or around 3 November 2017 and as at the Latest Practicable Date, the settlement agreement became legally binding on both parties.

Given that (i) we have entered into a settlement agreement with each of the defendants in the settled Overseas Legal Proceedings, the terms of which were sanctioned by the respective courts; and (ii) Mr. Lam and two former directors of our Company entered into arrangements in 2012 and 2013 to settle the unpaid trade receivables due from the defendants in each of the three ongoing Overseas Legal Proceedings (among other former overseas customers) without recourse to our Group, our Directors have not made any provision for, and (apart from the legal expenses incurred by us) do not expect any material financial impact on our Group resulting from the settled Overseas Legal Proceedings.

IV. ***Expenses incurred by us and our Directors' and the Sole Sponsor's views in relation to the Overseas Legal Proceedings***

During the three years ended 31 December 2016 and the five months ended 31 May 2017, our legal expenses incurred for the Overseas Legal Proceedings amounted to approximately HK$0.4 million, HK$0.9 million, HK$1.5 million, and HK$0.3 million respectively, and we expect legal fees of approximately HK$0.6 million will be incurred in the remainder of 2017.

Our Directors are not personally involved in the Overseas Legal Proceedings and in view of the uncertainties over the enforcement of our claims in different foreign jurisdictions, our Directors consider that it is difficult to reliably estimate the probability and timeframe of recovery of the unpaid trade receivables where we as plaintiff were claiming under the three ongoing Overseas Legal Proceedings as of the Latest Practicable Date. In 2012 and 2013, Mr. Lam and two former directors of our Company entered into arrangements to settle the unpaid trade receivables due from customers in the ongoing Overseas Legal Proceedings at that time, without recourse to our Group with a view to minimising their negative impact on the business and financial condition of our Group.

Mr. Lam and the two former directors of our Company, namely, Mr. Leung Kwong Hung ("**Mr. Leung**") and Mr. Li Mun Kun ("**Mr. Li**") , being the only three directors of our Company at that time, resolved at the board meeting of our Company dated 21 October 2013 (the "**Board Meeting Date**") that:

(1) our Company shall declare an interim dividend in the total amount of HK$35,000,000 to Mr. Lam, Mr. Leung and Mr. Li, who were also all the shareholders of our Company, in accordance with their respective shareholding percentage at that time as follows:

	Shareholding percentage	**Dividend amount**
Mr. Lam	33%	HK$11,550,000
Mr. Leung	50%	HK$17,500,000
Mr. Li	17%	HK$5,950,000
Total	100%	HK$35,000,000

(2) Mr. Lam, Mr. Leung and Mr. Li authorised our Company to apply their respective entitlements to the interim dividend to settle the following trade receivables of our Company in a total amount of approximately HK$34,775,000 assumed by Mr. Lam in 2012 and 2013:

	Amount of unpaid trade receivables due to our Group as at the Board Meeting Date	
	(In original currency)	**(In HK$'000)**(1)
Settled Overseas Legal Proceedings		
German Print Broker	EUR365,000	3,586
Former German Client A	EUR316,078	3,256
Former German Client B	US$158,000	1,216
Former German Client C	US$37,000	284
Italian Publisher	US$943,201	7,373
Sub-total		**15,715**
Ongoing Overseas Legal Proceedings		
Former customer in Brazil	EUR218,000	2,269
French Publisher	US$945,479(2)	7,632
Former customer in Slovakia	EUR315,000	3,266
Sub-total		**13,167**(3)
All Overseas Legal Proceedings		**28,882**(4)
Other long outstanding trade receivables of our Company		**5,893**
Total		**34,775**

Notes:

(1) The currency conversion is made using the exchange rates adopted by our Company from time to time when the respective transactions with such customers were recorded in our Company's account. For the exchange rates applied in other parts of this prospectus, please refer to the sub-section headed "*Information about this Prospectus and the Share Offer – Exchange rate conversion*" in this prospectus.

(2) Representing the approximate aggregated claimed amount of approximately US$751,660 (or approximately HK$5.83 million) and approximately EUR179,542 (or approximately HK$1.53 million) as disclosed in the latest brief filed by our Company.

(3) Such an amount shall become approximately HK$11.89 million if applying the foreign exchange rate as disclosed in the sub-section headed "*Information about this Prospectus and the Share Offer – Exchange rate conversion*" in this prospectus.

(4) Such unpaid trade receivables of the Overseas Legal Proceedings were assumed by Mr. Lam in the amount of approximately HK$152,000 and HK$28.7 million in 2012 and 2013 respectively.

Accordingly, no provision had been made for such unpaid trade receivables in the financial statements of our Group.

Taking into account that (i) the unpaid trade receivables due from the former overseas customers have already been settled by Mr. Lam and two former directors of our Company without recourse to our Group; (ii) our Group has already ceased conducting business with these former overseas customers prior to the commencement of the Overseas Legal Proceedings; (iii) our Directors consider that the counterclaims of the French Publisher are unsubstantiated and invalid for the reasons explained above; (iv) we had reached settlement of five Overseas Legal Proceedings with the German Print Broker, the Italian Publisher and three former German customers; and (v) our Controlling Shareholders have agreed to indemnify our Group in respect of, among other matters, any payments, costs and expenses resulting from counterclaims in the ongoing Overseas Legal Proceedings, our Directors are of the view, and the Sole Sponsor concurs, that the Overseas Legal Proceedings will not have any material adverse impact on our Group from financial, customer relationship and reputation perspectives.

Save as disclosed above, our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no legal proceeding pending or threatened against us or our Directors that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations.

WORKING CAPITAL SUFFICIENCY

Overview

As at 31 May 2017 and 30 September 2017, we had cash and cash equivalents in the amount of approximately HK$2.1 million and HK$16.1 million, respectively. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our monthly fixed operating costs (as calculated on the basis of total fixed operating costs for the relevant year / five-month period divided by twelve months / five months) was approximately HK$9.5 million, HK$8.7 million, HK$8.6 million and HK$9.3 million, respectively. Please refer to the sub-section headed "*Financial Information — Description of selected items for the consolidated statements of profit or loss — Monthly fixed operating expenses*" in this prospectus for details. During the Track Record Period, we also experienced the mismatch between the receipts and payments cycle as demonstrated by the increasing difference between the trade receivables turnover days and trade payables turnover days. For the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our trade receivables turnover days were approximately 126.1 days, 120.9 days, 96.7 days and 91.7 days, respectively, and our trade payables turnover days were approximately 118.1 days, 107.5 days, 70.9 days and 60.6 days, respectively. Please refer to the sub-sections headed "*Financial Information — Discussion of selected consolidated statements of financial position items — Trade and other receivables — Trade receivables*" and "*Financial Information — Discussion of selected consolidated statements of financial position items — Trade and other payables — Trade payables*" for details.

In order to obtain cash inflows to ease the working capital needs of our business operations, we factored certain of our trade receivables to banks during the Track Record Period. As at 31 December 2014, 2015 and 2016 and 31 May 2017, the amount of trade receivables we factored was approximately HK$53.0 million, HK$29.8 million, HK$24.8 million and HK$34.2 million, respectively. For details, please refer to the sub-sections headed "*Financial Information — Discussion of selected consolidated statements of financial position items — Trade and other receivables — Trade receivables*" and "*Financial Information — Discussion of selected consolidated statements of financial position items — Trade and other receivables — Factoring arrangements*" in this prospectus. Our Directors believe that the factoring arrangements can enhance our flexibility in securing orders from customers because: (a) such arrangements improve our capacity and cash flow management in accepting and processing orders from customers; and (b) such arrangements also provide us with greater flexibility without creating significant pressure on our working capital or significantly altering our finance costs structure when we need to offer more competitive terms and conditions (such as longer credit period) in order to attract more businesses from our customers. In light of the above, we expect to continue such factoring arrangements going forward as long as we consider that the terms and conditions of the factoring facilities are acceptable.

We relied on a combination of funds generated from our operations and loans from banks and other financial institutions to finance our business operations during the Track Record Period. It is expected that we will continue to rely on bank borrowings to finance our business operations going forward. For further details of our bank borrowings, please refer to the sub-section headed "*Financial Information — Discussion of selected consolidated statements of financial position items — Bank loans and overdrafts*" in this prospectus.

Net Current Liabilities

As at 31 December 2016, 31 May 2017 and 30 September 2017, we had net current liabilities of approximately HK$106.4 million, HK$92.2 million and HK$35.3 million, respectively, as compared to net current assets of approximately HK$20.3 million as at 31 December 2015. The improvement of our net current liabilities position as at 30 September 2017 as compared to that as at 31 May 2017 was mainly because our Group obtained a new set of general banking facilities in August 2017 and internal generated resources from our operations. Please refer to the sub-section headed "*Financial Information — Working capital*" in this prospectus for details. Our net current liabilities position as at 31 December 2016, 31 May 2017 and 30 September was primarily due to the acquisition of the Properties through the acquisitions of Mr. Classic and Great China Gains with total consideration of approximately HK$133.8 million. The consideration of such acquisitions was settled by setting-off the amount due from a director — Mr. Lam of approximately HK$75.4 million and the remaining balance of approximately HK$58.4 million was recorded as amount due to a director — Mr. Lam. As at 31 May 2017, our Group has fully settled such remaining balance in relation to the acquisition. Please refer to the sub-sections headed "*Financial Information — Discussion on selected consolidated statements of financial position items — Amounts due from directors and amount due to a director*" in this prospectus for details. For further details about our net current liabilities position as at 31 December 2016, 31 May 2017 and 30 September 2017, please refer to the sub-sections headed "*Financial Information — Net current assets and liabilities*" and "*Risk*

Factors — We had net current liabilities as at 31 December 2016, 31 May 2017 and 30 September 2017" in this prospectus.

Working Capital Sufficiency

We had certain bank borrowings which contained repayment on demand clause and with repayment schedules after one year to after five years and were classified as current liabilities in our consolidated statements of financial position. Such bank borrowings accounted for nil, approximately HK$40.0 million, HK$35.2 million, HK$71.4 million and HK$40.0 million as at 31 December 2014, 2015 and 2016, 31 May 2017 and 30 September 2017, respectively. Please refer to the sub-section headed "*Financial Information — Working capital*" in this prospectus for a breakdown of such bank borrowings. Our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Instead, taking into account the guarantees provided by the Group in securing such bank borrowings, our Directors expect that such bank loans will be repaid in accordance with their respective repayment schedules as set out in the loan agreements. On this basis, if such bank borrowings were not considered as our current liabilities, our adjusted net current assets/liabilities position would have been as follows: we would have had net current assets of approximately HK$37.6 million and HK$60.2 million, respectively, as at 31 December 2014 and 2015, we would have had net current liabilities of approximately HK$71.2 million and HK$20.8 million, respectively, as at 31 December 2016 and 31 May 2017, and we would have had net current assets of approximately HK$4.7 million as at 30 September 2017. Our position of adjusted net current liabilities as of 31 December 2016 and 31 May 2017 even after reclassification of bank borrowings as mentioned above was primarily due to the acquisition of the Properties through the acquisitions of Mr. Classic and Great China Gains with total consideration of approximately HK$133.8 million in July 2016. The consideration of such acquisitions was settled by setting-off the amount due from a director — Mr. Lam of approximately HK$75.4 million and the remaining balance of approximately HK$58.4 million was recorded as amount due to a director — Mr. Lam. Accordingly, our amount due from Mr. Lam (classified as current assets) dropped from HK$38.2 million as at 31 December 2015 to nil as at 31 December 2016, while on the other hand, we recorded amount due to Mr. Lam (classified as current liabilities) of approximately HK$40.0 million as at 31 December 2016. As the Properties (classified as non-current assets) accounted for significant portion of our total assets, which the carrying amount accounted for approximately 27.9% and 25.5% of our total assets as at 31 December 2016 and 31 May 2017 respectively, we record adjusted net current liabilities as at 31 December 2016 and 31 May 2017 accordingly.

We would have recorded adjusted net current assets as at 30 September 2017 after reclassification of bank borrowings as mentioned above. For further details, please refer to the subsection headed "*Financial Information — Net current assets and liabilities*" in this prospectus.

As at 30 September 2017, we had unutilised banking facilities of approximately HK$133.4 million and unutilised credit facilities (i.e. credit lines obtained from lenders other than banks) of approximately HK$80.0 million obtained from independent financial institutions. Material details of these unutilised facilities are summarised below:

	Nature of facility	Usage restrictions	Term	Specific requirements	Unutilised amount as at 30 September 2017
1.	A combined credit line of HK$10 million comprising overdraft and	- General corporate and trading purposes, unless	- Maximum tenor or usage period of 120 days for trade finance facilities	- We may not pay any dividend without the	Approximately HK$0.1 million

	Nature of facility	Usage restrictions	Term	Specific requirements	Unutilised amount as at 30 September 2017
	trade finance facilities (such as trust receipts loan and clean import loan) obtained from a bank	otherwise specified - Certain trade finance facilities, namely the clean import loan, to the extent of HK$8 million may only be drawn against invoices of suppliers pre-approved by the bank	- The overdraft facility has no specific repayment date but is subject to the bank's annual review and their overriding right of repayment on demand	bank's prior written consent - We shall direct annual import/ export business of at least HK$21 million to the bank during the twelve months prior to March every year - We shall maintain consolidated net tangible worth of not less than HK$30 million	
2.	A combined credit line of HK$39 million comprising overdraft and trade finance facilities (such as import invoice financing, issuance of letters of credit and receivable purchasing) obtained from a bank	- General corporate and trading purposes, unless otherwise specified - Certain trade finance facilities, namely import invoice financing and receivable purchasing, to the extent of HK$38 million may only be drawn against invoices relating to customers or suppliers pre-approved by the bank	- Maximum tenor of 90 to 180 days for trade finance facilities - The overdraft facility has no specific repayment date but is subject to the bank's annual review and their overriding right of repayment on demand	- We shall maintain a minimum collateral of HK$3.5 million with the bank for the utilisation of the full amount of the facility *(Note 1)*	Approximately HK$13.3 million
3.	General banking facilities to the extent of approximately HK$18.0 million comprising overdraft,	- General corporate and trading purposes, unless otherwise specified	- Maximum tenor of 120 days for trade finance facilities - 60 to 84 months from drawdown by instalments	- We shall maintain a loan to-valuation ratio in respect of the outstanding amount of one	Approximately HK$18.0 million

	Nature of facility	Usage restrictions	Term	Specific requirements	Unutilised amount as at 30 September 2017
	revolving loan, trade finance (such as factoring facilities, trust receipt loans and import trade loans) and term loan facilities obtained from a bank	- Certain trade finance facilities, namely import trade loans, to the extent of HK$18 million may only be drawn against invoices of suppliers pre-approved by the bank - The revolving loan facility in the amount of HK$13 million may not be applied towards property acquisition	for term loan facilities - Other facilities have no specific repayment dates but are subject to the bank's annual review and overriding right of repayment on demand	of the term loans available under the facility which has a limit of approximately HK$0.63 million and the assets pledged to the bank of not more than 50% *(Note 2)*	
4.	General banking facilities to the extent of approximately HK$294.4 million comprising demand loans, overdraft, trade finance, revolving loans, foreign exchange and currency option and term loan facilities obtained from a bank	- General corporate and trading purposes, unless otherwise specified - The foreign exchange and currency option facility up to HK$7 million may only be used for hedging transactions - The revolving loan facility up to a maximum amount of HK$20.0 million and an overdraft facility in the amount of HK$10 million may not be applied towards property	- Three years from drawdown for the term loan facility with a principal amount of HK$20.0 million and not subject to 'repayment on demand' clause - Seven years from drawdown for the term loan facility with a principal amount of HK$35.0 million and not subject to 'repayment on demand' clause - Two years from drawdown for the demand loan facility with a principal amount of HK$40 million	- Before the Listing, it shall ensure a consolidated tangible net worth of not less than HK$150.0 million and maintain a debt ratio (i.e. consolidated total liabilities divided by consolidated total assets) of no more than 0.8 - After the Listing, in addition to satisfying the same consolidated tangible net worth covenant, our Group shall also maintain a consolidated	Approximately HK$101.94 million

	Nature of facility	Usage restrictions	Term	Specific requirements	Unutilised amount as at 30 September 2017
		acquisition or property investment - The revolving loan facility up to a maximum amount of HK$20.0 million may be used for financing our working capital or for the repayment of existing bank loans - The term loan facility with a principal amount of HK$35.0 million may only be used for the repayment of existing bank loans	- Three years from drawdown for the two term loan facilities with principal amounts of approximately HK$1.2 million and approximately HK$7.8 million respectively - Other facilities have no specific repayment dates but are subject to the bank's annual review and overriding right of repayment on demand	earnings before interest, taxes, depreciation and amortisation (the "**Consolidated EBITDA**") of at least HK$30.0 million and a ratio of the Consolidated EBITDA to gross interest expenses of not less than 3.5 times - During the term of the New Facilities, our Group shall not pay any dividend without prior written consent from the bank	
5.	General banking facilities to the extent of HK$15 million comprising trade finance, revolving term loan and overdraft facilities obtained from a bank	- General working capital requirements	- Not exceeding six months for each advance of the revolving term loan - Other facilities have no specific repayment dates but are subject to the bank's annual review and overriding right of repayment on demand	- Not applicable	Approximately HK$0.06 million
6.	Term loan facility up to HK$40 million obtained from an independent financial institution	- General corporate and trading purposes	- 24 months from drawdown	- Not applicable	HK$40 million

	Nature of facility	Usage restrictions	Term	Specific requirements	Unutilised amount as at 30 September 2017
7.	Term loan facility up to HK$40 million obtained from an independent financial institution	- General corporate and trading purposes	- 24 months from drawdown	- Not applicable	HK$40 million

Notes:

(1) As at the 30 September 2017, we had maintained a cash deposit of approximately HK$2.7 million with the consent of the bank given that we had not fully utilised the available limit of the banking facilities.

(2) As at 30 September 2017, the outstanding amount of the term loan was nil.

Except our past breach of certain debt covenant as disclosed in the sub-section headed "*Financial Information — Bank loans and overdrafts*" in this prospectus, for which we have received waivers from the relevant banks, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with the debt covenants and other terms and conditions contained in our loan facilities. Please refer to the sub-section headed "*Financial Information — Bank loans and overdrafts*" in this prospectus for further details of our compliance status of the covenants of our loan facilities. Our Directors also confirm that, after topping-up the collateral value requirement for facility numbered 2 above, we will be able to fully draw down the unutilised facilities without breaching the terms and conditions of the existing borrowings, subject to the relevant bank's or financial institution's discretion to cancel or suspend the facilities.

Based on the foregoing and taking into account the estimated net proceeds from the Share Offer, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus. For details of our working capital and repayment schedule of our bank borrowings, please refer to the sub-section headed "*Financial Information — Working capital*" and "*Financial Information — Bank loans and overdrafts*" in this prospectus.

SUSTAINABILITY OF OUR GROUP'S BUSINESS

According to the Frost & Sullivan Report, the overall outlook for the global market size for the printing products remains stable and is expected to be in a moderate growing trend despite the challenging economic situation, with an estimated CAGR of approximately 1.4% from 2016 to 2021. Our Directors are of the view, and the Sole Sponsor concurs, that our Group's business will remain sustainable in the foreseeable future for the reasons set out below.

We have demonstrated our ability to sustain our business for 24 years and grown our business in the midst of prevailing challenging business environment

Our Group was established in Hong Kong in 1992 and we are a well-established market player with 24 years of track record which included extreme difficult times. Notwithstanding the previous downturn of the economy in Hong Kong due to the outbreak of Severe Acute Respiratory Syndrome ("**SARS**") during 2002 and 2003 and the financial crisis during 2007 and 2008, our Group was able to show a stable or growing trend in revenue and remained profitable over these periods (the "**Periods**"). During the SARS period, the audited revenue of the Group for the years ended 31 March 2002 and 2003 was approximately HK$124.2 million and HK$172.9 million respectively, representing a year-over-year growth of approximately 39.3%, and the audited net profits of the Group were approximately HK$7.3 million and HK$10.9 million, respectively, representing a year-over-year increase of approximately 49.7%. During the financial crisis in 2007 to 2008, the Company also recorded the audited revenue of approximately HK$480.8 million and HK$591.2 million for the years ended 31 March 2007 and 2008, respectively, representing a year-over-year growth of approximately 23.0%, and the audited net profits of approximately HK$24.5 million and HK$26.4 million, respectively and representing a year-over-year increase of approximately 7.9%, during the same period. Our Directors consider that we have demonstrated our ability to grow our business and have proven our capacity to thrive and prosper in challenging business environment. With our proven track record during the Periods and our ability to remain profitable despite the challenging business environment, our Directors believe that our business will remain profitable and sustainable, and we have the ability to improve our profitability as and when the overall business environment improves.

Stable outlook for the market size for printing products

During the Track Record Period, most of our sales were made to publishers and print brokers whose customer base covers the U.S., U.K., Australia and Europe (excluding U.K.). According to the Frost & Sullivan Report, the export value of printed books and other printed materials from Hong Kong and the PRC to such markets was on a trend with year-on-year growth since 2013, except for the decline in export value from the PRC to Australia between 2014 and 2015 which was mainly attributable to an overall decrease in purchasing power in the Australian market as a result of the weakened Australian currency during the same period.

According to the Frost & Sullivan Report, the demand for printed books and other printed materials is expected to maintain stable. Accordingly, the market size of printing industry generally would not experience significant growth or decline. The overall outlook for the global market size for the printing products remains positive and is expected to be in a growing trend, with an estimated CAGR of approximately 1.4% from 2016 to 2021. In particular, the market size for the printing products in our major overseas markets, including the U.S., U.K. and Australia, is expected to grow at a CAGR of approximately 1.5%, 1.1% and 0.8% from 2016 to 2021 respectively, where the growth estimate in the U.S. market is expected to surpass the global market outlook. The U.S. market was our single largest overseas market during the Track Record Period, from which we derived approximately 22.3%, 25.5%, 29.3% and 32.8% of our total revenue for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. In addition, although our sales to Hong Kong-based print brokers represented the largest portion in our revenue during the Track Record Period, the U.S., U.K. and Australia were also our major geographical markets during the Track Record Period, where approximately 50.6%, 49.4%, 43.2% and 40.9% of our total revenue for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively, were derived from U.S., U.K. and Australia in aggregate. Moreover, to the best knowledge of our Directors, the printing products we produced for such Hong Kong-based print brokers were distributed to different overseas markets, which mainly cover the U.S., U.K., Australia and Europe (excluding U.K.). To capture the growth opportunities and better unleash our potential for growth in our overseas markets, we have formulated our strategy to expand our customer base and strengthen our sales and marketing coverage in the U.S. and U.K.. For details, please refer to the sub-section headed "— *Business strategies*" in this section and the sub-section headed "*Future Plans and Use of Proceeds — Implementation plans*" in this prospectus.

Furthermore, according to the Frost & Sullivan Report, the growth prospect of educational textbooks and learning materials as well as children's books is expected to outperform that of the leisure and lifestyle books, where the CAGR of educational textbooks and learning materials as well as children's books is expected to be approximately 1.8% and 1.9% from 2016 to 2021, as compared to approximately 1.1% for the leisure and lifestyle books during the same period. Although the leisure and lifestyle books were the main drivers of our revenue during the Track Record Period, we also derived approximately 32.9%, 32.6%, 31.7% and 34.0% of our total revenue from of educational textbooks and learning materials as well as children's books in aggregate for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. We believe our diversified portfolio of printing products enable us to achieve sustainable growth benefiting from the steady growing trendy of different types of printing products in the industry.

In addition, according to the Frost & Sullivan Report, the export value of printed books and other printed materials from both Hong Kong and PRC to U.S., U.K. and Australia experienced a year-over-year growth since 2013 (except for the decline from the PRC to Australia between 2014 and 2015, which was mainly due to the overall decrease in Australia's purchasing power as a result of the drop in Australian dollar), and it is expected that such growth will continue from 2016 to 2021.

We have strong ability to maintain our existing customers and develop new customers

We have established stable and long-standing business relationship with our existing customers. As at the Latest Practicable Date, we have cultivated business relationship with our top ten customers during the Track Record Period for a period ranging from one to 24 years. Our Directors believe that we have developed reputation and trust with our customers through our consistent delivery of quality products and services for years.

In addition to serving our existing customers, we have also demonstrated our ability to drive the growth of our business in a sustainable manner by constantly securing orders from new customers. Although our revenue decreased by approximately 5.8% from approximately HK$401.2 million for the year ended 31 December 2014 to approximately HK$377.8 million for the year ended 31 December 2015 which was mainly due to the decrease in orders from existing customers, we managed to expand our customer base and secure orders from new customers. During the Track Record Period, we developed approximately 41, 49, 34 and 7 new customers (*i.e.* customers who had not placed orders with the Group prior to the respective year) in the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. Such new customers contributed revenue of approximately HK$18.1 million, HK$7.7 million, HK$30.3 million and HK$2.0 million during the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 respectively.

Subject to the customer's specific requirements and our production capacity, the time span from the placement of orders by customers to the completion of production (and issuing of invoice to the customer) is typically one to two months. As at the Latest Practicable Date, we had a total of 672 purchase orders on hand with a total value of approximately HK$46.3 million, of which approximately HK$0.5 million has been invoiced and recognised as our revenue, and the balance of approximately HK$45.8 million represents the backlog value of our purchase orders on hand as at the Latest Practicable Date. Our Directors estimated that most of such purchase orders could be completed by the end of 2017.

We are well positioned to grow our business

Since our incorporation in 1992 and as led by Mr. Lam who possesses more than 35 years of experience in the printing industry, we believe we enjoy a strong reputation in our ability and reliability in providing large quantities of high quality printing products within tight timelines. According to the Frost & Sullivan Report, the demand for high quality printing products and process is on the rising trend, and the increasing awareness towards environmental friendliness is also driving changes in the book printing process. We believe such trend provides the Group with more potential business opportunities and we are well positioned to realise our potential to grow our business, as evidenced by the following:

- our stable and long-standing business relationships with our customers — we have established business relationships with our top ten customers during the Track Record Period for around one to 24 years as at the Latest Practicable Date;
- our adherence to international standards in respect of environmental control and social accountability;
- our technologically advanced production equipment and experienced engineering team enable us to produce products with efficiency and quality; and
- our proven track record of providing high quality products, as highlighted by the awards we received in recognition of our service capabilities.

For details of our competitive strengths and the awards we received, please refer to the sub-sections headed "— *Competitive strengths*" and "— *Awards and accreditations*" in this section.

Furthermore, we are operating in a highly fragmented industry with substantial entry barriers. According to the Frost & Sullivan Report, a high initial investment is often required to start a new book printing business due to a significant expenditure on machinery, production facilities and experienced manpower, while the return on investment is relatively low for a new entrant because of the substantial efforts for identifying customers and establishing sales network. It also requires comprehensive knowledge and sophisticated management as the printing industry is technique-driven and labour-intensive. For details of the entry barriers, please refer to the sub-section headed "*Industry Overview — Entry barriers*" in this prospectus. As an established player in the industry who has been supplying high quality printing products for over 24 years, we believe our experienced management team, our strengths and recognised capability as well as our enhancing technology advantages distinguish us from other industry peers in smaller-scale or with shorter operating history, thereby enabling us to grow our business in a sustainable manner.

The Listing will benefit the Group and drive a sustainable growth in our business

Our Directors believe that the business of the Group will be further enhanced after Listing by taking into account of the followings:

- we intend to utilise a portion of the net proceeds from the Listing to improve our equipment and level of automation so as to increase our production capacity. Please refer to the sub-sections headed "*Business — Business strategies — Improve our equipment and the level of automation*" and "*Future Plans and Use of Proceeds — Implementation plans*" in this prospectus for details. Our Directors believe that such improvements will enable us to handle larger orders from existing customers as well as to approach new customers with orders in large production volume;
- the Listing will provide our Group with additional opportunities and flexibilities to raise funds at a later stage after Listing, which will reduce our reliance on debt financing and help us to maintain a better gearing ratio;
- a portion of the net proceeds from the Listing will be allocated as our additional working capital, so as to further strengthen our Group's cash flow and financial position; and
- should we have the need for external debt financing in the future, our Directors believe that being a listed company in Hong Kong will allow our Group to negotiate for better terms in obtaining such debt financings.

Our profitability is expected to improve in the future with our effective cost control

We have been improving our profitability during the Track Record Period. Our gross profit margin grew from approximately 27.5% for the year ended 31 December 2014 to approximately 28.7% for the year ended 31 December 2015, and further to approximately 32.5% for the year ended 31 December 2016. Our net profit margin grew from approximately 2.9% for the year ended 31 December 2014 to approximately 3.1% for the year ended 31 December 2015, and further to approximately 3.4% for the year ended 31 December 2016. The overall improvement in our gross profit margin and net profit margin was primarily due to our effective cost control policy.

The major components of our cost of sales are raw materials and consumables and staff costs, and our cost of sales also include rents for our leased properties. Both of our overall cost of sales and our major cost components decreased or remained relatively stable during the Track Record Period. Our total cost of sales decreased from approximately HK$290.8 million in the year ended 31 December 2014 to approximately HK$269.3 million in the year ended 31 December 2015, and further decreased to approximately HK$260.5 million in the year ended 31 December 2016. For details, please refer to the sub-section headed "*Financial Information — Description of selected items for the consolidated statements of profit or loss — Cost of sales*" in this prospectus.

Based on the following observations and considering a series of measures we have taken in reducing our cost, our Directors believe that we will continue to improve our profitability in a sustainable manner going forward:

- Our business is labour-intensive as the printing process involves multiple steps which requires manual work, such as colour management, plate making, operation of printing machines, finishing of printed products, as well as the quality check of finished products. We have been in the process of improving the automation in our production, and we managed to reduce our staff cost during the Track Record Period despite the average wages paid for manufacturing labour in China have been in an upward trend in recent years. Along with the improvement of our level of automation in production, the total number of our employees was in a decreasing trend, being approximately 1,032, 958, 899 as at 31 December 2014, 2015 and 2016, respectively, which also led to the decrease in our staff cost during the same. Although there was a slight increase in the number of our full-time employees from approximately 899 as at 31 December 2016 to approximately 966 as at 31 May 2017 which was primarily due to the production peak season since April each year, such a number still represented a decreasing trend in period-over-period comparison, where the total number of our full-time employees amounted to approximately 1,056 as at 31 May 2016. Our Directors believe that we are able to further reduce our labour cost by continuing our strategy of improving our equipment and level of automation, as well as our practice to sub-contract certain labour-intensive processes to sub-contractors.
- During the Track Record Period, we leased certain premises as our production plant and warehouse in Shenzhen from a landlord, with whom we have established long-term relationship. Due to our stable relationship with this landlord and the mutual trust, we renewed our existing leases well before their expiration up to May 2020 with only moderate rent rise. For details of our rents, please refer to the sub-section headed "*— Property and plant — Leased properties*" in this section. Moreover, during the Track Record Period, we have also acquired the Properties through the acquisitions of Mr. Classic and Great China Gains, prior to which we leased the Properties as our production facility and offices in Hong Kong. Such an acquisition not only allows us to avoid the fluctuation of rents in Hong Kong and renders a saving of monthly costs at approximately HK$30,800 (being the difference

between (a) the monthly rents of the Properties based on the market rate of approximately HK$409,600 on 30 September 2017 as advised by the Property Valuer, and (b) the monthly depreciation of the Properties at approximately HK$378,800, but also strengthen our ability of minimising any disruption to operations if a landlord becomes unwilling to continue the lease on terms commercially acceptable to us. For details of our acquisition of the Properties, please refer to the sub-section headed "*History, Reorganisation and Corporate Structure — Our corporate development*" in this prospectus.

CURRENCY RISK MANAGEMENT

We are exposed to currency risk primarily through our sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, *i.e.* a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Renminbi, GBP and JPY. For further details of our exposure to currency risk, please refer to Note 28 (d) of the Accountants' Report in Appendix I to this prospectus.

The optional forward foreign exchange contract

On 15 December 2016, we entered into an optional forward foreign exchange contract, pursuant to which we will be able to exchange HK$7,331,500 for JPY110,000,000 by 24 March 2017. This arrangement is to mitigate our foreign exchange risk exposure related to the purchase of a machine at a cost of JPY110,000,000. On 14 March 2017, we exercised and settled such an optional forward foreign exchange contract. Save for the abovementioned optional forward foreign exchange contract, we have not entered into any other financial instruments for hedging purpose during the Track Record Period and up to the Latest Practicable Date. Please refer to the sub-section headed "*Financial Information — Financial instrument*" in this prospectus for details.

Our entry into this optional forward foreign exchange contract is not intended to be speculative. In light of our plan to purchase additional machinery from Japan subsequent to the Listing as set forth in the section headed "*Future Plans and Use of Proceeds*" in this prospectus, our Directors will determine by reference to our currency risk management policies as discussed below, assess our exposure to foreign exchange risk, consider whether or not and to what extent we should enter into similar forward foreign exchange contracts and monitor them in line with our currency risk management policies.

Currency risk management policies

During the Track Record Period and up to the Latest Practicable Date, our Group's hedging activities were subject to the review and monitoring by Ms. Chan Sau Po, our executive Director and chief financial officer, and the approval by Mr. Lam, our executive Director and CEO, was required before execution of any forward exchange contract.

Our current policies for the management of currency risk involve, among other things, (i) purchasing of optional forward foreign exchange contracts, whereby, all such contracts will be transacted only with authorised financial institutions in Hong Kong; (ii) compiling historical foreign exchange rates and prevailing market information from different sources by our Group's finance department for the management's reference; (iii) compiling estimates of our projected costs as well as substantial capital expenditure denominated in foreign currencies; (iv) conducting periodical review by our Board on our foreign exchange risk exposure in light of the prevailing market situation and assessing on whether any foreign currency contract is desirable; and (v) requiring our Group's finance department to provide report to our Directors on the status of all existing forward foreign exchange contracts during periodical meetings of the Board. After the Listing, our audit committee is also required to make recommendations to our Board for its approval of any amendments it considers appropriate to our currency risk management policies.

NON-COMPLIANCE

Set out below is a summary of our non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, which are in relation to workplace safety under the Hong Kong laws and regulations:

Duties in respect of safety management system

Non-compliance incidents	Reasons	Remedial measures	Possible legal consequences and impact
Great Wall failed to implement the safety management system as required by Regulations 8 and 34 of the Factories and Industrial Undertakings (Safety Management) Regulation ("**FIUSMR**") from October 2008 to December 2016. Based on the number of employees currently working in our Hong Kong Factory, our Group falls into part 2 of schedule 3 of the FIUSMR and is required to develop, implement and maintain in respect of our Hong Kong Factory a single safety management system which contains the following elements, namely: (i) a safety policy which states the commitment of the proprietor or contractor to safety and health at work; (ii) a structure to assure implementation of the commitment to safety and health at work; (iii) training to equip personnel with knowledge to work safely and without risk to health; (iv) in-house safety rules to provide instruction for achieving safety management objectives; (v) a programme of inspection to identify hazardous conditions and for the rectification of any such conditions at regular intervals or as appropriate; (vi) a programme to identify hazardous exposure or the risk of such exposure to the workers and to provide suitable personal protective equipment as a last resort where engineering control methods are not feasible; (vii) investigation of accidents or incidents to find out the cause of any accident or incident and to develop	The directors of Great Wall were not familiar with the specific requirements under the FIUSMR and did not retain any legal or professional advisers to advise them on workplace safety related matters.	Great Wall has engaged qualified personnel on 22 December 2016 to assist it to devise the relevant safety management system. On 10 January 2017, Great Wall has adopted a safety management system developed in respect of our Hong Kong Factory, pursuant to which (i) a safety policy which states the commitment of Great Wall to safety and health at work was adopted; (ii) a structure stating the respective responsibilities of the employer, management personnel, respective department heads and general staff in the implementation of the safety management system was set up; (iii) a safety training system which requires the management personnel of Great Wall to arrange for and record regular safety trainings for the staff was adopted; (iv) a general safety policy as well as specific safety policies applicable to management	Great Wall and its directors are liable on conviction to a maximum fine of HK$200,000 and to imprisonment for 6 months. Taking into account that (i) Great Wall has taken remedial measures to rectify the breach; and (ii) while Great Wall had one outstanding personal injuries claim in Hong Kong as at the Latest Practicable Date, details of which has been set out in the sub-section headed "*Business — Legal proceedings*" in this section, there is no evidence showing any direct causal connection between the accident and Great Wall's failure to implement the safety management system at the Hong Kong Factory at the time of the accident and that Great Wall has not been investigated nor has it received any warning by the Labour Department concerning the accident up to the Latest Practicable Date, our Hong Kong Legal Advisers advised that the chance of prosecution of such non-compliance by the Labour Department is not high. Even if there is any prosecution and assuming Great Wall is convicted, the chance of imprisonment of its directors is low. Based on the advice of our Hong Kong Legal Advisers above, our Directors do not believe that we have to make any provisions for the aforesaid penalties that may arise as a result of the non-compliance incidents, and our Directors are of the view that the

Non-compliance incidents	Reasons	Remedial measures	Possible legal consequences and impact
prompt arrangements to prevent recurrence; and (viii) emergency preparedness to develop, communicate and execute plans prescribing the effective management of emergency situations.		personnel, factory and warehouse staff and machinery operators were adopted; (v) an inspection system requiring respective department heads to regularly inspect, identify, analyse and rectify hazardous conditions was adopted; (vi) a system requiring management personnel to identify the types and amounts of protective equipment needed in respect of the hazardous exposure of the our operations and a system regarding the purchase, distribution, storage, record and replacement of such protective equipment were adopted; (vii) a system setting out how accidents or incidents shall be investigated, recorded, reported and followed-up was adopted; and (viii) plans and procedures for the effective management of emergency situations including injuries and fire were adopted.	noncompliance incident has no material impact on our operations, is not material to our business operation and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.

Appointment of registered safety review officer

Non-compliance incidents	Reasons	Remedial measures	Possible legal consequences and impact
Great Wall did not appoint a safety review officer to conduct safety review at the workplace and submit the safety review report in accordance with Regulations 19 and 34 of the FIUSMR from October 2008 to December 2016.	The directors of Great Wall were not familiar with the specific requirements under the Factories and Industrial Undertakings Ordinance and did not retain any legal or professional advisers to advise them on workplace safety related matters.	Great Wall has appointed a safety review officer on 21 December 2016 to conduct safety review in accordance with the FIUSMR. The first safety review was conducted on 25 January 2017.	Each of Great Wall and its directors are liable on conviction to a maximum fine of HK$200,000 and to imprisonment for 6 months. As advised by our Hong Kong Legal Advisers, since (i) Great Wall has taken remedial measures to rectify the breach; and (ii) while Great Wall had one outstanding personal injuries claim in Hong Kong as at the Latest Practicable Date, details of which has been set out in the sub-section headed "*Business — Legal proceedings*" in this section, given that there is no evidence showing the direct nexus between the accident and Great Wall's failure to implement the safety management system at the time of the accident and that Great Wall has not been investigated nor has it received any warning by the Labour Department concerning the accident up to the Latest Practicable Date, our Hong Kong Legal Advisers advised that the chance of prosecution by the Labour Department is not high. Even if there is any prosecution and assuming Great Wall is convicted, the chance of imprisonment of its directors is low. Based on the advice of our Hong Kong Legal Advisers above, our Directors do not believe that we have to make any provisions for the aforesaid penalties that may arise as a result of the non-compliance incidents, and our Directors are of the view that the noncompliance incident has no material impact on our operations, is not material to our business operation and does not reflect negatively on the ability or tendency of us, our Directors or our senior management, to operate in a compliant manner.

Set forth below is a summary of our non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, which are in relation to (1) social insurance, (2) housing provident fund under the PRC laws and regulations and (3) work safety laws and regulations in relation to the Material Workplace Accident.

Social insurance

Non-compliance incidents	Reasons	Remedial measures	Possible legal consequences and impact
Prior to the Track Record Period and during the year ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we did not make full contribution in respect of the social insurance for certain employees of Prosperous (SZ) in the PRC ("**Social Insurance related Non-compliance**"). We estimate that the total contribution shortfalls amounted to approximately RMB3.0 million, RMB3.5 million and RMB2.1 million for the year ended 31 December 2014, 2015 and 2016, respectively.	Our human resources department staffs were not familiar with the relevant laws and regulations. In addition, it is difficult in practice to make contribution to the social insurance fund for employees who are immigrant workers and are unwilling to participate in the social welfare schemes of the city to which they immigrate temporarily.	• We have been making full contribution to the social insurance for all relevant employees of Prosperous (SZ) since July 2016. • As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by relevant government authorities with respect to our Social Insurance related Non-compliance, nor has any order been received by us to pay off the shortfalls of social insurance contributions. • We have also obtained written confirmation from the Shenzhen Administration Bureau of Social Insurance Fund (深圳市社會保險基金管理局) (the "**Social Insurance Bureau**"), which states that Prosperous (SZ), being our operating subsidiary in the PRC, has no record of being imposed penalties for violating social security laws and regulations from 3 December 2010 to 31 May 2017. Our PRC Legal Advisers are of the view that the Social Insurance Bureau is the competent authority to issue the above written confirmation. Our Directors also confirmed that we have not been imposed penalties for violating social security laws and regulations during the Track Record Period. • We have established a written formal policy and implemented internal control measures for social insurance in October 2016. Specifically, such policy and measures include the following: (a) when new employees commence their positions with us, our human resources department will prepare employment records for each employee and complete registration with the social insurance schemes; (b) our finance department will make timely payments to the social insurance schemes each month; and (c) an internal control committee has been established to ensure the compliance with our internal control policies and the implementation of new internal control policies when necessary. • We have also provided training to our employees in relation to their obligations to contribute to their part of the social insurance plans as required by the applicable PRC laws and regulations.	Our PRC Legal Advisers have advised us that, in relation to the Social Insurance related Non-compliance, the relevant PRC authorities may notify us a stipulated deadline by which we are required to pay off the shortfall of social insurance premiums, and we may be liable to a surcharge for overdue payment equal to 0.05% of the outstanding amount calculated daily from the date such contributions become overdue; and if we still fail to make such payments by the stipulated deadline, we may be liable to a fine equal to one to three times the amount of outstanding contributions.

Housing provident fund

Non-compliance incidents	Reasons	Remedial measures	Possible legal consequences and impact
Prior to the Track Record Period and during the year ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we did not make full contributions in respect of the housing provident fund for certain employees of Prosperous (SZ) in the PRC ("**Housing Provident Fund related Non-compliance**"). We estimate that the total contribution shortfalls amounted to approximately RMB1.8 million, RMB2.0 million and RMB1.5 million for the year ended 31 December 2014, 2015 and 2016, respectively.	Our human resources department staffs were not familiar with the relevant laws and regulations. In addition, it is difficult in practice to make contributions to the housing provident fund for employees who are immigrant workers and are unwilling to participate in the housing provident fund schemes of the city to which they immigrate temporarily. As a result, our human resources department did not make the corresponding contribution for such employees.	• We have been making full contributions to housing provident fund for our employees of Prosperous (SZ) in the PRC since July 2016. • As at the Latest Practicable Date, except for a former employee's complaint for non-contribution to housing provident fund in the sum of RMB1,595 which has been fully settled, no administrative action, fine or penalty had been imposed by relevant government authorities with respect to our Housing Provident Fund related Non-compliance, nor has any order been received by us to pay off the shortfalls of housing provident fund contributions. • We have also obtained written confirmation from Shenzhen Housing Provident Fund Management Centre (深圳市住房公積金管理中心) (the "**Housing Provident Fund Centre**"), which states that Prosperous (SZ), being our operating subsidiary in the PRC, has no record of being imposed penalties for violating housing fund regulations during the Track Record Period. Our PRC Legal Advisers are of the view that the Housing Provident Fund Centre is the competent authority to issue the above written confirmation. Our Directors also confirmed that we have not been imposed penalties for violating housing fund regulations during the Track Record Period. • We have established a written formal policy and implemented internal control measures for housing provident fund contributions in October 2016. Specifically, such policy and measures include the following: (a) when new employees commence their positions with us, our human resources department will prepare employment records for each employee and complete registration with the housing provident funds; (b) our finance department will make timely payments to the housing provident funds each month; and (c) an internal control committee has been established to ensure the compliance with our internal control policies and the implementation of new internal control policies when necessary.	Our PRC Legal Advisers have advised us that, in relation to the Housing Provident Fund related Non-compliance: (a) we may be required by the relevant authorities to open housing provident fund accounts for certain employees of Prosperous (SZ) in the PRC by a stipulated deadline; and if we fail to do so, we may be subject to a fine of up to RMB50,000; and (b) we may also be required to pay off any shortfall of housing provident fund contributions by a stipulated deadline; and if we fail to do so, the relevant PRC authorities may apply to court for compulsory execution.

For details of our non-compliance with work safety laws and regulations in relation to the Material Workplace Accident, please refer to the sub-section headed "*Health, work safety, and environmental matters — Occupational health and safety — Material workplace accident*" in this section.

Indemnity by Our Controlling Shareholders with respect to Non-compliance Incidents

Mr. Lam and First Tech, our Controlling Shareholders, have agreed to indemnify the Group in respect of, among other matters, any penalty which would be incurred or suffered by the Group as a result of the non-compliance incidents as set out above. Our Directors are satisfied that Mr. Lam and First Tech have sufficient financial resources to honour his obligations to provide indemnities in respect of any penalty which would be incurred or suffered by the Group as a result of the aforesaid non-compliance incidents.

INTERNAL CONTROL AND CORPORATE GOVERNANCE MEASURES

Internal Control

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. Our internal control system and procedures are designed to meet our specific business needs and to minimise our risk exposure. In preparation for the Listing, we engaged the Internal Control Consultant to perform an evaluation of our Group's internal control system and procedures.

Our Internal Control Consultant carried out the reviews which covered financial reporting and accounting systems, control environment, risk assessment, control activities, information and communication, monitoring activities, as well as procedures in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Following such reviews the Internal Control Consultant's recommendations were as follow:

Material weaknesses and deficiencies identified	Rectification Measures
(1) Financial reporting	
(a) The Group recorded certain expenses items by initially adopting standard costing methods but failed to adopt adjustment by actual costing calculation.	(a) We adopted actual costing method for recording those expenses items. We have designated an inventory accountant to calculate and recognise the costing of inventories which will be reviewed by finance manager to ensure the Group record those expenses items by adopting the actual costing method as at the Latest Practicable Date and also after Listing.
(b) The Group incurred certain cut-off errors as it did not record production costs and administrative expenses in a timely manner, as a result of which certain production costs and administrative expenses were not recorded in the period which they were incurred.	(b) Our finance manager reviews and monitors our production costs and administrative expenses, so that they can be recorded in appropriate accounting period based on invoices received from third parties. We will also establish an audit committee to carry out independent review and supervision of our internal control systems and procedures, so as to ensure that our financial management and reporting practices are in line with our internal policies, and that we are in compliance with the requirements of the GEM Listing Rules.

Material weaknesses and deficiencies identified	Rectification Measures
(2) Compliance with PRC laws and regulations relating to social insurance and housing provident funds	
There were certain non-compliance incidents relating to social insurance and housing provident funds.	Please refer to the sub-section headed "— *Non-compliance*" in this section for details of our remedial measures and enhanced internal control procedures.
(3) Compliance with Hong Kong safety laws and regulations	
The Group's operation of Hong Kong Factory failed to comply with certain safety laws and regulations.	Please refer to the sub-section headed "— *Non-compliance*" in this section for details of our remedial measures and enhanced internal control procedures.
(4) Material workplace accident	
Certain deficiencies in relation to work safety were identified by Internal Control Consultants in their follow-up review subsequent to the occurrence of the Material Workplace Accident occurred at our Shenzhen Factory in March 2017, details of which are disclosed in sub-section headed "— *Health, work safety, and environmental matters — Occupational health and safety — Material workplace accident*" in this section:	
(a) Employee A who was personally involved in the accident shall be re-trained and re-assigned to other work tasks unless and until the management of Shenzhen Factory is satisfied with his re-training.	(a) We suspended Employee A's work immediately after the Material Workplace Accident, and then re-assigned him to other duties which involves no operation of forklift truck.
(b) Periodic safety awareness training shall be provided to all staff including those involved in loading of paper rolls.	(b) We convened a meeting with all operators of forklift truck to remind them to strictly comply with the respective standard operating procedures and safety requirements at all times and provided update training. We will continue to do so at least on quarterly basis.
(c) While two workmen shall operate as a team for loading paper to forklift truck, the workman assisting on the ground shall keep himself at least two metres from the forklift truck while it is loading paper rolls.	(c) After this accident, our workmen are strictly required to observe the rules of operating the forklift truck and all the related work safety guidance when operating in the work site including keeping himself at least two metres from the fork lift truck while it is loading paper rolls.

The Internal Control Consultant performed follow up reviews on our internal control system and concluded that the above recommendations have been addressed as at the Latest Practicable Date. The Internal Control Consultant did not note any findings of material weakness or insufficiency in our Group's internal control system in such follow up reviews.

Our Directors confirmed that we will continue the implementation of internal control measures as recommended by the Internal Control Consultant after Listing.

In addition to the above actions and in order to ensure sound implementation of our risk management and internal control policies, we will continue to assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections, and will continue providing our employees with appropriate internal trainings from time to time, so as to help them in strictly following our internal control and corporate governance procedures.

We will continuously monitor and improve our management procedures to ensure that effective operation of those internal controls is in line with the growth of our business and good corporate governance practice.

Corporate Governance

Our Directors are of the view that the root causes of our non-compliance incidents during the Track Record Period were due to the deficiency of our corporate governance control measures in legal compliance. In response, our Group has taken the following measures to prevent future occurrence of such non-compliance incidents and improve our corporate governance to ensure compliance with various applicable laws and regulations going forward:

(a) We have established a compliance department in October 2016 comprising three members, namely Mr. Lam (our chairman, executive Director and chief executive officer), Ms. Chan Sau Po (our executive Director and chief financial officer) and Ms. Wong Wai Sze (our Vice President — Management). The primary duty of our compliance department is to oversee all compliance-related issues of our Group. The compliance department will be responsible for the implementation of the internal control policies and procedures, which will be updated according to the guidelines, recommendations and suggestions provided by the external professional advisers from time to time.

(b) Our Company has appointed a compliance adviser, who shall provide advice regarding compliance with the GEM Listing Rules after the Listing. In addition, our compliance adviser would advise on, among other things, assessing the understanding of all new appointees to our Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer.

(c) Going forward, we will engage external professional advisers such as consultancy firms, auditors and external legal advisers to render professional advice as to compliances with the statutory requirements as applicable to our Group from time to time after Listing.

VIEWS OF OUR DIRECTORS AND THE SOLE SPONSOR

Our Directors are of the view that the non-compliance incidents of our Group during the Track Record Period as set forth in the sub-section headed "— *Non-compliance*" in this section do not and will not have any material financial or operational impact on us. After considering (i) our remedial measures; (ii) the facts and circumstances leading to the non-compliance incident disclosed herein; (iii) the advice provided by our Hong Kong Legal Advisers and PRC Legal Advisers; and (iv) as confirmed by our Directors, such non-compliance incidents were not conducted intentionally, or involved any issue in the integrity, character or competence of our Directors or senior management, our Directors are of the view and the Sole Sponsor concurs with our Directors' view that:

(i) our enhanced internal control and corporate governance measures in place are adequate and effective; and

(ii) the non-compliance incident of our Group does not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or our suitability for listing under Rule 11.06 of the GEM Listing Rules.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, our Company will be owned by First Tech as to 60%, which is in turn wholly owned by Mr. Lam. Accordingly, Mr. Lam and First Tech are our Controlling Shareholders.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Save as disclosed in the sub-section headed "*Connected Transactions — Exempt continuing connected transactions*" in this prospectus, our Directors do not expect there to be any significant transactions between our Group and our Controlling Shareholders and their respective close associates upon or shortly after Listing. Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their respective close associates after the Share Offer.

Management Independence

Our Board consists of seven Directors, of whom three are executive Directors, one is a non-executive Director and three are independent non-executive Directors. As at the Latest Practicable Date, none of our Directors and senior management had overlapping roles or responsibilities in any business operation of our Controlling Shareholders and their respective close associates (other than the Group).

All our independent non-executive Directors are sufficiently experienced and capable of monitoring our operation independently of our Controlling Shareholders. Therefore, our Directors are of the view that the interest of our Shareholders can be safeguarded. For details of our independent non-executive Directors, please refer to the section headed "*Directors, Senior management and Employees*" in this prospectus.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and not to allow any conflict between the interest of our Company and his/her personal interest. In the event that a potential conflict of interest of a material nature arises out of any transaction to be entered into between us and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum.

All our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Group for a significant length of time during which period they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the management role in our Group independently.

Financial Independence

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs. All loans, advances and balances due from/to our Controlling Shareholders and their respective close associates have been fully settled or repaid before Listing. The banks have agreed that all guarantees provided by/to our Controlling Shareholders and their respective close associates on our Group's borrowings will also be fully released upon Listing.

As such, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their close associates.

Operational Independence

We are independent from our Controlling Shareholders as we do not share operational capabilities with our Controlling Shareholders, and we have independent access to suppliers and customers, as well as an independent management team to handle our day-to-day operations. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

DEED OF NON-COMPETITION

Our Controlling Shareholders as covenantors entered into the Deed of Non-competition pursuant to which each of our Controlling Shareholders has irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and as trustee for each of our subsidiaries from time to time) that he/it will not, and will procure that his/its close associates (other than our Group) will not:

(a) either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with our Group's business in Hong Kong and any other country or jurisdiction to which our Group provides its services and/or in which any member of our Group carries on business mentioned above from time to time (the "**Restricted Business**") except for the holding of not more than 5% shareholding interests (individually and/or collectively with his/its close associates (other than our Group)) in any member of our Group and any listed company in Hong Kong, provided that (i) at all times there is a holder holding (together, where appropriate, with his/its close associates (other than our Group)) a larger percentage of the shares in such listed company than the aggregate shareholding of him/it and/or his/its close associates (other than our Group) in such listed company; and (ii) the aggregate number of his/its representative on the board of directors of such listed company is not significantly disproportionate to the percentage of his/its shareholding in such listed company; or

(b) either on his/its own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in our Group any person, firm, company or organisation who to his/its knowledge is now or has been a customer, supplier or employee of any member in our Group.

In addition, each of our Controlling Shareholders irrevocably and unconditionally undertakes and covenants that if he/it or any of his/its close associates (other than our Group), becomes aware of or receives enquiries of any actual or potential business opportunity relating to the Restricted Business or any of our products and/or services (the "**Business Opportunity**") is made available to him/it or his/its close associates (other than our Group), he/it shall direct or procure the relevant close associate (other than our Group) to direct such Business Opportunity to our Group (and not to any other person) on a timely basis but in any event no later than two weeks from the date of receipt of such enquiry or knowledge of such Business Opportunity together with such required information to enable our Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholder shall provide, or procure the relevant close associate (other than our Group) to provide, our Group with such assistance to secure such Business Opportunity as our Company or the relevant member of our Group may reasonably require. Our Company has the right within one month thereafter (or such longer period as our independent non-executive Directors may reasonably request) to take up the Business Opportunity, and in the event that our Company decides to take up the Business Opportunity, each of our Controlling Shareholders will and will procure his/its close associates (other than our Group) to use his/its reasonable endeavours to assist our Group to obtain the Business Opportunity. In the event that we decline the Business Opportunity or fail to respond within the stipulated period, the relevant Controlling Shareholder or his/its close associates (other than our Group) may take up the Business Opportunity provided that the terms upon which the relevant Controlling Shareholder or his/its close associates (other than our Group) take up the Business Opportunity shall be no more favourable to the relevant Controlling Shareholder or his/its close associates (other than our Group) than those offered to our Group.

Our Controlling Shareholders further irrevocably and unconditionally further undertake and covenant that they shall not, and shall procure that none of their close associates (other than our Group) shall, pursue such Business Opportunity unless our Group decides not to pursue such Business Opportunity, except for cases where a Controlling Shareholder's ownership of shares in a listed company is set out in the exception mentioned in paragraph (a) above. Any decision of our Group as to whether to pursue such Business Opportunity shall have to be approved by our independent non-executive Directors. For the avoidance of doubt, our Group shall not be required to pay any fees to any of our Controlling Shareholders and/or their respective close associates (other than our Group) in relation to the direction of such Business Opportunity.

Each of our Controlling Shareholders has also undertaken and agreed that (a) he/it will promptly provide our Company, in writing with any relevant information in respect of any new Business Opportunity which competes or may compete with the existing and future business of our Group which he/it or his/its close associates (other than our Group) may have knowledge for the Company to assess such new Business Opportunity; (b) he/it will, and will procure his/its close associates (other than our Group) with material interests to, abstain from voting at all meetings of Directors and holders of Shares on resolutions involving the exercise or non-exercise of the right of our Group to participate in the relevant Restricted Business; (c) he/it will provide all information reasonably required or necessary to our Company for the enforcement of the Deed of Non-competition; and (d) he/it will make an annual declaration in favour of our Company on whether he/it has fully complied with his/its obligations under the Deed of Non-competition, for inclusion in the annual reports of our Company in the manner consistent with the principles of making voluntary disclosures in the section headed "Corporate Governance Report" of the annual reports prepared in accordance with the requirements of the GEM Listing Rules from time to time. Furthermore, our Company's annual reports after Listing will disclose (i) our Controlling Shareholders' confirmation on compliance with the Deed of Non-Competition and (ii) the decision, with basis, on matters reviewed by our independent non-executive Directors in relation to the compliance and enforcement of the Deed of Non-competition.

The Deed of Non-competition and the rights and obligations thereunder are conditional and will take effect immediately upon Listing. The obligations of our Controlling Shareholders under the Deed of Non-competition will remain in effect until the earlier of:

(a) the date on which the Shares cease to be listed on GEM; or

(b) our Controlling Shareholders and their respective close associates (other than our Group) and/or successors, individually and/or collectively, cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules from time to time).

Each of our Controlling Shareholders also represented and warranted to our Company in the Deed of Non-competition that neither of he/it nor any of his/its close associates is currently interested, involved or engaging, directly or indirectly, in (whether as a principal, shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group.

As our Controlling Shareholders have given non-competition undertakings in favour of our Company, and none of them has interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of our Controlling Shareholders following the Listing.

As at the Latest Practicable Date, none of our Controlling Shareholders and our Directors and their respective close associates has interests in any business which competes or is likely to compete with the business of our Company.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage any conflicts of interest arising from the competing business of our Controlling Shareholders and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review, at least on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;

(b) our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition and our Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company;

(c) our independent non-executive Directors will be responsible for deciding and given the authority to decide in the Business Opportunities referred to our Group by our Controlling Shareholders (or their close associates). In addition, our independent non-executive Directors may, at the costs of our Company and from time to time, engage independent financial adviser and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters;

(d) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 20 of the GEM Listing Rules, including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of any waiver from strict compliance with relevant requirements under the GEM Listing Rules;

(e) in the event that there is any conflict of interest in the operations of our Group and our Controlling Shareholders, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his/her interests to our Board. Pursuant to the Articles of Association, should a Director have any material interests in the matter, he/she shall not vote on the resolutions of our Board approving the same and shall not be counted in the quorum of the relevant Board meeting;

(f) our Directors will ensure that any material conflict or potential conflict involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities; and

(g) our Company has appointed Kingsway Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and GEM Listing Rules including various requirements relating to directors' duties and internal control measures.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

PAST TRANSACTIONS WITH RELATED PARTIES

Our Group had engaged in, but has since ceased, the following transactions during the Track Record Period which, if continued after the Listing, would have constituted connected transactions or continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules:

(i) Subcontracting arrangements with Royal Step (SZ)

Ms. Yao, our executive Director and the spouse of Mr. Lam, held 50% equity interest in (深圳市皇泰印刷有限公司) (Shenzhen Royal Step Printing Company Limited) ("**Royal Step (SZ)**") by utilising her own financial resources, when Royal Step (SZ) was incorporated in 2008 prior to her marriage to Mr. Lam. Her equity interest in Royal Step (SZ) was subsequently increased to 80% through changes in the shareholding structure of Royal Step (SZ) during the period from 2008 to 2015. Royal Step (SZ) was one of our sub-contractors during the Track Record Period. In May 2015, Ms. Yao transferred all of her equity interest in Royal Step (SZ) to an Independent Third Party. As at the Latest Practicable Date, neither Ms. Yao, our Controlling Shareholders nor any of their respective close associates held any interest in Royal Step (SZ).

During the three years ended 31 December 2016, our Group paid sub-contracting fees of approximately HK$13.4 million, HK$5.4 million and HK$7.0 million to Royal Step (SZ) respectively, of which HK$13,401,000 and HK$133,000 were paid during the year ended 31 December 2014 and the period from 1 January 2015 to 4 May 2015, respectively and constituted related party transactions. For further details, please refer to Note 31(c) of the Accountants' Report included in Appendix I to this prospectus. The subcontracting fees were agreed after arm's length negotiations between our Group and Royal Step (SZ) with reference to comparable market prices, where applicable, and were on normal commercial terms in the ordinary course of business.

(ii) Disposal of plant and machinery to Royal Step (SZ)

During the year ended 31 December 2014 and the period from 1 January 2015 to 4 May 2015, our Group sold certain of our Group's plant and machinery at a consideration of HK$10,458,000 and HK$5,768,000 to Royal Step (SZ), resulting in a gain on disposal of HK$2,490,000 and HK$1,140,000, respectively. Such disposal of our Group's plant and machinery to Royal Step (SZ) was carried out based on mutually agreed terms with reference to the comparable market price, where applicable, and on normal commercial terms in the ordinary course of business.

(iii) Acquisition of Mr. Classic and Great China Gains

On 29 July 2016, as part of the Reorganisation, our Group acquired the entire issued share capital of together with the shareholder's loan to Mr. Classic and Great China Gains, being the respective holding company of Super Noble and Tactful Hero. The total consideration of the acquisitions was approximately HK$62,177,741 and HK$71,659,711 respectively. The considerations of the acquisitions were determined by the parties after arm's length negotiations with reference to the unaudited net asset values of Super Noble and Tactful Hero as at 29 July 2016 (after taking into account the revaluation of the properties held by Super Noble and Tactful Hero as at the 29 July 2016 of HK$61,900,000 and HK$69,900,000 respectively as appraised by an independent valuer).

Immediately before the acquisitions, Mr. Classic and Great China Gains were wholly owned by Mr. Lam, our Controlling Shareholder and our Group leased the Properties from Super Noble and Tactful Hero with a total monthly rent of HK$301,000.

Our Directors consider that the acquisition of Mr. Classic and Great China Gains was beneficial to our Group and our Shareholders as a whole, after taking into account that (i) owning the premises for our production facilities allows us to minimise any disruption to our operation and the relocation costs in the event that the owner of the Properties does not want to continue leasing us the Properties on terms commercially acceptable to our Group; (ii) the inclusion of the Properties in our Group increased our asset base and thus put us in a better bargaining position when negotiating financing with banks in the future; (iii) our financial performance is expected to improve following the acquisition since the annual interest expense which we would otherwise have incurred had the acquisition been partly financed by bank borrowings will be less than the annual rentals we paid to Super Noble and Tactful Hero prior to the acquisitions or, where applicable, the market rent for comparable premises in the vicinity; and (iv) we will reduce our reliance on and minimise the amount of connected transactions with our Controlling Shareholders after Listing.

Please refer to the section headed "*History, Reorganisation and Corporate Structure*" in this prospectus for details.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

It is expected that the transactions disclosed below will continue after the Listing, thereby constituting continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules:

On 1 September 2016, our Company entered into an agreement (the "**CCT Agreement**") with Ms. Yao and Mr. Lam, pursuant to which, for the period of 28 months commencing from 1 September 2016 and expiring on 31 December 2018:

(i) Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, have granted to our Company an exclusive right to use the Vehicle Licences, as the same may be extended or renewed from time to time (the "**Licences' Usage Right**"); and

(ii) our Company has granted to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, a non-exclusive licence to use the names "Prosperous" or "萬里" (whether used individually or together) for the Partnership (the "**Names' Usage Right**").

The Licences' Usage Right was granted by Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, to our Company in consideration of our Company granting them, in their capacities as the partners of the Partnership, the Names' Usage Right, and vice versa.

Business activities of the Partnership

The Partnership does not have any business activities other than the holding of the Vehicle Licences. Ms. Yao and Mr. Lam, for themselves and in their capacities as partners of the Partnership, have collectively and individually undertaken to our Group that they will not use the names "Prosperous" or "萬里" or other similar names except for holding the Vehicle Licences.

Relationship with our Group

As both Ms. Yao and Mr. Lam are our executive Directors and Mr. Lam is also our Controlling Shareholder, they will become connected persons of our Company upon the Listing pursuant to Rule 20.07(1) of the GEM Listing Rules.

Reasons for the transactions

Our Company has been granted the exclusive right to use the Vehicle Licences since 2001. Taking into consideration that (i) the Vehicle Licences enable our management to travel between its headquarters in Hong Kong and the Shenzhen Factory by motor vehicle in a timely and cost effective manner; and (ii) the Vehicle Administration Office of the Guangdong Public Security Bureau no longer accepts any application for approval notice authorising the motor vehicle to travel between the Guangdong Province and Hong Kong (via Huanggang Port), our Directors consider that retaining the Licences' Usage Right is beneficial to our Group and our Shareholders as a whole.

Our Directors' and the Sole Sponsors' view on the transactions contemplated under the CCT Agreement

Having consulted the Vehicle Administration Office, our Directors understand that (i) the ownership of the Vehicle Licences cannot be transferred; and (ii) any change of name of the Partnership will result in the cancellation of the Vehicle Licences. Our independent non-executive Directors have also confirmed that the transactions contemplated under the CCT Agreement have been and will be conducted on normal commercial terms or better, are fair and reasonable and in the interests of our Shareholders as a whole. On this basis and also in light of the following, our Directors (including our independent non-executive Directors) are of the view, with which the Sole Sponsor concurs, that the transactions contemplated under the CCT Agreement are on normal commercial terms or better:

- the granting to Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, the Names' Usage Right for the sole purpose of holding the Vehicle Licences in return for the granting to our Company Licences' Usage Right is part and parcel of the reciprocal arrangement contemplated under the CCT Agreement;
- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership agreed to grant to our Group the Licences' Usage Right without charging any fee and only in consideration of our Company granting them, in their capacities as the partners of the Partnership, the Names' Usage Right; and
- Ms. Yao and Mr. Lam, in their capacities as the partners of the Partnership, have collectively and individually undertaken to our Group that they will not use the names "Prosperous" or "萬里" or other similar names except for holding the Vehicle Licences.

GEM Listing Rules implications

As all the applicable percentage ratios (as defined in the GEM Listing Rules) for the transaction amounts under the CCT Agreement are less than 5% and HK$3,000,000, the transactions contemplated under the CCT Agreement will be fully exempt from Shareholders' approval, annual review and all disclosure requirements pursuant to Rule 20.74(1) of the GEM Listing Rules upon the Listing.

REASONS FOR THE LISTING

Our Directors believe that the listing of our Shares on GEM will facilitate the implementation of our business strategies. The net proceeds from the Share Offer will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position as a reliable provider of printing products and expand our market share.

Our Directors further believe that the Listing would:

- enhance our access to capital for future growth and reduce our reliance on our Controlling Shareholders. Currently, our Group relies on our internal funding and bank borrowings for business operations. For future development and growth, it is important for us to expand our source of capital for the implementation of our business strategy, where we aim to constantly improve our equipment and the level of automation, as well as strengthen our sales and marketing coverages. The Listing will provide us with the opportunities for fund raising not only at Listing but also at a later stage. Moreover, as it is expected that the market interest rates will be on the uptrend in the future, our Directors are of the view that it will be beneficial to our Group for not relying only on debt financing. In addition, the banks have agreed that the personal guarantees from Mr. Lam, our Controlling Shareholder, for the banking facilities will be fully released upon Listing. This will enable our Group to reduce the reliance on the support from our Controlling Shareholders;
- strengthen our cash flow and financial position to pursue more business. Our Group generally requires sufficient amount of working capital to process large scale of orders from customers and cover the purchase of raw materials and operating expenses. The Listing will strengthen our cash flow and financial position. Our Directors believe that with the improved cash flow and financial position, it will enable our Group to pursue greater size of purchase orders from our existing and potential customers;
- enhance our profile, visibility and our market presence to generate reassurance among our clients and suppliers. We believe that our customers, being Hong Kong-based print brokers with customers in overseas markets and international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.), prefer working with business partners who are listed companies given their reputation and listing status. By way of Listing, we can elevate our corporate image and provide reassurance and confidence to our customers and suppliers, which in turn provides us with a stronger bargaining position in exploring new business opportunities with our customers and suppliers. Furthermore, a more established corporate image will also enable us to take on projects of greater size;
- enhance our operational efficiency and corporate governance through compliance with rigorous disclosure standards which we believe would enhance our internal control, operating systems and risk management;
- enhance our ability to negotiate for terms and conditions more favourable to us should we have the needs for additional debt financing from banks in the future. To the best knowledge of our Directors, banks will be more willing to offer favourable terms to us if we become a listed company with our shares publicly traded on a creditable exchange, primarily because we will be subject to more stringent corporate governance requirements and our enhanced corporate transparency could strengthen our credibility;
- to the best knowledge of our Directors, bring us, to a certain extent, in parallel with certain of our competitors who are Hong Kong-listed printing services providers;

- enhance employee incentive and commitment. Human resources and talents are vital to our business. Being a listed company enables us to offer additional incentive to our personnel, so as to better attract, recruit and retain our valued management personnel, employees and skilled professionals. In this regard, we have also put in place the Share Option Scheme to attract and retain talents. Please refer to the sub-section headed "*Statutory and General Information — D. Share Option Scheme*" in Appendix V to this prospectus for a summary of principal terms of the scheme; and
- broaden our shareholder base. We believe that the Listing will enhance the liquidity of Shares, where the Shares are allowed to be freely traded on the Stock Exchange, as compared to the limited liquidity when they could only be privately traded before the Listing. Furthermore, the Listing will offer us a broader shareholder base which could lead to a more liquid market in the trading of the Shares.

Although the amount of the expenses for the Listing represents a significant proportion of the gross proceeds from the Share Offer, these are non-recurring costs that we would not have to pay following completion of the Listing. For the reasons stated above, our Directors believe that the Listing is beneficial to us in the long run.

FUTURE PLANS

Being a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.), we intend to continue building our competitive strengths and improving our business performance. To achieve these goals, our Directors have developed the following business strategies to achieve our business objectives:

- improving our equipment and the level of automation;
- expanding customer base and strengthening sales and marketing coverages; and
- attracting and retaining top talent in the industry

Please refer to the sub-section headed "*Business — Business strategies*" in this prospectus for more details of our business objectives and future plans.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 30 June 2020, and their respective scheduled completion times are based on certain bases and assumptions as set out the paragraph headed "*— Bases and key assumptions*" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed "*Risk Factors*" in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

For the Period from the Latest Practicable Date to 31 December 2017

Future Plans:	Implementation Plans:
Improve our equipment and the level of automation	• Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency.

Expand customer base and strengthen sales and marketing coverages	• Implement the following measures from time to time: — conduct site visits (through internal sales team or sales representatives) to at least ten potential international publishers and/or print brokers for business development in every calendar year; — conduct site visits (through internal sales team or sales representatives) to at least half of the top twenty customers to obtain after-sales feedback and maintain business contacts in every calendar year; — maintain and enhance our website to include more information of our printing capabilities; and — increase our exposure on the various online search platforms.
Attract and retain top talent in the industry	• Recruit one head of sales and customer services team, who will be responsible for developing clienteles of publishers as well as print brokers. The candidate shall have at least ten years of experience in business development in printing industry.

For the Period from the 1 January 2018 to 30 June 2018

Future Plans:	Implementation Plans:
Improve our equipment and the level of automation	• Purchase one Printing Press Machine to improve production efficiency and level of automation and to reduce labour costs; • Purchase one Digital Printing Machine to enhance our printing capacity for small-to-medium sized orders without the need for printing plate; and • Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency.
Expand customer base and strengthen sales and marketing coverages	• Attend London Book Fair and BookExpo America and promote our brand awareness among international publishers by placing advertisement and/or circulating pamphlets; and • Implement the following measures from time to time: — conduct site visits (through internal sales team or sales representatives) to at least ten potential international publishers and/or print brokers for business development in every calendar year; — conduct site visits (through internal sales team or sales representatives) to at least half of the top twenty customers to obtain after-sales feedback and maintain business contacts in every calendar year;

Future Plans:	Implementation Plans:
	— maintain and enhance our website to include more information of our printing capabilities; and — increase our exposure on the various online search platforms.
Attract and retain top talent in the industry	• Recruit two general sales staff to follow up with the potential client target identified by the head of sales team. The candidates shall have at least three years of experience in business development in printing industry.

For the Period from the 1 July 2018 to 31 December 2018

Future Plans:	Implementation Plans:
Improve our equipment and the level of automation	• Upgrade our computer-to-plate system to improve printing process time; and • Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency.
Expand customer base and strengthen sales and marketing coverages	• Attend Frankfurt Book Fair and promote our brand awareness among international publishers by placing advertisement and/or circulating pamphlets; and • Implement the following measures from time to time: — conduct site visits (through internal sales team or sales representatives) to at least ten potential international publishers and/or print brokers for business development in every calendar year; — conduct site visits (through internal sales team or sales representatives) to at least half of the top twenty customers to obtain after-sales feedback and maintain business contacts in every calendar year; — maintain and enhance our website to include more information of our printing capabilities; and — increase our exposure on the various online search platforms.
Attract and retain top talent in the industry	• Recruit two customer support services staff to provide general customer support services in relation to product quality, delivery schedule etc. The candidates shall have at least three years of experience in printing industry with technical knowledge of printing machinery.

For the Period from the 1 January 2019 to 30 June 2019

Future Plans:	**Implementation Plans:**
Improve our equipment and the level of automation	• Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency.
Expand customer base and strengthen sales and marketing coverages	• Attend London Book Fair and BookExpo America and promote our brand awareness among international publishers by placing advertisement and/or circulating pamphlets; • Implement the following measures from time to time: — conduct site visits (through internal sales team or sales representatives) to at least ten potential international publishers and/or print brokers for business development in every calendar year; — conduct site visits (through internal sales team or sales representatives) to at least half of the top twenty customers to obtain after-sales feedback and maintain business contacts in every calendar year; — maintain and enhance our website to include more information of our printing capabilities; and — increase our exposure on the various online search platforms.

For the Period from the 1 July 2019 to 31 December 2019

Future plans:	**Implementation plans:**
Improve our equipment and the level of automation	• Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency.
Expand customer base and strengthen sales and marketing coverages	• Attend Frankfurt Book Fair and promote our brand awareness among international publishers by placing advertisement and/or circulating pamphlets; and • Implement the following measures from time to time: — conduct site visits (through internal sales team or sales representatives) to at least ten potential international publishers and/or print brokers for business development in every calendar year; — conduct site visits (through internal sales team or sales representatives) to at least half of the top twenty customers to obtain after-sales feedback and maintain business contacts in every calendar year;

— maintain and enhance our website to include more information of our printing capabilities; and

— increase our exposure on the various online search platforms.

For the Period from the 1 January 2020 to 30 June 2020

Future plans:	Implementation plans:
Improve our equipment and the level of automation	• Upgrade other software and purchase accessory for machinery from time to time, so as to improve production efficiency.
Expand customer base and strengthen sales and marketing coverages	• Attend London Book Fair and BookExpo America and promote our brand awareness among international publishers by placing advertisement and/or circulating pamphlets; • Implement the following measures from time to time: — conduct site visits (through internal sales team or sales representatives) to at least ten potential international publishers and/or print brokers for business development in every calendar year; — conduct site visits (through internal sales team or sales representatives) to at least half of the top twenty customers to obtain after-sales feedback and maintain business contacts in every calendar year; — maintain and enhance our website to include more information of our printing capabilities; and — increase our exposure on the various online search platforms.
Attract and retain top talent in the industry	• Starting from the first half of 2020, our Directors will review and evaluate the work performance such as the business flow procured by the particular team and the after-sales feedback from customers, and determine the recruitment and allocation of additional positions in light of the review results.

BASES AND KEY ASSUMPTIONS

The business objectives set out by the Directors are based on the following bases and key assumptions:

- there will be no significant change in respect of the existing political, legal, fiscal, social or economic conditions in Hong Kong and other places in which our Group operates or intends to operate;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;

- there will be no material change in the existing laws (whether in Hong Kong, the PRC or any part of the world), policies, or industry or regulatory treatment relating to us, or in the political, economic or market conditions in which we operate;
- there will be no material change in the bases or rates of taxation applicable to us;
- there will be no significant change in the business relationships with our major customers;
- there will be no change in the effectiveness of any licences and permits obtained by us; and
- we will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

USE OF PROCEEDS

Our Directors consider that net proceeds from the Share Offer are crucial for financing our Group's business strategies. Please refer to the section headed "*Business — Business strategies*" in this prospectus for details of our corporate strategies, and the paragraph headed "— *Implementation plans*" in this section for details of our business plans. On the basis that the Offer Price is HK$0.30 (being the mid-point of the indicative range of the Offer Price), our Directors estimate that the net proceeds to be received by us from the Share Offer (after deducting underwriting commissions and estimated total expenses paid and payable by us in connection with the Share Offer) will be approximately HK$31.4 million. We plan to apply these net proceeds to implement the following future plans:

(1) approximately HK$10.8 million, representing approximately 34.4% of the net proceeds, will be used for the purchase of machinery and for improving and upgrading our equipment and level of automation;

(2) approximately HK$15.4 million, representing approximately 49.0% of the net proceeds, will be used for repayment of our following outstanding bank loans which carry comparatively high interest rates:

Repayment Schedule	Bank	Interest rate (per annum)	Maturity	Usage
From the Latest Practicable Date to 31 December 2017	Bank of China	HIBOR[(1)] + 3.0%	Repaid every six months	Working capital purpose
During the six months ended 30 June 2018	Bank of China	HIBOR[(1)] + 3.0%	Repaid every six months	Working capital purpose
During the six months ended 31 December 2018	Chong Hing Bank	Prime Rate[(2)] - 1.75%	Annually	Working capital purpose

Notes:

(1) As at the Latest Practicable Date, the effective rate of HIBOR adopted by Bank of China is approximately 0.56% which is subject to fluctuation from time to time. No penalty will apply to early settlement.

(2) As at the Latest Practicable Date, the effective rate of Prime Rate adopted by Chong Hing Bank is approximately 5.25%, which is subject to fluctuation from time to time. No penalty will apply to early settlement.

(3) approximately HK$3.2 million, representing approximately 10.2% of the net proceeds, will be used for expanding customer base and strengthening sales and marketing coverages;

(4) approximately HK$1.5 million, representing approximately 4.8% of the net proceeds, will be used for recruiting additional top talent in sales, marketing and customer services and enhancing internal training to support future growth; and

(5) approximately HK$0.5 million, representing approximately 1.6% of the net proceeds, will be used for additional working capital and other general corporate purposes.

For the period from the Latest Practicable Date to 30 June 2020, our Directors currently plan to allocate and use our net proceeds from the Share Offer as follows:

	From the Latest Practicable Date to 31 December 2017	For the six months ending					From time to time for the three years of 2018, 2019 and 2020	Approximate % of the total net proceeds
		30 June 2018	31 December 2018	30 June 2019	31 December 2019	30 June 2020		
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	
Improve our equipment and the level of automation[(1)]	-	7.50	2.00	-	-	-	1.30[(2)]	34.4%
Repayment of bank borrowings[(3)]	4.80	10.6	-	-	-	-	-	49.0%
Expand customer base and strengthen sales and marketing coverages		0.30	0.30	0.30	0.30	0.30	1.70	10.2%
Attract and retain top talent in the industry	-	-	-	-	-	-	1.50[(4)(5)]	4.8%
Additional working capital and other general corporate purposes	-	-	-	-	-	-	0.50	1.6%
	4.80	18.40	2.30	0.30	0.30	0.30	5.00	100.0%

Notes:

(1) We estimate the addition of one printing machine and one digital printing machine will increase our Group's maximum printing capacity by approximately 47.1 million sheets per annum, and the upgrade of our computer-to-plate system will increase our Group's printing capacity by approximately 800 sheets per day. With a depreciation rate of plant and equipment of 10%, we estimate our Group will record additional annual depreciation charges of approximately HK$1.1 million.

(2) We need to purchase upgrade to software (such as CTP system) and more advanced accessory to the existing machinery so as to improve production efficiency from time to time. We estimate that such expenses will be up to approximately HK$0.4 million for each of the three years of 2018, 2019 and 2020. Periodic upgrade to software and machinery are more economical as compared to replacement with software and machinery.

(3) We intend to use part of the net proceeds to repay our outstanding bank loans which carry comparatively high interest rates in the principal amount of approximately HK$15.4 million. If such bank loans are repaid, it is estimated that our Group will be able to save finance costs of approximately HK$0.5 million per annum.

(4) We estimate that the basic monthly salary for the head of sales and customer services team is approximately HK$20,000; and the basic monthly salary for each of the four additional sales staff and customer support services staff who are to be based in our Shenzhen Factory is approximately HK$6,000, and hence the total expenses for the additional staff for the three years of 2018, 2019 and 2020 would be approximately HK$1.5 million. We shall also review the performance-based bonus incentive scheme from time to time so as to remain competitive in the market.

(5) We consider that it will be more efficient from client management perspectives for each sales, marketing and customer services team to follow up on the clientele developed by itself and the standard headcounts would consist of one team head, two general sales staff and two customer support services staff. Depending on the business needs and market conditions, we might apply our working capital to set up an appropriate number of such teams.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

If the Offer Price is fixed at high-end of the indicative Offer Price range and assuming the Offer Size Adjustment Option is not exercised, the net proceeds we receive from the Share Offer will increase by approximately HK$9.3 million. Our Directors currently intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range and assuming the Offer Size Adjustment Option is not exercised, the net proceeds we receive from the Share Offer will decrease by approximately HK$9.3 million. Our Directors currently intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Offer Size Adjustment Option is exercised in full, we estimate that the additional net proceeds from the placing of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK$9.8 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range; (ii) HK$8.4 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range; and (iii) HK$7.0 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range. Any additional proceeds received by us from the exercise of the Offer Size Adjustment Option will also be allocated to the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments as permitted by the relevant laws and regulations.

In the event of any material change in our use of net proceeds from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

BOARD OF DIRECTORS

The Board currently consists of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

Name	Age	Present position(s) in our Company	Date of joining our Group	Date of appointment as Director	Responsibilities	Relationship with other Directors *(Note)*
Executive Directors						
Mr. Lam Sam Ming (林三明)	56	Chairman of our Board, executive Director and CEO, chairman of the nomination committee, chairman of the risk management committee and member of the remuneration committee	23 December 1992	26 April 1993	Responsible for the overall strategic planning and management of our Group	Spouse of Ms. Yao
Ms. Yao Yuan (姚遠)	40	Executive Director and member of the risk management committee	1 January 2016	10 March 2016	Responsible for overseeing our Group's operations in the PRC	Spouse of Mr. Lam
Ms. Chan Sau Po (陳秀寶)	44	Executive Director, chief financial officer and member of the risk management committee	14 February 1997	8 September 2016	Responsible for the corporate financial planning, accounting and treasury management of our Group	N/A
Non-executive Director						
Mr. Ong Chor Wei (王祖偉)	48	Non-executive Director	8 September 2016	8 September 2016	Supervision in our corporate governance matters	N/A

Name	Age	Present position(s) in our Company	Date of joining our Group	Date of appointment as Director	Responsibilities	Relationship with other Directors *(Note)*
Independent non-executive Directors						
Ms. Cheung Yin (張延)	52	Independent non-executive Director, chairman of the audit committee, member of the remuneration committee and member of the nomination committee	15 November 2017	15 November 2017	Responsible for providing independent advice to our Board	N/A
Mr. Wong Hei Chiu (黃禧超)	50	Independent non-executive Director, chairman of the remuneration committee, member of the audit committee and member of the nomination committee	15 November 2017	15 November 2017	Responsible for providing independent advice to our Board	N/A
Mr. Leung Vincent Gar-Gene (梁家進)	32	Independent non-executive Director and member of the audit committee	15 November 2017	15 November 2017	Responsible for providing independent advice to our Board	N/A

Note: Other than relationship through or relating to our Group

Executive Directors

Mr. Lam Sam Ming (林三明) ("Mr Lam"), aged 56, was appointed as our Director on 26 April 1993 and was re-designated as our executive Director on 8 September 2016. He is also the chairman and CEO of our Group and a Controlling Shareholder.

Mr. Lam is primarily responsible for the overall management and formulation of business strategy of our Group. He also oversees the overall financial and operation functions of our Group.

Mr. Lam has over 35 years of experience in the printing industry. Mr. Lam began his career in the printing industry when he was registered as an apprentice of The Hong Kong Printers Association in September 1976. Prior to founding our Group, Mr. Lam started his career in the industry when he was first employed as an apprentice by Hing Yip Printing Co. Ltd ("**HYP**"). He spent over 10 years with HYP between January 1983 and March 1993 and his last position at HYP was a manager of the production department.

Mr. Lam established our Group through L & L in December 1992. Since then he has been in charge of the overall business strategies and operation of our Group. Please refer to the section headed "*History, Reorganisation and Corporate Structure — Our Corporate Development*" in this prospectus for further details. Currently, Mr. Lam assumes various directorships in our Group including those in Printplus, Great Wall and Century Sight. Mr. Lam is the spouse of Ms. Yao who is also our executive Director.

As set out in the sub-section headed "*Business — Health, Work Safety, and Environmental Matters — Occupational health and safety — Material workplace accident*" in this prospectus, a fatal workplace accident occurred at our Shenzhen Factory in March 2017, as a result of which Mr. Lam, being the legal representative of Prosperous (SZ), was adjudicated by the Longgang District Administration of Work Safety of Shenzhen Municipality (深圳市龍崗區安全生產監督管理局) to have failed to discharge his leadership responsibility in respect of managing and ensuring safe production and identifying risks at the Shenzhen Factory, which is deemed to be a breach of Article 18 of the Safety Production Law of the PRC (中華人民共和國安全生產法). Mr. Lam was also ordered to pay an administrative fine of RMB36,000, which has been settled as of the Latest Practicable Date. Our PRC Legal Advisers are of the view that it is unlikely for Mr. Lam to face further administrative penalty or any other form of penalty, and that the risk of future prosecution against Mr. Lam is extremely remote.

Our Directors (including our independent non-executive Directors) are of the view, which the Sole Sponsor concurs, that Mr. Lam is, on the whole, competent and able to fulfil his duties of care and due diligence and hence is suitable to act as a Director pursuant to Rules 5.01 and 5.02 of the GEM Listing Rules. For details, please refer to the sub-section headed "*Business — Health, Work Safety, and Environmental Matters — Occupational health and safety — Material workplace accident — Views of our Directors and the Sole Sponsor*" in this prospectus.

Mr. Lam was the sole director of Topping Shiny Limited ("**Topping Shiny**"), which was incorporated in Hong Kong, prior to its dissolution on 17 March 2017. The principal business of Topping Shiny was the provision of personalised photo albums. Topping Shiny was dissolved by way of deregistration under section 750 of the Companies Ordinance. Under this section, an application for deregistration can only be made if (a) all the members of the company agreed to such deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than 3 months immediately before the application; and (c) the company has no outstanding liabilities. Mr. Lam has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

Ms. Yao Yuan (姚遠) ("Ms. Yao"), aged 40, was appointed as our Director on 10 March 2016 and was re-designated as our executive Director on 8 September 2016.

Ms. Yao is primarily responsible for overseeing and liaising with local officials in relation to our Group's operations in the PRC. She has over 9 years of experience in the management of printing business and operations in the PRC. Prior to joining our Group, Ms. Yao was the general manager and a majority shareholder of Royal Step (SZ) which was one of our Group's sub-contractors during the Track Record Period and was primarily responsible for the overall management of the company, from 2008 to 2015. Ms. Yao was also the director of Royal Step Printing Company Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party, from 2008 to 2015.

Ms. Yao graduated from the University of Qiqihar (齊齊哈爾大學), the PRC, in July 1999 with a specialised diploma in Mechanical Design and Manufacturing (機械設計及製造). Ms. Yao is the spouse of Mr. Lam who is also our executive Director. Ms. Yao has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

Ms. Chan Sau Po (陳秀寶) ("Ms. Chan"), aged 44, was appointed as our executive Director and chief financial controller of our Group on 8 September 2016.

Ms. Chan is primarily responsible for corporate financial planning, risk management, investor relations, accounting and treasury management of our Group. Ms. Chan joined our Group in February 1997 and has over 26 years of experience in accounting. Prior to joining our Group, she was employed by Stephen Law & Company, an audit firm, as Audit Senior from September 1991 to February 1997.

Ms. Chan obtained her higher diploma in accountancy from the Hong Kong Polytechnic University in 1999. Ms. Chan has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

Non-executive Director

Mr. Ong Chor Wei (王祖偉) ("Mr. Ong"), aged 48, was appointed as our non-executive Director on 8 September 2016. He has extensive experience in finance and accounting. Mr. Ong was or has been a director of the following listed companies in the three years immediately preceding the date of this prospectus:

Period of Services	Name of the listed companies	Principal business activities	Position held	Responsibilities
November 2012 to October 2016	Hong Wei (Asia) Holdings Company Limited, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8191)	Manufacturing and sale of particle board	Non-executive director	Board oversight and providing independent judgement
December 2007 to present	Joyas International Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: E9L)	Design, manufacture and sale of metal gift products and jewellery products and nickel distribution	Non-executive director	Overseeing the management
March 2010 to present	Man Wah Holdings Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 1999)	Production and sales of sofas	Non-executive director re-designated to independent non-executive director	Board oversight and providing independent judgement

Period of Services	Name of the listed companies	Principal business activities	Position held	Responsibilities
April 2010 to present	O-Net Communications (Group) Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 877)	Design, manufacturing and sale of optical networking subcomponents, modules and subsystem used in high-speed telecommunications and data communications	Independent non-executive director	Board oversight and providing independent judgement
June 2010 to present	Net Pacific Financial Holdings Limited, whose shares are listed on the Singapore Exchange (Stock Code: 5QY)	Provision of financing services	Executive director and chief executive officer	Day-to-day operations, strategic planning and major decision making
March 2014 to present	Zibao Metals Recycling Holdings Plc, whose shares are listed on the London Exchange (Stock Code: ZBO)	Trading of recyclable metal	Executive finance director	Overseeing the finance function within Zibao Metals Recycling Holdings Plc and its subsidiaries
November 2015 to present	Denox Environmental & Technology Holdings Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 1452)	Manufacturing plate-type DeNox catalysts	Independent non-executive director	Board oversight and providing independent judgement
January 2016 to present	Nameson Holdings Limited, whose shares are listed on the main board of the Stock Exchange (Stock Code: 1982)	Manufacturing and sale of knitwear products	Independent non-executive director	Board oversight and providing independent judgement

Mr. Ong received his bachelor of laws degree from The London School of Economics and Political Science in August 1990. Mr. Ong also obtained via distance learning a master of business administration degree which was jointly awarded by the University of Wales and the University of Manchester, United Kingdom in March 2000. Mr. Ong has been an associate of The Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants since December 1993 and October 1995 respectively. Save as disclosed above, Mr. Ong has not held any other current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

Independent non-executive Directors

Ms. Cheung Yin (張延) ("Ms. Cheung"), aged 52, was appointed as an independent non-executive Director on 15 November 2017. She is currently a financial controller of a private group in Hong Kong principally engaged in provision of various financial services. She is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia.

Ms. Cheung obtained a master's degree in Business Administration from the University of Wales, Newport in the United Kingdom in December 2009 and a Bachelor's degree in Business (Accountancy) from the Charles Sturt University in Australia in April 1991.

Ms. Cheung worked for Coastal Greenland Limited which is listed on the main board of the Stock Exchange as a qualified accountant for the period from April 2004 to June 2007 and senior accounting manager/accounting manager for the period from September 1995 to March 2004. She has over 25 years of experience in accounting, auditing and financial management. Ms. Cheung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this prospectus.

Mr. Wong Hei Chiu (黃禧超) ("Mr. Wong"), aged 50, was appointed as an independent non-executive Director on 15 November 2017. Mr. Wong has over 26 years of corporate finance and financial management experience in Hong Kong and the PRC. Mr. Wong is currently an executive director, chief financial officer and company secretary of Kingmaker Footwear Holdings Limited, a listed company on the main board of the Stock Exchange (Stock Code: 1170).

Mr. Wong has worked as the group financial controller and company secretary of Karce International Holdings Company Limited (now known as Jimei International Entertainment Group Limited), a company listed on the main board of the Stock Exchange (Stock Code: 1159) from June 2000 to July 2008; and as the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the main board of the Stock Exchange (Stock Code: 1215) from June 1996 to December 2000. Mr. Wong was also an independent non-executive director of Hong Wei (Asia) Holdings Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8191), during the period from December 2013 to June 2016.

Mr. Wong obtained an Executive Master's degree in Business Administration from The Chinese University of Hong Kong in November 2016 and a Bachelor's degree in business administration from Lingnan University, Hong Kong in November 1996. He is a Certified Public Accountant (Practising), a fellow member of The Association of Chartered Certified Accountants in the United Kingdom, an associate member of The Institute of Chartered Accountants in England and Wales and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Wong is also a fellow member of the Hong Kong Institute of Directors. Save as disclosed above, Mr. Wong has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this prospectus.

Mr. Leung Vincent Gar-Gene (梁家進) ("**Mr. Leung**"), aged 32, was appointed as an independent non-executive Director on 15 November 2017. Mr. Leung has over 10 years of experience in auditing, accounting, finance and management. He is currently a director of Gemcoast Limited, a private company in Hong Kong principally engaged in providing financial consultancy services to its clients. He is a member of Chartered Accountants in Australia and New Zealand and is a member of its Hong Kong Committee.

Mr. Leung previously worked for PricewaterhouseCoopers within its financial assurance division in its Sydney and Hong Kong offices from January 2006 to May 2012 and from January 2013 to September 2014 respectively. From June to December 2012, Mr. Leung worked as the group finance manager for Bega Cheese Limited, the shares of which are listed on the Australian Securities Exchange (ASX securities code: BGA).

Mr. Leung obtained a bachelor of commerce degree from The University of New South Wales, Australia in March 2006. Mr. Leung has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas during the three years preceding the date of this prospectus.

SENIOR MANAGEMENT

Our Board is assisted and supported by our senior management team, which currently comprises four members. The following table sets forth certain information of our senior management:

Name	Age	Date of joining our Group	Position
Ms. Wong Wai Sze (黃慧思)	52	2 August 2010	Vice President — Management
Mr. Ho Shu Chiu Franky (何樹超)	51	1 July 2008	Vice President
Mr. Hu Min (胡民)	56	3 October 1993	Vice President — Production
Mr. Wong Wai Keung (黃偉強)	56	2 May 2002	Vice President — Production and Material Control

Ms. Wong Wai Sze (黃慧思) ("Ms. Wong"), aged 52, is the Vice President — Management of our Group. She is primarily responsible for overseeing our Group's internal audit, information technology affairs, and factory inspections. Ms. Wong has over 26 years of experience in the printing and publishing industry in Hong Kong. She joined our Group in August 2010. Prior to joining our Group, Ms. Wong worked at Regent Publishing Services Limited as a director of operations from August 1991 to March 2010. Ms. Wong has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

Mr. Ho Shu Chiu Franky (何樹超) ("Mr. Ho"), aged 51, is the Vice President of our Group. He is primarily responsible for overseeing the day-to-day operations of Great Wall. Mr. Ho has over 30 years of experience in the printing and publishing industry in Hong Kong. He joined our Group in July 2008. Prior to joining our Group, Mr. Ho worked at South Sea International Press Limited from March 1993 to June 2008. He passed the certificate examination in commercial design organised by the Hong Kong Christian Service Kwun Tong Vocational Training Centre in October 1984 and completed a part-time evening technician print production techniques course at the printing industry training centre of the Vocational Training Council in July 1987. Mr. Ho has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

Mr. Hu Min (胡民) ("Mr. Hu"), aged 56, is the Vice President — Production of our Group. He is primarily responsible for overseeing our Hong Kong Factory and our Shenzhen Factory. Mr. Hu has over 23 years of experience in the printing and publishing industry in Hong Kong. Mr. Hu has not held any current or past directorships in any publicly listed companies, whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

Mr. Wong Wai Keung (黃偉強) ("Mr. Wong"), aged 56, is the Vice President — Production and Material Control of our Group. Mr. Wong has over 36 years of experience in the printing and publishing industry in Hong Kong. Prior to joining our Group in May 2002, Mr. Wong worked at Hing Yip Printing

Company Limited from June 1981 to March 1996 and at Hing Yip China Printing & Binding Company Limited from April 1996 to April 2002, both as factory manager. Mr. Wong received an Advanced Certificate Programme on Industrial Management in the Mainland from Hong Kong Management Association in April 2005. Mr. Wong has not held any current or past directorships in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Ho Tai Wai David (何大偉) ("Mr. Ho"), aged 58, was appointed as the company secretary of our Company on 8 September 2016. Mr. Ho has been practising as a certified public accountant since January 1994 and has been the principal of David Ho & Co. Certified Public Accountants since July 1998.

Mr. Ho has been a Certified Public Accountant (Practising) in Hong Kong since January 1994 and an associate member of the Hong Kong Institute of Certified Public Accountants from July 1992 and became a fellow member since August 2001. Mr. Ho has also been an associate member of The Hong Kong Institute of Company Secretaries since January 1996 and an associate member of The Institute of Chartered Secretaries and Administrators in United Kingdom since January 1996 (combined with HKICS later on). Mr. Ho has also been an associate member of The Taxation Institute of Hong Kong since August 1998 and a Certified Tax Advisor of The Taxation Institute of Hong Kong since January 2013.

Mr. Ho obtained a Professional Diploma in Business Studies (Banking) awarded by the Hong Kong Polytechnic in November 1983 and a Diploma in Management Studies awarded by the Hong Kong Polytechnic in November 1990. Mr. Ho was awarded a Master of Business Administration by the University of Hong Kong in November 1993 and obtained a Postgraduate Diploma in Accountancy awarded by The Hong Kong Polytechnic University in November 2000. He also obtained an Advanced Diploma in Specialist Taxation awarded by the Hong Kong Institute of Certified Public Accountants in May 2014. Mr. Ho has not held any directorship in any publicly listed companies whether in Hong Kong or overseas, during the three years immediately preceding the date of this prospectus.

COMPLIANCE OFFICER

Ms. Chan Sau Po is the compliance officer of our Group. Please refer to the sub-section headed "*Board of Directors — Executive Directors*" above for her biographical details.

REMUNERATION POLICY

Our executive Directors, our independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. We also reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to us or executing their functions in relation to our operation. We regularly review and determine the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme. Please refer to section headed "*Appendix V — C. Further Information about our Directors and Substantial Shareholders*" in this prospectus for details of remuneration for our executive Directors, non-executive Director and independent non-executive Directors.

BOARD COMMITTEES

Audit Committee

We established an audit committee on 15 November 2017 with written terms of reference in compliance with the GEM Listing Rules. The duties of the audit committee include reviewing, in draft form, our annual report and accounts, half-year report and quarterly report and providing advice and comments to our Board. In this regard, members of the audit committee will liaise with our Board, our senior management, our reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by our accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing our Company's financial reporting process and internal control system. The audit committee comprises three independent non-executive Directors, namely Ms. Cheung Yin, Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gene. Ms. Cheung Yin is the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee on 15 November 2017 which, at present, comprises one executive Director and two independent non-executive Directors, namely, Mr. Lam Sam Ming, Mr. Wong Hei Chiu and Ms. Cheung Yin, with Mr. Wong Hei Chiu being the chairman of the remuneration committee. Written terms of reference in compliance with Code Provision B.1 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules have been adopted. Amongst other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to our Board of the remuneration of non-executive Directors.

Nomination Committee

We established a nomination committee on 15 November 2017 with written terms of reference. The nomination committee comprises one executive Director and two independent non-executive Directors, namely, Mr. Lam Sam Ming, Mr. Wong Hei Chiu and Ms. Cheung Yin. Mr. Lam Sam Ming has been appointed as the chairman of the nomination committee. Written terms of reference in compliance with Code Provision A.5 of the Code on Corporate Governance Practices as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for our Directors.

Risk Management Committee

We established a risk management committee on 15 November 2017 with written terms of reference. The risk management committee comprises three executive Directors, namely Mr. Lam Sam Ming, Ms. Chan Sau Po and Ms. Yao Yuan. Mr. Lam Sam Ming has been appointed as the chairman of the risk management committee. Written terms of reference pursuant to provision D.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to GEM Listing Rules have been adopted. The primary duties of the risk management committee are to (i) advise our Board on risk-related issues; (ii) oversee the risk management framework to identify and deal with the risks faced by our Group such as business and financial risks; (iii) review reports on risks and breaches of risk policies; and (iv) review the effectiveness of our Company's risk control and/or mitigation plans.

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 877 employees. The following table shows a breakdown of the employees by their functions:

Function	Number of Employees
Administration	83
Production	614
Sales and marketing	31
Finance and accounting	10
Production material control (including procurement and quality management)	62
Inventory management and logistics	69
Management	8
Total	877

Our Group has not experienced 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.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Kingsway Capital Limited to be our compliance adviser, who will have access to all relevant records and information relating to us that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;

(iii) where our Company 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 our Company deviate from any forecast, estimate (if any) or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser's agreement is terminated, whichever is the earlier.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedure so as to achieve effective accountability. We will comply with the Code on Corporate Governance Practices as set out in Appendix 15 to GEM Listing Rules and the associated GEM Listing Rules, save that Mr. Lam is the chairman of our Board and CEO of our Company. Our Directors believe that the vesting of the roles of chairman of our Board and CEO in Mr. Lam is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. Accordingly, our Company has not segregated the roles of our chairman and CEO as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

Except for Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules, our Company's corporate governance practices have complied with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

This section presents certain information regarding our Company's share capital prior to and following the Share Offer.

Before the Share Offer

As at the date of this prospectus, our Company's share capital comprised 600,000,000 Shares.

Upon completion of the Share Offer

Assuming the Offer Size Adjustment Option is not exercised at all, our Company's issued share capital immediately following the Share Offer will be as follows:

	Number of Shares	percentage of total issued share capital
Shares in issue as at the date of this prospectus	600,000,000	75%
Shares to be issued under the Share Offer	200,000,000	25%
Shares immediately following completion of the Share Offer	800,000,000	100%

Assuming the Offer Size Adjustment Option is exercised in full, our Company's issued share capital immediately following the Share Offer will be as follows:

	Number of Shares	Approximate percentage of total issued share capital
Shares in issue as at the date of this prospectus	600,000,000	72.29%
Shares to be issued under the Share Offer	200,000,000	24.10%
Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option	30,000,000	3.61%
Shares immediately following completion of the Share Offer	830,000,000	100%

Assumptions

The above table assumes that the Share Offer becomes unconditional but takes no account of any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or bought back by our Company pursuant to the general mandates as described below.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this prospectus.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in "*Appendix V — Statutory and General Information — D. Share Option Scheme*" in this prospectus.

General mandate to issue new Shares

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of Shares of not more than the aggregate of:

1. 20% of the total number of Shares in issue immediately following completion of the Share Offer; and
2. the total number of the Shares bought back by our Company (if any) pursuant to a separate mandate to buy back Shares and described more fully in the paragraph headed "General mandate to buy back Shares" below.

This general mandate is in addition to the powers of the Directors to allot, issue or deal with Shares under a rights issue or an issue of Shares pursuant to the exercise of the subscription rights attaching to any warrants which may be granted by our Company from time to time or an issue of Shares pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme or any other share scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on Shares in accordance with its Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Share Offer.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of Hong Kong to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see "*Appendix V — Statutory and General Information — A. Further Information about our Company and its subsidiaries — 3. Written resolutions of all our Shareholders passed on 15 November 2017*" in this prospectus.

General mandate to buy back Shares

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to buy back such number of Shares as will represent up to 10% of the aggregate number of the Shares in issue immediately following the completion of the Share Offer.

This general mandate only relates to buy-backs made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules and all applicable laws. A summary of the relevant requirements in the GEM Listing Rules is set out in "*Appendix V — Statutory and General Information — A. Further information about our Company and its subsidiaries — 6. Buy-back by our Company of its own Securities*" in this prospectus.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of Hong Kong to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see "*Appendix V — Statutory and General Information — A. Further information about our Company and its subsidiaries — 3. Written resolutions of all our Shareholders passed on 15 November 2017*" in this prospectus.

Circumstances under which general meeting and class meeting are required

The holding of general meeting or class meeting is prescribed for under the Articles of Association of a company. Accordingly, we will hold general meetings as prescribed for under the Articles, a summary of which is set out in "*Appendix IV — Summary of the Articles of Association of our Company*" in this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder(s)	Capacity/Nature of interests	Number of Shares held(Note 1)	Percentage of shareholding(Note 2)
First Tech(Note 3)	Beneficial interest	480,000,000 (L)	60%
Mr. Lam	Interest in controlled corporation(Note 3)	480,000,000 (L)	60%
Ms. Yao(Note 4)	Interest of spouse	480,000,000 (L)	60%
Fine Time(Note 5)	Beneficial interest	120,000,000 (L)	15%

Notes:

(1) The letter "L" denotes a long position in the Shareholder's interest in the Shares.

(2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

(3) First Tech is wholly and beneficially owned by Mr. Lam.

(4) Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.

(5) Fine Time is a company incorporated in BVI with limited liability and its principal business activity is investment holding. As at the Latest Practicable Date, the total issued share capital of Fine Time comprised (i) US$1,000, divided into a total of 1,000 ordinary shares of US$1.00 each issued to Mr. Chuang Fu-Yuan at a price of US$1,000; and (ii) a total of 15,000,000 class A shares issued to two shareholders at a total price of HK$15,000,000, of which Net Pacific Finance Group Limited ("**Net Pacific**") has subscribed for 10,000,000 class A shares at a total price of HK$10,000,000. All the shareholders of Fine Time, whether being a holder of the ordinary shares or class A shares, shall share the profits and risks of Fine Time according to their respective total contribution in debt and equity to Fine Time. As Net Pacific contributed HK$10,000,000 out of a total debt and equity contribution received by Fine Time of HK$22,000,000, Net Pacific holds 45.4% of the economic interest in Fine Time. However, holders of class A shares do not have any voting rights at the general meetings of Fine Time and accordingly, Net Pacific is not the controlling shareholder of Fine Time. Net Pacific is a wholly owned subsidiary of Net Pacific Financial Holdings Limited, a company listed on the Singapore Exchange with stock code of 5QY. Net Pacific and Net Pacific Financial Holdings Limited provide financing services to small to medium-sized companies in the PRC and Hong Kong. According to the annual report of Net Pacific Financial Holdings Limited dated 31 March 2017, Mr. Ong Chor Wei, our non-executive Director, is a substantial shareholder in Net Pacific Financial Holdings Limited with an approximately 10.82% deemed interest in its issued share capital. For details of the relationship between Mr. Ong Chor Wei and Net Pacific, please refer to "*Appendix V — C. Further Information about our Directors and Substantial Shareholders — 1. Disclosure of interests — Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations*" in this prospectus.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, directly or indirectly, be interested in 10% or more of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SIGNIFICANT SHAREHOLDERS

So far as our Directors are aware, save for the persons disclosed under the sub-section headed "*Substantial Shareholders*" in this section above, there are no persons who will immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) be directly or indirectly interested in 5% or more of the voting power at general meetings of our Company and are regarded as significant shareholders of our Company under the GEM Listing Rules.

You should read the following discussion and analysis in conjunction with our financial statements and the notes thereto set forth in the accountants' report set out in the Appendix I to this prospectus (the "Accountants' Report"). The financial statements have been prepared in accordance with HKFRSs as adopted by the HKICPA. You should read the whole of the Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect our current views and with respect to future events and our financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus for discussion of those risks and uncertainties.

OVERVIEW

We are a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). Our printing products comprise mainly books and other paper-related products, including (i) leisure and lifestyle books; (ii) educational textbooks and learning materials; (iii) children's books; and (iv) other paper-related products. Paper and ink are the principal raw materials used in our Group's business.

Our headquarter is located in Hong Kong, where our sales and customer services teams are situated to serve our Group's global customer base. In addition to our internal sales team which mainly sources orders from Hong Kong-based print brokers, we also commission Independent Third Party sales representatives to source clients from the U.S., U.K. and Europe (excluding U.K.) during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had two production sites in operation, which were located in Shenzhen and Hong Kong.

For the years ended 31 December 2014, 2015 and 2016, our total revenue was approximately HK$401.2 million, HK$377.8 million and HK$386.0 million respectively, representing a decrease of approximately 3.8% over the three years. For the same period, our net profit was approximately HK$11.7 million, HK$11.9 million and HK$13.0 million respectively, representing an increase of approximately 10.7% over the three years.

For the five months ended 31 May 2016 and 2017, our total revenue was approximately HK$125.8 million and HK$155.9 million respectively, representing an increase of approximately 23.9%. For the same period, our net loss was approximately HK$250,000 and HK$321,000 respectively, representing an increase of approximately 28.4%.

BASIS OF PRESENTATION

Our consolidated statements of financial position, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period as included in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, include the results of operations of the companies comprising our Group. All significant intra-group transactions and balances within our Group have been eliminated on combination.

On 29 July 2016, our Group acquired Mr. Classic and Great China Gains. Please refer to section headed "*History, Reorganisation and Corporate Structure*" in this prospectus for further information about the acquisitions.

The financial information has been prepared in accordance with HKFRSs issued by the HKICPA. For more information on the basis of preparation and presentation of the financial information included herein, please refer to Note 1 of the Accountants' Report in Appendix I to this prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Global economic environment

During the Track Record Period, our revenue was mainly generated from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). We expect that these areas will continue to be our focused markets. Accordingly, if these areas experience any adverse economic, political or regulatory conditions due to events beyond our control, such as global economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on us or on our industry in general, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Customer relationships and factors affecting our customers

Our sales are entirely generated on an order-by-order basis and we generally do not enter into long-term contracts with our customers. The volume of product purchased from our customers may vary from year to year due to a number of factors, including the financial and operational success of our customers and factors affecting consumer demand of our customers' products such as general economic conditions and the perception of such conditions by consumers, employment rates, the level of consumer's disposable personal income, interest rates, consumer debt levels, availability of credit and levels of taxation in the regions in which our products are sold.

We maintain close and stable relationships with our major customers. As at the Latest Practicable Date, for our top five customers during the Track Record Period, we have established business relationships with them for around one to 24 years. As a result of these stable relationships, we are able to receive recurring orders from the existing customers. However, the future results of our operation may be impacted due to changes in relationships with our major customers or by factors that affect the market demand for their products.

Fluctuations of raw material prices

Our cost of raw materials and consumables represented approximately 53.4%, 54.7%, 53.2%, 42.7% and 57.2% of the cost of sales of our Group for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively. Paper is the principal raw material used in our Group's business, representing approximately 40.8%, 39.7%, 38.3%, 24.5% and 42.8% of the cost of sales for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively. The average prices of the paper used by our Group were approximately HK$6,218 per ton, HK$6,240 per ton, HK$6,351 per ton, HK$6,545 per ton and HK$7,004 per ton for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively.

We do not have any framework supply agreement or other long-term supply contracts with any of our suppliers nor adopted any hedging policy for forward purchase of raw materials. The price of these raw materials is subject to a number of factors beyond our control, such as global demand of wood pulp, oil price, general economic condition, and environmental and conservation relation regulations. As such, in case of any significant increase in the price of our principal raw materials, and if our Group is unable to pass on such increase to our customers, our business and profitability maybe adversely affected.

Market competition

We operate in a highly competitive printing industry. Our success depends on our ability to compete effectively against our competitors in terms of product quality, customer service, price and timely delivery. Our competitors may have access to more advanced technologies or greater access to capital for marketing activities than we do. They may also operate under more competitive cost structures due to their geographical location or nature of services provided. As a result, our competitors may be able to compete more successfully over a longer period of time than we do. In addition, we may face competition from new entrants who may deliberately price their products lower than ours in order to gain access to this industry. There is no assurance that our Group will continue to compete successfully in the future, and if our Group fails to do so, our business, financial condition and results of operations may be materially and adversely affected.

Seasonality

Demand for our products is subject to seasonal fluctuation. The peak season for our Group is typically from April to September (or in the second and third quarter of a financial year) as books are produced and shipped overseas before the start of the new school year and before the Christmas and New Year holidays. For the years ended 31 December 2014, 2015 and 2016, our Group's revenue in the second and third quarter of the year was approximately HK$244.8 million, HK$218.1 million and HK$225.8 million respectively, which accounted for approximately 61.0%, 57.7% and 58.5% respectively of our Group's annual revenue. This seasonality fluctuation may affect our production costs and the utilisation rate of our production facility.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Directors have identified certain accounting policies that are significant to the preparation of our combined financial statements. The significant accounting policies which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 1 and Note 2 to the Accountants' Report included in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. The determination of these items requires management judgments based on information and financial data that may change in future periods. Our Directors believe accounting policies such as revenue recognition, impairment of property, plant and equipment, impairment of trade and other receivables, assessment of useful lives of property, plant and equipment, net realisable value of inventories and recognition of deferred tax assets involved the most significant estimates and judgments used in the preparation of our financial statements.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017, as derived from the Accountants' Report set out in Appendix I to this prospectus.

Consolidated statements of profit or loss

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	401,218	377,750	386,043	125,798	155,860
Cost of sales	(290,760)	(269,276)	(260,460)	(85,887)	(108,939)
Gross Profit	110,458	108,474	125,583	39,911	46,921
Other income/(losses)	5,528	3,096	3,507	794	(1,221)
Distribution costs	(30,510)	(29,317)	(31,848)	(9,024)	(9,484)
Administrative expenses	(56,001)	(58,483)	(60,311)	(24,676)	(29,171)
Other expenses	(4,529)	(400)	(10,256)	(2,279)	(2,248)
Profit from operations	24,946	23,370	26,675	4,726	4,797
Finance costs	(6,729)	(7,537)	(8,296)	(3,295)	(2,642)
Profit before taxation	18,217	15,833	18,379	1,431	2,155
Income tax	(6,501)	(3,955)	(5,415)	(1,681)	(2,476)
Profit/(loss) for the year/period	11,716	11,878	12,964	(250)	(321)

DESCRIPTION OF SELECTED ITEMS FOR THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We generate revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.).

Our revenue decreased by approximately 5.8% from approximately HK$401.2 million for the year ended 31 December 2014, to approximately HK$377.8 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in customer orders resulting from (i) the decrease in the transactions with Customer B; and (ii) one major customer was involved in internal reorganisation with changes in its management after being merged by a media consortium in the U.S. in 2015.

Our revenue remained relatively stable for the two years ended 31 December 2015 and 2016 which slightly increased by approximately 2.2% from approximately HK$377.8 million for the year ended 31 December 2015, to approximately HK$386.0 million for the year ended 31 December 2016.

Our revenue increased by approximately 23.9% from approximately HK$125.8 million for the five months ended 31 May 2016, to approximately HK$155.9 million for the five months ended 31 May 2017. The increase was primarily due to the increase in revenue from one of our top five customers, as we obtained more orders from the customer for leisure and lifestyle books.

The following table sets forth the total revenue of our Group by geographical locations for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000 (unaudited)	% of revenue	HK$'000	% of revenue
Hong Kong	167,633	41.8%	167,639	44.4%	199,654	51.7%	74,214	59.0%	85,714	55.0%
U.S.	89,363	22.3%	96,440	25.5%	113,125	29.3%	32,436	25.8%	51,091	32.8%
U.K.	86,906	21.7%	71,135	18.8%	40,069	10.4%	10,199	8.1%	11,537	7.4%
Australia	26,673	6.6%	19,109	5.1%	13,608	3.5%	3,864	3.1%	1,088	0.7%
Europe (excluding U.K.)	16,436	4.1%	4,683	1.2%	2,469	0.7%	950	0.7%	111	0.1%
Other countries	14,207	3.5%	18,744	5.0%	17,118	4.4%	4,135	3.3%	6,319	4.0%
Total	401,218	100.0%	377,750	100.0%	386,043	100.0%	125,798	100.0%	155,860	100.0%

During the Track Record Period, revenue generated from Hong Kong, the U.S. and U.K. accounted for a substantial portion of our revenue. Our sales and marketing team visits various international book fairs and exhibitions, such as The London Book Fair in the U.K., The Frankfurt Book Fair in Germany, as well as the BookExpo America in the U.S. in order to identify and reach new global customers.

During the Track Record Period, our revenue from Europe (excluding U.K.) dropped. The decrease was primarily because we were involved in several legal proceedings in Europe as plaintiff, while we were also subject to counterclaims by our customers. For details, please refer to sub-section headed "*Business — Legal Proceedings — B. Overseas legal proceedings*". Accordingly, to alleviate the risk, we gradually reduced our exposure in Europe (excluding U.K.) during the Track Record Period.

During the Track Record Period, the proportion of revenue from U.K. dropped. It was mainly because of our Group's stringent credit control policy, which led to the decrease in transactions with Customer B, a publisher based in the U.K. who was one of our top five customers during the Track Record Period and had long outstanding account receivable balance to our Group. The transactions with Customer B were approximately HK$29.8 million, HK$20.2 million, nil and nil for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 respectively. As at 31 December 2014, 2015 and 2016 and 31 May 2017, the amount of receivables from Customer B was approximately HK$14.4 million, HK$8.5 million, nil and nil respectively. We did not record allowance for doubtful debt on the receivables and the amount was fully settled subsequently. Due to the above, we allocated our resources to focus on our customers from Hong Kong and the U.S. instead.

The following table sets forth the revenue of our Group by types of books and products for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000	% of revenue	HK$'000 (unaudited)	% of revenue	HK$'000	% of revenue
Leisure and lifestyle books	264,816	66.0%	253,107	67.0%	260,273	67.4%	72,698	57.8%	99,869	64.1%
Educational textbooks and learning materials	80,892	20.2%	70,747	18.7%	78,614	20.4%	37,688	30.0%	38,052	24.4%
Children's books	51,145	12.7%	52,426	13.9%	43,659	11.3%	15,107	12.0%	14,884	9.6%
Other paper-related products	4,365	1.1%	1,470	0.4%	1,189	0.3%	305	0.2%	58	0.0%
Provision of sub-contracting services	-	-	-	-	2,308	0.6%	-	-	2,997	1.9%
Total	401,218	100.0%	377,750	100.0%	386,043	100.0%	125,798	100.0%	155,860	100.0%

During the Track Record Period, the revenue from the provision of leisure and lifestyle books accounted for the major portion of our total revenue, which recorded approximately 66.0%, 67.0%, 67.4%, 57.8% and 64.1% of our total revenue for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively.

For the year ended 31 December 2016 and for the five months ended 31 May 2017, our Group received revenue from provision of sub-contracting services of approximately HK$2.3 million and HK$3.0 million to Royal Step (SZ). We provided services of binding books and package boxes to Royal Step (SZ). Our Directors confirmed that our binding services to Royal Step (SZ) were carried out on arm's length negotiations and mutually agreed terms with reference to the comparable market prices and on normal commercial terms in the ordinary course of business.

Cost of sales

Our cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. The following table sets forth a breakdown of our cost of sales by nature and the respective percentages of total cost of sales for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Raw materials and consumables	155,353	53.4%	147,349	54.7%	138,645	53.2%	36,653	42.7%	62,334	57.2%
Staff costs	66,478	22.9%	63,353	23.5%	57,942	22.2%	24,819	28.9%	23,975	22.0%
Sub-contracting fees	22,577	7.8%	17,059	6.3%	27,474	10.6%	8,957	10.4%	7,468	6.9%
Depreciation	14,950	5.1%	12,876	4.8%	12,956	5.0%	5,603	6.5%	6,047	5.6%
Water and electricity	14,282	4.9%	13,273	4.9%	11,335	4.4%	4,444	5.2%	4,266	3.9%
Rent and rates	12,230	4.2%	10,036	3.7%	8,638	3.3%	4,111	4.8%	2,882	2.6%
Other cost of sales	4,890	1.7%	5,330	2.1%	3,470	1.3%	1,300	1.5%	1,967	1.8%
Total	290,760	100.0%	269,276	100.0%	260,460	100.0%	85,887	100.0%	108,939	100.0%

Raw materials and consumables, primarily comprise paper, ink and aluminium printing plates. It was the largest component of our cost of sales during the Track Record Period, which accounted for approximately 53.4%, 54.7%, 53.2%, 42.7% and 57.2% of our total cost of sales for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively. The overall decrease in the amount of raw materials and consumables during the three years ended 31 December 2016 was mainly due to the decrease in our revenue and it is our Group's policy to engage sub-contractors to complete certain printing procedures in order to reduce the overall cost of production. As a result, less quantity of raw materials and consumables were used by our production. On the other hand, our raw materials and consumables increased during the five months ended 31 May 2017 when compared to the five months ended 31 May 2016. The increase was mainly due to the increase in our revenue and the increase in average prices of paper used, from HK$6,545 per ton for the five months ended 31 May 2016 to HK$7,004 per ton for the five months ended 31 May 2017.

Staff costs which are directly related to production are included in our cost of sales. We have average staff of 1,007, 913, 891, 890 and 846 for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively which are directly related to production. The overall decrease in our staff costs was mainly due to our policy to improve our level of automation in production and we also shifted certain printing procedures to sub-contractors.

Sub-contracting fees represented the fees charged by our sub-contractors as we have been outsourcing certain production procedures to sub-contractors in Shenzhen and Hong Kong. Our sub-contractors are typically engaged to (i) carry out certain specialised process, such as gilding on book block, which we are unequipped to conduct; and (ii) perform certain labour-intensive production procedures. In general, these procedures did not form key parts of the production process. During the three years ended 31 December 2016, our sub-contracting fees accounted for approximately 7.8%, 6.3% and 10.6% of our total cost of sales respectively. The overall increase of the proportion of the sub-contracting fees to our total cost of sales for the year of 2016 was primarily because we shifted more production process to our sub-contractors as it was more cost-effective and time efficient. On the other hand, our sub-contracting fees accounted for approximately 10.4% and 6.9% for the five months ended 31 May 2016 and 2017 respectively. Despite we still aimed at shifting labour-intensive production procedures to our sub-contractors, during the five months ended 31 May 2017, less specialised process was required for processing the production orders from our customers. Accordingly, the proportion of the sub-contracting fees to our total cost of sales for the five months ended 31 May 2017 decreased.

During the three years ended 31 December 2016, our cost of sales decreased with the decrease in our revenue in 2015 and it is our Group's policy to improve our level of automation and efficiency in production and shift certain production procedures to our sub-contractors.

Our cost of sales increased by approximately 26.8% from approximately HK$85.9 million for the five months ended 31 May 2016 to approximately HK$108.9 million for the five months ended 31 May 2017. The increase was primarily due to the increase in our revenue and the increase in average prices of paper used.

Gross profit and gross profit margin

Our gross profit was approximately HK$110.5 million, HK$108.5 million and HK$125.6 million for the years ended 31 December 2014, 2015 and 2016 respectively. Our gross profit margin was 27.5%, 28.7% and 32.5% for the years ended 31 December 2014, 2015 and 2016 respectively. The overall increase in our gross profit margin during the three years ended 31 December 2016 was primarily due to our cost control policy, of which we decided to gradually shift certain specialised process, such as gilding on book covers and labour-intensive production procedures to our sub-contractors as it was more costs-effective and time efficient, which in turn, will lower our total cost of sales. Before we decided to shift these production process, we obtained and compared quotations from at least two sub-contractors available in the market. We also analysed the cost-effectiveness by comparing our estimated costs to be incurred by our own production for such production process with the quotations provided by the sub-contractors. It is also our Group's policy to improve our level of automation and efficiency in production by purchasing technologically advanced equipment.

Our gross profit was approximately HK$39.9 million and HK$46.9 million for the five months ended 31 May 2016 and 2017 respectively. Our gross profit margin was 31.7% and 30.1% for the five months ended 31 May 2016 and 2017 respectively. The increase in our gross profit was primarily due to the increase in our revenue while the decrease in our gross profit margin was primarily due to the increase in the average prices of paper used for the five months ended 31 May 2017 when compared to the five months ended 31 May 2016.

The table below sets forth our gross profit and gross profit margin by geographical locations of our customers for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000		HK$'000		HK$'000		HK$'000 (unaudited)		HK$'000	
Hong Kong	43,816	26.1%	46,547	27.8%	64,047	32.1%	23,600	31.8%	26,238	30.6%
U.S.	25,300	28.3%	28,450	29.5%	37,500	33.1%	10,315	31.8%	15,021	29.4%
U.K.	25,120	28.9%	20,860	29.3%	13,200	32.9%	3,213	31.5%	3,461	30.0%
Australia	7,602	28.5%	5,700	29.8%	4,450	32.7%	1,206	31.2%	318	29.2%
Europe (excluding U.K.)	4,670	28.4%	1,350	28.8%	827	33.5%	300	31.6%	32	29.2%
Other countries	3,950	27.8%	5,567	29.7%	5,559	32.5%	1,277	30.9%	1,851	29.3%
Total	110,458	27.5%	108,474	28.7%	125,583	32.5%	39,911	31.7%	46,921	30.1%

The gross profit margin among all of the geographical locations was relatively similar and overall increased during the three years ended 31 December 2016. The decrease in our gross profit margin during the five months ended 31 May 2017 was primarily due to the increase in the average prices of paper used.

The table below sets forth our gross profit and gross profit margin by product category for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000		HK$'000		HK$'000		HK$'000 (unaudited)		HK$'000	
Leisure and lifestyle books	71,111	26.9%	72,239	28.5%	85,622	32.9%	23,225	31.9%	30,397	30.4%
Educational textbooks and learning materials	23,111	28.6%	20,411	28.9%	24,958	31.7%	11,909	31.6%	11,149	29.3%
Children's books	15,039	29.4%	15,384	29.3%	13,928	31.9%	4,683	31.0%	4,464	30.0%
Other paper related products	1,197	27.4%	440	29.9%	382	32.1%	94	30.8%	18	30.5%
Provision of sub-contracting services	-	-	-	-	693	30.0%	-	-	893	29.8%
Total	110,458	27.5%	108,474	28.7%	125,583	32.5%	39,911	31.7%	46,921	30.1%

The gross profit margin among all of our products was relatively similar and overall increased during the three years ended 31 December 2016. The decrease in our gross profit margin during the five months ended 31 May 2017 was primarily due to the increase in the average prices of paper used.

Other income/(losses)

Other income/(losses) mainly consists of the gain on disposal of property, plant and equipment, exchange gain/loss, the profit arising from sale of paper and scrap materials and income received from government subsidies. The following table sets forth a breakdown of other income for the periods indicated:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Gain/(loss) on disposal of property, plant and equipment	1,973	258	190	431	(41)
Exchange gain/(loss), net	1,378	(564)	(1,252)	(654)	(2,065)
Profit arising from sale of paper and scrap materials	1,308	1,946	1,905	566	341
Bank interest income	273	330	192	72	161
Dividend income	79	103	62	35	-
Income received from government subsidies	-	174	1,896	91	63
Interest income from investment in key management insurance policy	-	-	94	-	79
Loss on a forward foreign exchange contract	-	-	(25)	-	-
Sundry income	517	849	445	253	241
	5,528	3,096	3,507	794	(1,221)

Our other income was approximately HK$5.5 million, HK$3.1 million, HK$3.5 million and HK$0.8 million for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 respectively while we recorded other losses of approximately HK$1.2 million for the five months ended 31 May 2017. The overall decrease in our other income during the three years ended 31 December 2016 was primarily due to the drop of the gain on disposal of property, plant and equipment and exchange loss of approximately HK$0.6 million and HK$1.3 million was recorded for the years ended 31 December 2015 and 2016 instead of exchange gain of approximately HK$1.4 million as recorded for the year ended 31 December 2014.

We recorded other income of approximately HK$0.8 million for the five months ended 31 May 2016 while we recorded other losses of approximately HK$1.2 million for the five months ended May 2017. The other losses for the five months ended 31 May 2017 was primarily due to the exchange loss of approximately HK$2.1 million for the five months ended 31 May 2017, while for the five months ended 31 May 2016, the exchange loss was approximately HK$0.7 million.

Gain/(loss) on disposal of property, plant and equipment

For improving our level of automation and efficiency in production, we purchased technologically advanced equipment and at the same time, disposed relatively aged machinery. For the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, we disposed machinery and equipment with original costs of approximately HK$13.4 million, HK$13.3 million, HK$3.0 million and HK$0.3 million respectively with the associated gain/(loss) on disposal of approximately HK$2.0 million, HK$0.3 million, HK$0.2 million and HK$(41,000) respectively. As the scale of disposal decreased substantially during the Track Record Period, the gain on disposal of property, plant and equipment also decreased accordingly.

Exchange gain/(loss)

We recorded exchange gain of approximately HK$1.4 million for the year ended 31 December 2014 while recorded exchange loss of approximately HK$0.6 million and HK$1.3 million for the years ended 31 December 2015 and 2016 respectively. The exchange loss was primarily from the depreciation of British pound against Hong Kong dollar during the Track Record Period, for which our receivables were denominated in British pound arose from the sales to U.K.

We recorded exchange loss of approximately HK$0.7 million and HK$2.1 million for the five months ended 31 May 2016 and 2017 respectively. The increase of the exchange loss was primarily due to the appreciation of RMB against Hong Kong dollar.

Profit arising from sale of paper and scrap materials

In order to better manage the inventory level and utilise scrap materials, our Group sold paper and scrap materials to Independent Third Parties. Moreover, in order to maintain relationship with the printing industry players, we sell paper stock to them if they are in urgent need and vice versa, they would sell to us as well. Our profit arising from sale of paper and scrap materials was approximately HK$1.3 million, HK$1.9 million, HK$1.9 million, HK$0.6 million and HK$0.3 million for the years ended 31 December 2014, 2015 and 2016 and for the five months ended 31 May 2016 and 2017 respectively.

Our Group expects the sale of paper and scrap materials will drop because we aimed at enhancing the inventory management by communicating with our major customers to more precisely estimate the amount of paper needed for coming months production.

Income received from government subsidies

We have received income from government subsidies with amount of nil, HK$0.2 million and HK$1.9 million for the years ended 31 December 2014, 2015 and 2016 respectively. During the year ended 31 December 2016, we have successfully applied various subsidies from the local government authorities in the PRC. Among the government subsidies, one of them represented the subsidy of approximately HK$0.6 million, as we were nominated by the Culture, Sports and Tourism Administration of Shenzhen Municipality (深圳市文體旅遊局) as one of the Top 100 Cultural and Creative Companies in Shenzhen (2013-2014) (深圳市文化創意百強企業 (2013-2014)). We also received approximately HK$0.3 million and HK$0.3 million from the Financial Bureau of Shenzhen Longgang District (深圳市龍崗區財政局) and the Economy, Trade and Information Commission of Shenzhen Municipality (深圳市經濟貿易和信息化委員會) as subsidies for purchasing export credit insurance. Apart from the above, the Shenzhen Administration Bureau of Social Insurance Fund (深圳市社會保險基金管理局) granted us approximately HK$0.6 million as subsidies for stabilising employment, which were granted to enterprises that adopt effective measures to conduct no layoffs or fewer layoffs and stabilise employment.

For the five months ended 31 May 2017, we have received income from government subsidies with amount of approximately HK$63,000. It represents the subsidies for purchasing export credit insurance from the Economy, Trade and Information Commission of Shenzhen Municipality (深圳市經濟貿易和信息化委員會).

Distribution costs

The following table sets forth our distribution costs for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Courier and freight charges	11,923	39.1%	10,201	34.8%	9,351	29.4%	2,846	31.6%	3,982	42.0%
Sales Commissions	10,009	32.8%	10,657	36.4%	12,500	39.2%	2,728	30.2%	2,302	24.3%
Transportation costs	5,647	18.5%	6,138	20.9%	6,556	20.6%	2,401	26.6%	2,050	21.6%
Other distribution costs	2,931	9.6%	2,321	7.9%	3,441	10.8%	1,049	11.6%	1,150	12.1%
Total	30,510	100.0%	29,317	100.0%	31,848	100.0%	9,024	100.0%	9,484	100.0%

Distribution costs primarily consist of courier and freight charges, sales commissions and transportation costs. Our distribution costs were approximately HK$30.5 million, HK$29.3 million, HK$31.8 million, HK$9.0 million and HK$9.5 million for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively. The overall increase of our distribution costs during the three years ended 31 December 2016 was primarily due to the increase in our sale commissions. Sale commissions, which represent the commission paid to Independent Third Party sales representatives based on the net sales collected, increased as a result of the overall increase of the amount of net sales referred during the three years ended 31 December 2016.

Our sales commissions decreased for the five months ended 31 May 2017 when compared to the five months ended 31 May 2016. The decrease was primarily due to the decrease in net sales collected, referred by sales representatives during the five months ended 31 May 2017.

Courier and freight charges represent the expenses paid for the delivery of our finished products to overseas destinations as instructed by our customers. On the other hand, transportation costs represent the costs of local delivery of our finished products from our factories to our customers' warehouses located in the PRC or Hong Kong. During the three years ended 31 December 2016, the overall decrease in our courier and freight charges while the overall increase in our transportation costs was primarily due to the increase in our amount and proportion of revenue driven in Hong Kong.

For the five months ended 31 May 2017, our courier and freight charges increased while our transportation costs decreased. It was primarily due to our customers' request, which we directly delivered our finished products to overseas destinations as instructed by our customers from our production site in Shenzhen instead of to their warehouses located in the PRC or Hong Kong. Accordingly, this led to the increase in courier and freight charges while decrease in transportation costs.

Administrative expenses

The following table sets forth our administrative expenses for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Staff costs and benefits	38,880	69.4%	38,467	65.8%	39,790	66.0%	16,993	68.9%	18,509	63.5%
Directors' emoluments	2,500	4.5%	3,021	5.2%	3,190	5.3%	1,508	6.1%	2,141	7.3%
Rental and rates	2,369	4.2%	2,605	4.4%	1,712	2.8%	969	3.9%	371	1.3%
Legal and professional fees	2,040	3.6%	2,374	4.1%	2,271	3.8%	1,190	4.8%	712	2.4%
Office expenses	1,284	2.3%	1,163	2.0%	1,188	2.0%	289	1.2%	472	1.6%
Repair and maintenance	272	0.5%	2,113	3.6%	1,641	2.7%	591	2.4%	570	2.0%
Other administrative expenses	8,656	15.5%	8,740	14.9%	10,519	17.4%	3,136	12.7%	6,396	21.9%
Total	56,001	100.0%	58,483	100.0%	60,311	100.0%	24,676	100.0%	29,171	100.0%

Administrative expenses primarily consist of staff costs and benefits, directors' emoluments and rental and rates. Our administrative expenses were approximately HK$56.0 million, HK$58.5 million, HK$60.3 million, HK$24.7 million and HK$29.2 million for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively. The overall increase of our administrative expenses was primarily due to the increase of our staff costs and benefits and repair and maintenance of our production facilities, mainly plant and machinery.

Our staff costs and benefits was the largest component of our administrative expenses, accounting for approximately 69.4%, 65.8%, 66.0%, 68.9% and 63.5% for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively. We have average administrative staff of 117, 115, 117, 116 and 120 for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively, whose costs are charged to administrative expenses. The overall increase of our staff costs and benefits was primarily due to our contribution to the social insurance and housing provident fund. During the year of 2014 and 2015, and January to June 2016, we did not make full contribution in respect of the social insurance and housing provident fund for certain employees of Prosperous (SZ) in the PRC. However, we have been making full contribution to the social insurance and housing provident fund for all relevant employees since July 2016. Please refer to the sub-section headed *"Business — Non-Compliance"* in this prospectus for details.

Monthly fixed operating expenses

The following table sets forth our annual and average monthly fixed operating costs for the periods indicated:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cost of sales					
Direct labour	31,210	26,470	26,693	12,082	12,372
Depreciation	14,950	12,876	12,956	5,603	6,047
Water and electricity	14,282	13,273	11,335	4,444	4,266
Rent and rates	12,230	10,036	8,638	4,111	2,882
Administrative expenses					
Staff salaries	35,644	35,243	37,808	15,506	17,885
Directors' emoluments	2,500	3,021	3,190	1,508	2,141
Rent and rates	2,369	2,605	1,712	969	371
Depreciation	446	484	827	215	566
Water and electricity	298	173	165	51	35
	113,929	104,181	103,324	44,489	46,565
Monthly fixed operating costs(1)	9,494	8,682	8,610	8,898	9,313

Note:

(1) The calculation of monthly fixed operating costs is based on the total fixed operating costs for the relevant year divided by twelve months.

Our monthly fixed operating costs represent the costs which do not directly increase or decrease with our sales or productivity. During the three years ended 31 December 2016, our monthly fixed operating costs gradually decreased, which was mainly due to the decrease in our labour costs and rent and rates. The decrease in our labour costs was primarily due to the addition of technologically advanced equipment, less labour was required for production. Moreover, the decrease in rent and rates was primarily because we rented less area for storage and in July 2016, we acquired the properties as the premises for our Hong Kong Factory through the acquisitions of Mr. Classic and Great China Gains.

Our monthly fixed operating costs increased for the five months ended 31 May 2017 compared to the five months ended 31 May 2016. The increase was primarily due to the increase in our staff costs in administrative expenses which related to our contribution to the social insurance and housing provident fund, as we have been making full contribution for all relevant employees since July 2016.

Other expenses

Other expenses primarily consist of impairment loss on trade debtors and listing expenses. Our other expenses were approximately HK$4.5 million, HK$0.4 million, HK$10.3 million, HK$2.3 million and HK$2.2 million for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 respectively.

The decrease of our other expenses for the year ended 31 December 2015 compared to the year ended 31 December 2014 was mainly due to better credit control policy carried out by our Group which led to the decrease in the impairment loss on trade receivables.

The increase of our other expenses for the year ended 31 December 2016 compared to the year ended 31 December 2015 was mainly due to the increase of our listing expenses incurred during the year. Also, we recorded net impairment loss on trade debtors of approximately HK$2.2 million in 2016. It was primarily because one of our customers was in administration and we expected the receivable balance of the customer will not be fully recovered.

Our other expenses remained relatively stable as approximately HK$2.3 million and HK$2.2 million for the five months ended 31 May 2016 and 2017 respectively.

Finance costs

The following table sets forth our finance costs for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Interest on bank loans and overdrafts	3,427	50.9%	3,481	46.2%	5,411	65.2%	1,961	59.5%	2,384	90.2%
Finance charges on obligation under finance leases	1,048	15.6%	342	4.5%	176	2.1%	94	2.8%	84	3.2%
Interest on convertible loan	353	5.2%	2,158	28.6%	1,471	17.8%	1,024	31.1%	-	-
Other borrowing costs	1,901	28.3%	1,556	20.7%	1,238	14.9%	216	6.6%	174	6.6%
Total	6,729	100.0%	7,537	100.0%	8,296	100.0%	3,295	100.0%	2,642	100.0%

Finance costs primarily consist of the interest on our interest-bearing bank borrowings and convertible loan. Our finance costs were approximately HK$6.7 million, HK$7.5 million, HK$8.3 million, HK$3.3 million and HK$2.6 million for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017, respectively.

The increase of our finance costs for the year ended 31 December 2015 compared to the year ended 31 December 2014 was mainly due to the increase of interest on Convertible Loan as we completed the drawdown of first and second tranches of the Convertible Loan with amount of HK$10.0 million and HK$5.0 million in September and December 2014 respectively. As a result, in 2015, full year of interest on Convertible Loan was charged which led to the increase of our finance costs.

The increase of our finance costs for the year ended 31 December 2016 compared to the year ended 31 December 2015 was mainly due to the increase of the interest on bank loans and overdrafts, while partially offset by the decrease of the interest on Convertible Loan and other borrowing costs. The decrease of the interest on Convertible Loan was because the entire principal amount of the Convertible Loan was converted into Shares on 25 July 2016. As a result, no further interest was charged after the conversion. On the other hand, during the year ended 31 December 2016, the average amount of our bank borrowings increased, as we utilised the bank borrowings for settling our trade payables. This led to the increase of the interest on bank loans and overdrafts accordingly.

The decrease of our finance costs for the five months ended 31 May 2017 compared to the five months ended 31 May 2016 was mainly due to the decrease of the interest on Convertible Loan, while partially offset by the increase of the interest on bank loans and overdrafts. The decrease of the interest on Convertible Loan was because of the conversion on 25 July 2016 as mentioned above. Accordingly, no interest was incurred during the five months ended 31 May 2017. On the other hand, during the five months ended 31 May 2017, the average amount of our bank borrowings increased, as we utilised the bank borrowings for settling the amount due to a director.

Income tax

Income tax represents income tax paid or payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction our Group operates or domiciles. We had no tax payable in other jurisdictions other than Hong Kong and the PRC during the Track Record Period. Our operations in Hong Kong are subject to a statutory profit tax rate of 16.5%. Our operations in the PRC are subject to an enterprise income tax rate of 25.0%.

Our Group's effective tax rate, calculated as our income tax for the corresponding year divided by our profit before taxation for the year, was approximately 35.7%, 25.0%, 29.5%, 117.5% and 114.9% for the years ended 31 December 2014, 2015 and 2016 and for the five months ended 31 May 2016 and 2017 respectively. The decrease of the effective tax rate for the year ended 31 December 2015 compared to the year ended 31 December 2014 was mainly due to the decrease of tax effect of non-deductible expenses. The increase of the effective tax rate of the year ended 31 December 2016 compared to the year ended 31 December 2015 was mainly due to the increase of tax effect of non-deductible expenses as we incurred more listing expenses which were non-deductible for tax purpose.

Our effective tax rate increased to 117.5% and 114.9% for the five months ended 31 May 2016 and 2017 respectively. The increase was primarily due to the listing expenses incurred during the periods, which were non-deductible for tax purpose. Furthermore, for the five months ended 31 May 2017, we recorded under-provision of tax in prior years with approximately HK$1.0 million. It was related to certain expenses, including listing related expenses and interest expenses, which were deemed as non-tax deductible by tax assessments. It was assessed by the IRD that the listing related expenses were capital in nature and accordingly, the expenses were not tax deductible. Furthermore, it was assessed by the IRD that certain working capital generated from bank loans and overdrafts were utilised for non-income producing assets, such as investments in subsidiaries and amounts due from subsidiaries. Accordingly, the portion of the interest expenses related to those non-income producing assets were considered as not tax deductible. We agreed with the view of the IRD and have fully settled the under-provision of approximately HK$1.0 million in April 2017.

During the Track Record Period, our income tax was approximately HK$6.5 million, HK$4.0 million, HK$5.4 million and HK$2.5 million for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 respectively. On the other hand, our tax payable was approximately HK$14.8 million, HK$9.9 million, HK$9.7 million and HK$8.1 million as at 31 December 2014, 2015 and 2016 and 31 May 2017 respectively. During the Track Record Period, the amount of our income tax was significantly lower than our tax payable. It was primarily due to a brought forward tax provision of approximately RMB3.9 million made for Prosperous (SZ) before 1 January 2013 by our previous group's auditor in our consolidated financial statements. The tax provision arose from the different tax view between the then group's auditor and the statutory auditor on the non-deductibility in certain stock written off. The then group's auditor provided the tax on the basis that the stock written off might be recoverable. Up to 31 May 2017, the stock was still non-recoverable. Our Group did not object the view regarding the tax provision, and for prudence purpose, remained the tax provision accordingly.

Profit/(loss) for the year/period

As a result of the foregoing, our net profit was approximately HK$11.7 million, HK$11.9 million and HK$13.0 million for the years ended 31 December 2014, 2015 and 2016 respectively, while we recorded net loss of approximately HK$250,000 and HK$321,000 for the five months ended 31 May 2016 and 2017 respectively.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Five months ended 31 May 2017 compared with five months ended 31 May 2016

Revenue

Our revenue increased by approximately HK$30.1 million or 23.9% from approximately HK$125.8 million for the five months ended 31 May 2016 to approximately HK$155.9 million for the five months ended 31 May 2017. The increase was primarily due to the increase in revenue from one of our top five customers, as we obtained more orders from the customer for leisure and lifestyle books.

Leisure and lifestyle books

Our revenue from leisure and lifestyle books increased by approximately HK$27.2 million or 37.4% from approximately HK$72.7 million for the five months ended 31 May 2016 to approximately HK$99.9 million for the five months ended 31 May 2017. The increase was primarily because we obtained more orders from one of our top five customers, based on our quality and long years of relationship.

Educational textbooks and learning materials

Our revenue from educational textbooks and learning materials slightly increased by approximately HK$0.4 million or 1.0% from approximately HK$37.7 million for the five months ended 31 May 2016 to approximately HK$38.1 million for the five months ended 31 May 2017.

Children's books

Our revenue from children's books remained relatively stable as approximately HK$15.1 million and HK$14.9 million for the five months ended 31 May 2016 and 2017 respectively.

Other paper-related products

Our revenue from other paper-related products decreased by approximately HK$247,000 or 81.0% from approximately HK$305,000 for the five months ended 31 May 2016 to approximately HK$58,000 for the five months ended 31 May 2017. The decrease was primarily due to the decrease in orders of this type of products.

Provision of sub-contracting services

For the five months ended 31 May 2017, our Group received revenue from provision of sub-contracting services of approximately HK$3.0 million to Royal Step (SZ), which we provided services of binding books and package boxes.

Cost of sales

Our cost of sales increased by approximately HK$23.1 million or 26.8% from approximately HK$85.9 million for the five months ended 31 May 2016 to approximately HK$108.9 million for the five months ended 31 May 2017. The increase of our cost of sales was primarily driven by the increase in our revenue. Furthermore, the average prices of paper used increased from HK$6,545 per ton for the five months ended 31 May 2016 to HK$7,004 per ton for the five months ended 31 May 2017. This also led to the increase of our cost of sales for the five months ended 31 May 2017.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$7.0 million or 17.6% from approximately HK$39.9 million for the five months ended 31 May 2016 to approximately HK$46.9 million for the five months ended 31 May 2017. The increase was primarily due to the increase in our revenue for the five months ended 31 May 2017.

Our gross profit margin decreased from 31.7% for the five months ended 31 May 2016 to 30.1% for the five months ended 31 May 2017. The decrease was primarily due to the increase in our cost of sales, driven by the increase in the average prices of paper used for the five months ended 31 May 2017.

Other income/(losses)

We recorded other income of approximately HK$0.8 million for the five months ended 31 May 2016 while we recorded other losses of approximately HK$1.2 million for the five months ended May 2017. The other losses for the five months ended 31 May 2017 was primarily due to the exchange loss of approximately HK$2.1 million for the five months ended 31 May 2017, while for the five months ended 31 May 2016, the exchange loss was approximately HK$0.7 million.

Distribution costs

Distribution costs increased by approximately HK$0.5 million or 5.1% from approximately HK$9.0 million for the five months ended 31 May 2016 to approximately HK$9.5 million for the five months ended 31 May 2017. The increase was primarily due to the increase in courier and freight charges, as a result of the increase in our revenue from customers in the U.S..

Administrative expenses

Administrative expenses increased by approximately HK$4.5 million or 18.2% from approximately HK$24.7 million for the five months ended 31 May 2016 to approximately HK$29.2 million for the five months ended 31 May 2017. The increase was primarily due to the increase in our staff costs and benefits, as we started to make full contribution to the social insurance and housing provident fund for all employees since July 2016. For details, please refer to the sub-section headed "*Business — Non-Compliance*" in this prospectus.

Other expenses

Our other expenses remained relatively stable as approximately HK$2.3 million and HK$2.2 million for the five months ended 31 May 2016 and 2017 respectively.

Finance costs

Finance costs decreased by approximately HK$0.7 million or 19.8% from approximately HK$3.3 million to for the five months ended 31 May 2016 to approximately HK$2.6 million for the five months ended 31 May 2017. The decrease of our finance costs was mainly due to the decrease of the interest on Convertible Loan, while partially offset by the increase of the interest on bank loans and overdrafts. The decrease of the interest on Convertible Loan was because the entire principal amount of the Convertible Loan was converted into Shares on 25 July 2016. As a result, no interest was incurred during the five months ended 31 May 2017. On the other hand, during the five months ended 31 May 2017, the average amount of our bank borrowings increased, as we utilised the bank borrowings for settling the amount due to a director.

Income tax

Income tax increased by approximately HK$0.8 million or 47.3% from approximately HK$1.7 million for the five months ended 31 May 2016 to approximately HK$2.5 million for the five months ended 31 May 2017. The increase was primarily due to the under-provision of tax in prior years with approximately HK$1.0 million. It was related to certain expenses, including listing related expenses and interest expenses, which were deemed as non-tax deductible by tax assessments. We have fully settled the under-provision of approximately HK$1.0 million in April 2017.

Loss for the period

As a result of the foregoing, our loss for the period increased by approximately HK$71,000 or 28.4% from approximately HK$250,000 for the five months ended 31 May 2016 to approximately HK$321,000 for the five months ended 31 May 2017.

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue slightly increased by approximately HK$8.3 million or 2.2% from approximately HK$377.8 million for the year ended 31 December 2015, to approximately HK$386.0 million for the year ended 31 December 2016.

Leisure and lifestyle books

Our revenue from leisure and lifestyle books slightly increased by approximately HK$7.2 million or 2.8% from approximately HK$253.1 million for the year ended 31 December 2015 to approximately HK$260.3 million for the year ended 31 December 2016.

Educational textbooks and learning materials

Our revenue from educational textbooks and learning materials increased by approximately HK$7.9 million or 11.1% from approximately HK$70.7 million for the year ended 31 December 2015 to approximately HK$78.6 million for the year ended 31 December 2016. The increase was primarily due to the additional orders from one of our major customers as well as new customers for this type of books.

Children's books

Our revenue from children's books decreased by approximately HK$8.8 million or 16.7% from approximately HK$52.4 million for the year ended 31 December 2015 to approximately HK$43.7 million for the year ended 31 December 2016. The decrease was primarily due to one of our major customers ordered more leisure and lifestyle books instead of children's books during the year ended 31 December 2016.

Other paper-related products

Our revenue from other paper-related products decreased by approximately HK$281,000 or 19.1% from approximately HK$1.5 million for the year ended 31 December 2015 to approximately HK$1.2 million for the year ended 31 December 2016. The decrease was primarily due to the decrease in number of orders of this type of products.

Provision of sub-contracting services

For the year ended 31 December 2016, our Group received revenue from provision of sub-contracting services of approximately HK$2.3 million to Royal Step (SZ), which we provided services of binding books and package boxes.

Cost of sales

Our cost of sales decreased by approximately HK$8.8 million or 3.3% from approximately HK$269.3 million for the year ended 31 December 2015 to approximately HK$260.5 million for the year ended 31 December 2016. The decrease was primarily due to our cost control policy, of which we decided to gradually shift certain production procedures to our sub-contractors as it was more cost-effective and time efficient, which in return, lower our total cost of sales. Furthermore, the depreciation of RMB against Hong Kong dollar also led to the decrease in our cost of sales as our production costs for the Shenzhen Factory are priced in RMB to a large extent.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$17.1 million or 15.8% from approximately HK$108.5 million for the year ended 31 December 2015 to approximately HK$125.6 million for the year ended 31 December 2016. The increase was primarily due to the increase in our gross profit margin with our cost control policy and the depreciation of RMB against Hong Kong dollar.

Our gross profit margin increased from 28.7% for the year ended 31 December 2015 to 32.5% for the year ended 31 December 2016. It was primarily due to our cost control policy, of which we decided to gradually shift certain specialised process, such as gilding on book covers and labour-intensive production procedures to our sub-contractors as it was more cost-effective and time efficient, which in return, lower our total cost of sales. It is also our Group's policy to improve our level of automation and efficiency in production by purchasing technologically advanced equipment. Furthermore, the depreciation of RMB against Hong Kong dollar also led to the decrease in our cost of sales.

Other income

Other income increased by approximately HK$0.4 million or 13.3% from approximately HK$3.1 million for the year ended 31 December 2015 to approximately HK$3.5 million for the year ended 31 December 2016. The increase was primarily due to the increase of the income received from government subsidies.

The income received from government subsidies increased by approximately HK$1,722,000 or 9.9 times from approximately HK$174,000 for the year ended 31 December 2015 to approximately HK$1.9 million for the year ended 31 December 2016. During the year ended 31 December 2016, we have successfully applied various subsidies from the local government authorities in the PRC which approximately HK$1.9 million was recorded as other income in total. Among the government subsidies, one of them represented the subsidy of approximately HK$0.6 million, as we were nominated by the Culture, Sports and Tourism Administration of Shenzhen Municipality (深圳市文體旅遊局) as one of the Top 100 Cultural and Creative Companies in Shenzhen (2013-2014) (深圳文化創意百強企業 (2013-2014)). We also received approximately HK$0.3 million and HK$0.3 million from the Financial Bureau of Shenzhen Longgang District (深圳市龍崗區財政局) and the Economy, Trade and Information Commission of Shenzhen Municipality (深圳市經濟貿易和信息化委員會) as subsidies for purchasing export credit insurance. Apart from the above, the Shenzhen Administration Bureau of Social Insurance Fund (深圳市社會保險基金管理局) granted us approximately HK$0.6 million as subsidies for stabilising employment, which were granted to enterprises that adopt effective measures to conduct no layoffs or fewer layoffs and stabilise employment.

Distribution costs

Distribution costs increased by approximately HK$2.5 million or 8.6% from approximately HK$29.3 million for the year ended 31 December 2015 to approximately HK$31.8 million for the year ended 31 December 2016. The increase was primarily due to the increase in our sale commissions. Sale commissions, which represent the commission paid to Independent Third Party sales representatives based on the net sales collected, increased as a result of the increase of the amount of net sales referred during the period.

Administrative expenses

Administrative expenses increased by approximately HK$1.8 million or 3.1% from approximately HK$58.5 million for the year ended 31 December 2015 to approximately HK$60.3 million for the year ended 31 December 2016. Our administrative expenses remained relatively stable.

Other expenses

Other expenses significantly increased by approximately HK$9.9 million or 24.6 times from approximately HK$0.4 million for the year ended 31 December 2015 to approximately HK$10.3 million for the year ended 31 December 2016. The increase was primarily due to the increase of our listing expenses incurred during the period. Also, we recorded impairment loss on trade debtors of approximately HK$3.2 million in 2016. It was primarily because one of our customers was in administration and we expected the receivable balance of the customer will not be fully recovered.

Finance costs

Finance costs increased by approximately HK$0.8 million or 10.1% from approximately HK$7.5 million for the year ended 31 December 2015 to approximately HK$8.3 million for the year ended 31 December 2016. The increase was primarily due to the increase of the interest on bank loans and overdrafts, while partially offset by the decrease in the interest on Convertible Loan and other borrowings. The decrease of the interest on Convertible Loan was because the entire principal amount of the Convertible Loan was converted into Shares on 25 July 2016. As a result, no further interest was charged after the conversion.

On the other hand, during the year ended 31 December 2016, the average amount of our bank borrowings increased, as we utilised the bank borrowings for settling our trade payables. This led to the increase of the interest on bank loans and overdrafts accordingly.

Income tax

Income tax increased by approximately HK$1.5 million or 36.9% from approximately HK$4.0 million for the year ended 31 December 2015 to approximately HK$5.4 million for the year ended 31 December 2016. The increase was primarily due to the increase of our profit before taxation and the increase of tax effect of non-deductible expenses, as we incurred more listing expenses which were non-deductible for tax purpose.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by approximately HK$1.1 million or 9.1% from approximately HK$11.9 million for the year ended 31 December 2015 to approximately HK$13.0 million for the year ended 31 December 2016. Our net profit margin increased from 3.1% for the year ended 31 December 2015 to 3.4% for the year ended 31 December 2016. The increase was primarily due to the increase of our gross profit margin.

Year ended 31 December 2015 compared with year ended 31 December 2014

Revenue

Our revenue decreased by approximately HK$23.5 million or 5.8% from approximately HK$401.2 million for the year ended 31 December 2014, to approximately HK$377.8 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in customer orders resulting from (i) the decrease in the transactions with Customer B; and (ii) one major customer was involved in internal reorganisation with changes in its management after being merged by a media consortium in the U.S. in 2015.

Leisure and lifestyle books

Our revenue from leisure and lifestyle books decreased by approximately HK$11.7 million or 4.4% from approximately HK$264.8 million for the year ended 31 December 2014 to approximately HK$253.1 million for the year ended 31 December 2015. The decrease was primarily due to one major customer was in reorganisation with changes in its management which affected its orders placed to us in 2015 as mentioned above. Moreover, because of our Group's stringent credit control policy, we reduced our transactions with Customer B who had long outstanding account receivable balance to our Group, from approximately HK$29.8 million for the year ended 31 December 2014 to HK$20.2 million for the year ended 31 December 2015.

Educational textbooks and learning materials

Our revenue from educational textbooks and learning materials decreased by approximately HK$10.1 million or 12.5% from approximately HK$80.9 million for the year ended 31 December 2014 to approximately HK$70.7 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in customer orders from one of our major print brokers for this type of books.

Children's books

Our revenue from children's books slightly increased by approximately HK$1.3 million or 2.5% from approximately HK$51.1 million for the year ended 31 December 2014 to approximately HK$52.4 million for the year ended 31 December 2015.

Other paper-related products

Our revenue from other paper-related products decreased by approximately HK$2.9 million or 66.3% from approximately HK$4.4 million for the year ended 31 December 2014 to approximately HK$1.5 million for year ended 31 December 2015. The decrease was primarily due to the decrease in the scale of completed orders during the year.

Cost of sales

Our cost of sales decreased by approximately HK$21.5 million or 7.4% from approximately HK$290.8 million for the year ended 31 December 2014 to approximately HK$269.3 million for the year ended 31 December 2015. The decrease was generally in line with the decrease in our revenue.

Gross profit and gross profit margin

Our gross profit slightly decreased by approximately HK$2.0 million or 1.8% from approximately HK$110.5 million for the year ended 31 December 2014 to approximately HK$108.5 million for the year ended 31 December 2015.

Our gross profit margin increased from 27.5% for the year ended 31 December 2014 to 28.7% for the year ended 31 December 2015. The increase of our gross profit margin was mainly because in March 2014, we incurred additional sub-contracting fees as we engaged sub-contractors to carry out production process for certain of our rush printing orders due to over-utilisation of our production facility, which led to higher fee charged compared to normal period. As a result, this led to the increase of cost of sales and decrease of gross profit margin during the year of 2014.

Other income

Other income decreased by approximately HK$2.4 million or 44.0% from approximately HK$5.5 million for the year ended 31 December 2014 to approximately HK$3.1 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in the gain on disposal of property, plant and equipment and exchange loss was recorded for the year ended 31 December 2015 instead of exchange gain as recorded in the year ended 31 December 2014.

Distribution costs

Distribution costs slightly decreased by approximately HK$1.2 million or 3.9% from approximately HK$30.5 million for the year ended 31 December 2014 to approximately HK$29.3 million for the year ended 31 December 2015. The decrease was generally in line with the decrease in our revenue.

Administrative expenses

Administrative expenses increased by approximately HK$2.5 million or 4.4% from approximately HK$56.0 million for the year ended 31 December 2014 to approximately HK$58.5 million for the year ended 31 December 2015. The increase was primarily due to the increase of the expenses from repair and maintenance of our production facilities, mainly plant and machinery.

Other expenses

Other expenses decreased by approximately HK$4.1 million or 91.2% from approximately HK$4.5 million for the year ended 31 December 2014 to approximately HK$0.4 million for the year ended 31 December 2015. The decrease was primarily due to the decrease of the impairment loss on trade receivables as we applied better credit control policy.

Finance costs

Finance costs increased by approximately HK$0.8 million or 12.0% from approximately HK$6.7 million for the year ended 31 December 2014 to approximately HK$7.5 million for the year ended 31 December 2015. The increase was primarily due to the increase of interest on Convertible Loan as we completed the drawdown of first and second tranches of the Convertible Loan with amount of HK$10.0 million and HK$5.0 million in September and December 2014 respectively. As a result, in 2015, full year of interest on Convertible Loan was charged which led to the increase of our finance costs.

Income tax

Income tax decreased by approximately HK$2.5 million or 39.2% from approximately HK$6.5 million for the year ended 31 December 2014 to approximately HK$4.0 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in profit before taxation and the decrease of tax effect of non-deductible expenses.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by approximately HK$0.2 million or 1.4% from approximately HK$11.7 million for the year ended 31 December 2014 to approximately

HK$11.9 million for the year ended 31 December 2015. Our net profit margin increased from 2.9% for the year ended 31 December 2014 to 3.1% for the year ended 31 December 2015. The increase was primarily due to the increase of our gross profit margin and decrease of our income tax.

DISCUSSION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Property, plant and equipment	173,616	150,228	278,931	275,437
Intangible assets	-	1,028	963	939
Available-for-sale investments	2,952	2,573	2,405	2,443
Investment in key management insurance policy	-	-	5,116	8,166
Deposits for acquisition of property, plant and equipment	-	-	3,233	3,233
	176,568	153,829	290,648	290,218
Current assets				
Inventories	62,451	54,665	52,827	72,676
Trade and other receivables	206,995	199,198	105,518	128,950
Pledged bank deposits	20,731	8,135	11,985	7,711
Cash and cash equivalents	3,924	8,559	4,126	2,123
	294,101	270,557	174,456	211,460
Current liabilities				
Trade and other payables	128,953	79,508	113,390	79,436
Derivative financial instruments	-	-	25	-
Bank loans and overdrafts	109,552	157,813	156,012	210,848
Obligations under finance leases	3,217	3,087	1,782	5,237
Tax payable	14,767	9,885	9,689	8,135
	256,489	250,293	280,898	303,656
Net current assets/ (liabilities)	37,612	20,264	(106,442)	(92,196)
Total assets less current liabilities	214,180	174,093	184,206	198,022

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current liabilities				
Obligations under finance leases	4,166	1,833	68	11,365
Convertible loan	16,754	16,893	-	-
Deferred tax liabilities	3,716	3,665	3,332	3,595
	24,636	22,391	3,400	14,960
NET ASSETS	189,544	151,702	180,806	183,062
CAPITAL AND RESERVES				
Share capital	5,000	5,000	27,539	27,539
Reserves	187,331	151,161	153,267	155,523
Total equity attributable to equity shareholders of the Company	192,331	156,161	180,806	183,062
Non-controlling interests	(2,787)	(4,459)	-	-
TOTAL EQUITY	189,544	151,702	180,806	183,062

Property, plant and equipment

Our property, plant and equipment comprise land and buildings held for own use, plant and machinery, fixtures and furnitures and motor vehicles. We adopt reducing balance method to account for the depreciation of plant and machinery, fixtures and furnitures and motor vehicles. Our Directors consider the adoption of reducing balance method for these items are appropriate given (i) those items have higher utilities and better functionality in the earlier years of their respective useful life; and (ii) the value of these items reduced quickly upon purchased and then slows down over time. The following table sets forth the carrying amount of our property, plant and equipment as the dates indicated:

	As at 31 December			As at 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Plant and machinery	167,439	144,987	144,461	142,066
Fixtures and furnitures	3,793	3,254	3,001	2,843
Motor vehicles	2,384	1,987	1,563	2,516
Land and buildings held for own use	-	-	129,906	128,012
	173,616	150,228	278,931	275,437

The carrying amount of our property, plant and equipment was approximately HK$173.6 million, HK$150.2 million, HK$278.9 million and HK$275.4 million as at 31 December 2014, 2015 and 2016 and 31 May 2017 respectively. The decrease in our property, plant and equipment as at 31 December 2015 was mainly due to the disposal of our machinery and depreciation incurred during the year.

As at 31 December 2016, our property, plant and equipment significantly increased. It was mainly due to the acquisitions of the Properties as the premises for our Hong Kong Factory through the acquisitions of Mr. Classic and Great China Gains, being the respective holding company of Super Noble and Tactful Hero as at 29 July 2016. Before the acquisitions, our Group leased the Properties from Super

Noble and Tactful Hero. Our Directors consider the acquisition of Mr. Classic and Great China Gains was beneficial to our Group and our Shareholders as a whole, after taking into account that (i) owning the premises for our production facilities allows us to minimise any disruption to our operation and the relocation costs in the event that the owner of the Properties does not want to continue leasing us the Properties on terms commercially acceptable to our Group; (ii) the inclusion of the Properties in our Group increased our asset base and thus put us in a better bargaining position when negotiating financing with banks in the future; (iii) our financial performance is expected to improve following the acquisition since the annual interest expense which we would otherwise have incurred had the acquisition been partly financed by bank borrowings will be less than the annual rentals we paid to Super Noble and Tactful Hero prior to the acquisition or, where applicable, the market rent for comparable premises in the vicinity; and (iv) we will reduce our reliance on and minimise the amount of connected transactions with our Controlling Shareholders after Listing.

The amount of Properties acquired through the acquisitions of Mr. Classic and Great China Gains was approximately HK$131.8 million. The consideration was settled by setting-off the amount due from a director — Mr. Lam of approximately HK$75.4 million and the remaining balance of approximately HK$58.4 million was recorded as amount due to a director — Mr. Lam. As at 31 May 2017, our Group has fully settled the remaining balance regarding the acquisitions.

As at 31 May 2017, our property, plant and equipment slightly decreased by approximately HK$3.5 million or 1.3%. The decrease was primarily attributable to the depreciation incurred during the period.

Available-for-sale investments

Our available-for-sale investments mainly represent our investment in investment funds in Hong Kong which are unlisted but quoted funds. Our available-for sale investments amounted to approximately HK$3.0 million, HK$2.6 million, HK$2.4 million and HK$2.4 million as at 31 December 2014, 2015 and 2016 and 31 May 2017 respectively. Our investment in investment funds was denominated in RMB and was pledged for our banking facilities. There were no buy or sell transactions made for our investment funds during the Track Record Period and we have no intention to buy additional investment funds in the foreseeable future. The overall decrease of our available-for-sale investments was primarily due to the depreciation of RMB against Hong Kong dollar.

Inventories

Our inventories comprise raw materials, work-in-progress and finished goods. The following table sets forth our ending inventory balances as at the dates indicated:

	As at 31 December			As at 31 May
	2014	**2015**	**2016**	**2017**
	HK'000	**HK$'000**	**HK$'000**	**HK$'000**
Raw materials	41,883	38,569	38,749	42,626
Work-in-progress	18,289	13,687	13,170	26,326
Finished goods	2,279	2,409	908	3,724
	62,451	54,665	52,827	72,676

The decrease in our inventories from approximately HK$62.5 million as at 31 December 2014 to approximately HK$54.7 million as at 31 December 2015 was mainly due to decrease in our stock of paper, as the price of paper was relatively stable. As a result, for inventory control and management, we held relatively lower of inventories accordingly.

Our inventories slightly decreased from approximately HK$54.7 million as at 31 December 2015 to approximately HK$52.8 million as at 31 December 2016. The decrease was primarily due to the decrease in finished goods which we delivered to our customers before the year ended 31 December 2016.

Our inventories increased from approximately HK$52.8 million as at 31 December 2016 to approximately HK$72.7 million as at 31 May 2017. The increase in our inventory balance as at 31 May 2017 was mainly due to the increase in raw materials and work-in-progress, as we generally received more orders during peak season. We have completed major portion of the orders up to the Latest Practicable Date.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended 31 December			**Five months ended 31 May**
	2014	**2015**	**2016**	**2017**
Inventory turnover days[(1)]	84.4	79.4	75.5	87.0

Note:

(1) Inventory turnover days equals average balance of inventory divided by costs of sales for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year/period divided by two.

Our inventory turnover days was 84.4 days, 79.4 days and 75.5 days for the years ended 31 December 2014, 2015 and 2016 respectively. The overall decrease of the inventory turnover days was primarily due to the decrease in inventory kept by our Group as the paper price was relatively stable during the three years ended 31 December 2016.

Our inventory turnover days increased to 87.0 days for the five months ended 31 May 2017. The increase was primarily due to the increase in our raw materials and work-in-progress as mentioned above.

For the inventory balance as at 31 May 2017, amounts of approximately HK$37.7 million (or 88.4%), HK$23.9 million (or 90.7%) and HK$3.7 million (or 99.1%) were utilised for raw materials, work-in-progress and finished goods respectively as at the Latest Practicable Date.

Trade and other receivables

Our trade and other receivables primarily comprise (i) trade receivables; (ii) advance to a sub-contractor; (iii) amounts due from directors and (iv) amounts due from related companies. The following table sets out the breakdown of trade and other receivables as at the dates indicated:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	150,148	130,465	105,541	118,129
Less: allowance for doubtful debts	(15,401)	(14,888)	(17,041)	(17,362)
	134,747	115,577	88,500	100,767
Advance to a sub-contractor	-	8,714	9,035	9,890
Consideration receivable in respect of disposal of plant and machinery	10,458	-	-	-
Amounts due from directors	52,898	60,002	-	7,565
Amounts due from related companies	2,707	7,603	-	-
Other receivables	2,272	2,978	889	1,925
Loans and receivables	203,082	194,874	98,424	120,147
Prepaid expense for listing fee	-	-	1,743	2,389
Other prepaid expenses	690	179	390	394
Utility and other deposits	130	287	1,450	610
Other tax recoverable	3,093	3,858	3,511	5,410
	206,995	199,198	105,518	128,950

Trade receivables

Our trade receivables represent amount receivables from customers for products we sold. We periodically monitor and review the credit conditions of our major customers as well as the ageing of our trade receivables and all overdue trade receivables are being followed up. In the event of evidence of impairment on trade receivables arises, such as a customer is experiencing significant financial difficulty or will likely enter into bankruptcy, we may provide allowance for the amounts that are considered not recoverable.

The following table sets out a breakdown of our trade receivables as at the dates indicated:

	As at 31 December			As at 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	150,148	130,465	105,541	118,129
Less: allowance for doubtful debts	(15,401)	(14,888)	(17,041)	(17,362)
	134,747	115,577	88,500	100,767

Our trade receivables balance net of allowance for doubtful debts was approximately HK$134.7 million, HK$115.6 million, HK$88.5 million and HK$100.8 million as at 31 December 2014, 2015 and 2016 and 31 May 2017 respectively. We generally provide impairment of trade debtors when individual customer is in financial difficulties and we assess that the receivable balance of the customer is not expected to be recovered. During the Track Record Period, we did not provide any allowance for doubtful debts for our top five customers. The overall decrease in our trade receivables balance was primarily due to our Group's stringent credit policy as we monitored and followed up for overdue balances.

During the Track Record Period, we factored certain of our trade receivables to banks in order to obtain cash inflows. As at 31 December 2014, 2015 and 2016 and 31 May 2017, the amount of trade receivables we factored was approximately HK$53.0 million, HK$29.8 million, HK$24.8 million and HK$34.2 million respectively. The financial charges incurred in relation to the factoring was approximately HK$2.2 million, HK$1.6 million, HK$1.3 million and HK$0.7 million for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively.

The following table sets forth the ageing analysis of our trade receivables net of allowance for doubtful debts based on invoice dates as of the dates indicated:

	As at 31 December			**As at 31 May**
	2014	**2015**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Within 1 months	21,348	23,983	30,749	37,306
1 to 3 months	39,736	33,832	22,901	42,199
3 to 6 months	53,966	47,069	29,583	9,091
6 to 12 months	15,496	9,744	4,967	12,171
1 to 2 years	4,053	876	300	-
Over 2 years	148	73	-	-
	134,747	115,577	88,500	100,767

We generally offer credit terms to customers ranging from 30 to 180 days, following our issue of invoice. As at 31 December 2014, 2015 and 2016 and 31 May 2017, trade receivables of approximately HK$59.7 million, HK$47.9 million, HK$32.1 million and HK$22.0 million respectively, were past due but not impaired. These overdue balances related to a number of independent customers that have a good track record with our Group. Based on past experience, we believe that no impairment allowance is required as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at the Latest Practicable Date, approximately HK$81.8 million or 81.1% of our trade receivables as at 31 May 2017 have been settled.

The following table sets forth our average trade receivable turnover days for the periods indicated:

	Year ended 31 December			**Five months ended 31 May**
	2014	**2015**	**2016**	**2017**
Trade receivables turnover days(1)	126.1	120.9	96.7	91.7

Note:

(1) Trade receivables turnover days equal average balance of trade receivables divided by revenue for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year/period divided by two.

Our trade receivables turnover days was 126.1 days, 120.9 days, 96.7 days and 91.7 days for the year ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 respectively. The overall decrease of our trade receivables turnover days during the Track Record Period was primarily because of the decrease of our trade receivables as mentioned above.

Factoring arrangements

During the Track Record Period, we entered into factoring facilities with four commercial banks in Hong Kong with regard to certain of our trade receivables. The cash received by us from the banks for our invoice value factored are regarded as factoring loans from the banks which are secured by our trade receivables. As at 31 December 2014, 2015 and 2016 and 31 May 2017, the amount of trade receivables factored on a recourse basis was approximately HK$53.0 million, HK$29.8 million, HK$24.8 million and HK$34.2 million respectively. Under the factoring arrangements, we were able to obtain up to 90% of the total amount of trade receivables we factored, as factoring loans. As at 31 December 2014, 2015 and 2016 and 31 May 2017, our factoring loan was approximately HK$31.0 million, HK$9.2 million, HK$20.0 million and HK$29.0 million respectively.

Our factoring arrangements are subject to discounting charges, service charges (or referred to as commission) as well as miscellaneous administrative charges and a fund in use limit granted by the banks. During the Track Record Period, the discounting charges for our factoring arrangements ranged from 0.5% per annum to 3% per annum depending on the currency that the factoring loans are denominated in. During the Track Record Period, the service charge (or referred to as commission) of our factoring arrangements ranged from 0.2% to 0.75% on the invoice value or in a fixed sum of HK$8,000 per month. The factoring arrangements are secured by certain customary securities provided by our Group.

All factoring arrangements are on with recourse basis. The banks may at their sole discretion to reject and re-assign any trade receivables to us by written notice. During the Track Record Period, we did not experience any with recourse factoring whereby the relevant banks re-assigned any relevant trade receivables to us.

When deciding whether to enter into factoring arrangement or other similar loan arrangements for funding, we will take into account factors such as our working capital requirements from time to time, the maturity dates of our trade receivables, the credit standings of our customers and the costs associated with the factoring and loan arrangements.

Advance to a sub-contractor

Our advance to a sub-contractor represents our advance payments to Royal Step (SZ) for the sub-contracting of production process. The advance payments were for the purchase of raw materials by Royal Step (SZ) as the production process completed by Royal Step (SZ) normally required raw materials. As a result, to facilitate the production process, we provided advances to Royal Step (SZ). The advanced payments were non-interest bearing.

Our advance to a sub-contractor was nil, HK$8.7 million, HK$9.0 million and HK$9.9 million as at 31 December 2014, 2015 and 2016 and 31 May 2017 respectively. The overall increase of our advance to a sub-contractor was because of the expected orders to be completed by Royal Step (SZ) after the year ended 31 December 2015 and 2016 and the five months ended 31 May 2017.

Amounts due from directors and amount due to a director

The following table sets forth the amounts due from respective directors and amount due to a director as of the dates indicated:

	As at 31 December			As at 31 May
	2014	**2015**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Amounts due from directors				
Mr. Lam	41,020	38,153	-	7,565
Mr. Li	11,878	21,849	-	-
	52,898	60,002	-	7,565
Amount due to a director				
Mr. Lam	-	-	40,025	-

The amounts due from directors and the amount due to a director are unsecured, interest-free and repayable demand. As at 31 December 2016, the amounts due from directors were fully settled while amount due to a director — Mr. Lam of approximately HK$40.0 million was recorded.

On 29 July 2016, our Group acquired 100% equity interests together with shareholder's loan in Mr. Classic and Great China Gains from Mr. Lam. The consideration of the acquisitions of Mr. Classic and Great China Gains, being the respective holding company of Super Noble and Tactful Hero was approximately HK$62.2 million and HK$71.6 million respectively. The consideration was settled by setting-off the amount due from a director — Mr. Lam of approximately HK$75.4 million and the remaining balance of approximately HK$58.4 million was recorded as amount due to a director — Mr. Lam. The remaining balance was subsequently settled by internal resources and a loan from a commercial bank in Hong Kong with amount of HK$40.0 million, which was drawn on 26 January 2017 with a maturity period of two years from the date of drawdown and interest rate of HIBOR plus 2% per annum. For details of the loan, please refer to the sub-section headed "— *Net current assets and liabilities*" in this section.

As at 31 December 2016, the balance of our amount due to a director — Mr. Lam was approximately HK$40.0 million. As at 31 May 2017, our Group has fully settled the remaining balance regarding the acquisitions.

As at 31 May 2017, we record the amounts due from directors of approximately HK$7.6 million. The amount will be fully settled upon Listing.

Amounts due from/to related companies

The following table sets forth the amounts due from/to related companies as of the dates indicated:

	As at 31 December			As at 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due from related companies				
Tactful Hero	873	4,787	-	-
Topping Shiny Limited	1,834	2,816	-	-
	2,707	7,603	-	-
Amounts due to related companies				
Super Noble	946	455	-	-
Royal Step (SZ)	3,510	-	-	-
	4,456	455	-	-

The amounts due from/to related companies are unsecured, interest-free and repayable on demand. As at 29 July 2016, our Group acquired Mr. Classic and Great China Gains, being the respective holding company of Super Noble and Tactful Hero. Accordingly, as at 31 December 2016, Super Noble and Tactful Hero were our Group's subsidiaries instead of related companies.

Topping Shiny Limited was controlled by Mr. Lam and as at 31 December 2016, the balance due from the company had been transferred to and fully settled by Mr. Lam.

Royal Step (SZ) was controlled by Ms. Yao but her equity interest in Royal Step (SZ) was fully disposed on 5 May 2015. Accordingly, after the disposal, Royal Step (SZ) was no longer treated as a related company of our Group.

Trade and other payables

Our trade and other payables primarily comprise (i) trade payables; (ii) accrued staff costs and other accruals; (iii) advance from customers; (iv) amounts due to related companies; (v) amounts due to a director; (vi) bills payable for purchase of plant and machinery and (vii) other payables. The following table sets out the breakdown of trade and other payables as at the dates indicated:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	94,469	64,194	36,692	50,699
Accrued staff costs	7,041	5,449	7,035	7,469
Other accruals	5,249	2,208	1,820	2,353
Other payables	10,198	6,676	12,664	13,049
Bills payable for purchase of plant and machinery	-	-	14,612	-
Advances from customers	5,340	-	-	5,000
Amount due to a director	-	-	40,025	-
Amounts due to related companies	4,456	455	-	-
Receipts in advance	1,017	192	487	240
Other tax payable	1,183	334	55	626
	128,953	79,508	113,390	79,436

Trade payables

Our trade payables primarily represent amounts payable to our suppliers and sub-contractors. As at 31 December 2014, 2015 and 2016 and 31 May 2017, our trade payables were approximately HK$94.5 million, HK$64.2 million, HK$36.7 million and HK$50.7 million respectively. The overall decrease in our trade payables balance during the three years ended 31 December 2016 was mainly due to the decrease of our costs of sales and also we settled balances through our bank borrowings.

Our trade payables increased to approximately HK$50.7 million as at 31 May 2017. The increase was primarily due to the increase in our costs of sales during the five months ended 31 May 2017.

The following table sets forth the ageing analysis of our trade payables based on invoice dates as of the dates indicated:

	As at 31 December			As at 31 May
	2014	**2015**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Within 1 months	20,852	17,205	16,540	14,887
1 to 3 months	35,053	30,221	12,533	29,567
3 to 6 months	35,554	16,657	7,511	4,851
6 to 12 months	2,713	91	88	1,374
Over 1 years	297	20	20	20
	94,469	64,194	36,692	50,699

As at Latest Practicable Date, amount of approximately HK$42.2 million or 83.3% of our trade payables as at 31 May 2017 have been settled.

Our suppliers and sub-contractors generally grant us credit terms in the range of 30 to 145 days. The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended 31 December			Five months ended 31 May
	2014	**2015**	**2016**	**2017**
Trade payables turnover days(1)	118.1	107.5	70.9	60.6

Note:

(1) Trade payables turnover days equals average balance of trade payables divided by cost of sales for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year/period divided by two.

Our trade payables turnover days was 118.1 days, 107.5 days and 70.9 days for the years ended 31 December 2014, 2015 and 2016 respectively. The decrease of the trade payables turnover days during the three years ended 31 December 2016 was mainly due to the decrease in our trade payables balance as mentioned above. Our trade payables turnover days further decreased to 60.6 days for the five months ended 31 May 2017, which was because our purchase of raw materials from our PRC suppliers with shorter credit period (i.e. 30 to 60 days) during the five months ended 31 May 2017 increased by approximately 27.6% when compared with the same period in 2016. As a result, our trade payables turnover days shortened from 70.9 days in 2016 to 60.6 days for the five months ended 31 May 2017.

During the five months ended 31 May 2017, we increased our purchase of raw materials from suppliers with shorter credit period. In particular, our Supplier H provided credit terms with 60 days and represented one of the top five suppliers during the five months ended 31 May 2017. Except for Supplier H, our top five suppliers provided credit terms with 120 days to 145 days to us during the Track Record Period. For details, please refer to the sub-section headed "*Business — Procurement and suppliers*" in this prospectus.

In addition, during the Track Record Period, our trade payables turnover days were generally shorter than the credit terms provided by our top five suppliers. It was primarily because our cost of sales also includes other costs such as staff costs, sub-contracting fees, depreciation and water and electricity which generally to be settled in 30 days and included in the calculation of our trade payables turnover days. This would shorten our calculated trade payables turnover days and led to the difference between the trade payables turnover days and the credit terms of 120 days to 145 days from majority of our top five suppliers. With only considering raw materials and consumables and sub-contracting fees which directly related to our trade payables, the adjusted trade payables turnover days, which are calculated by the average balance of trade payables divided by the total amount of raw materials and consumables and sub-contracting fees for the relevant year/period multiplied by the number of days in the relevant year/period, will be approximately 193.0 days, 176.1 days, 111.1 days and 94.5 days for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 respectively.

Advances from customers

For large scale of customer orders received from certain major customers in Hong Kong, we received advance payments from them and utilised the advances for the purchase of raw materials applicable to the customer orders. Once the customer order is completed with invoice issued, we settle the advances due from the customers with interest plus principal and factor the remaining trade receivables to our banks in order to obtain cash inflow. This arrangement can secure our customer orders and enhance our management of working capital. During the Track Record Period, the interest rate ranged from 1% to 13.5%.

Our advances from customers were HK$5.3 million, nil and nil as at 31 December 2014, 2015 and 2016 respectively. The overall decrease of our advances from customers during the three years ended 31 December 2016 was primarily because we completed the orders and settled the advance before the years ended 31 December 2015 and 2016. On the other hand, as at 31 May 2017, our advances from customers were approximately HK$5.0 million. The increase of our advances from customers as at 31 May 2017 was primarily because we received more orders during the peak season and we received the advances for the purchase of raw materials for the orders.

Bills payable for purchase of plant and machinery

As at 31 December 2016, our Group had bills payable for purchase of plant and machinery with amount of approximately HK$14.6 million. The bills payable related to the purchase of two machinery with amount of JPY220,000,000 in total, and had be settled by term loan from our existing banking facilities and finance lease arrangement. The principal of the term loan was approximately HK$7.8 million with maturity period of three years from the date of drawdown. We completed the drawdown of the term loan in May 2017. For the finance lease arrangement, the total finance amount was approximately HK$8.4 million with monthly payment of approximately HK$0.2 million and repayment period of 4 years. In March 2017, we had commenced the finance lease arrangement and settled the portion of bills payable with amount of JPY110,000,000.

Other payables

Other payables primarily represent amounts payable for our distribution costs, rental expenses, water and electricity, repair and maintenance and listing expenses. Our other payables decreased from approximately HK$10.2 million as at 31 December 2014 to approximately HK$6.7 million as at 31 December 2015. The decrease was primarily due to the decrease of amounts payable for our distribution costs and rental expenses as we settled more portion before the year ended 31 December 2015.

Our other payables increased from approximately HK$6.7 million as at 31 December 2015 to approximately HK$12.7 million as at 31 December 2016. The increase was primarily because of the increase of the amounts payable for listing expenses as we incurred more listing expenses during the year ended 31 December 2016. Furthermore, our amounts payable for distribution costs also increased as more sales commissions were charged as a result of the increase of the amount of net sales referred.

Our other payables slightly increased from approximately HK$12.7 million as at 31 December 2016 to approximately HK$13.0 million as at 31 May 2017.

Bank loans and overdrafts

We primarily used our bank loans and overdrafts to finance our working capital for our operation. As of 30 September 2017, some of our banking facilities are subject to specific requirements or restrictions on their applications, including (i) trade finance facilities, some of which are only allowed to be drawn against invoices relating to customers or suppliers pre-approved by the banks; (ii) a foreign exchange and currency option in the amount of HK$7 million was granted specifically for hedging transaction. Please refer to sub-section headed "*Business – Currency risk management – the optional forward foreign exchange contract*" in this prospectus for details; (iii) demand loan facility in the amount of HK$40 million which were granted for financing our settlement of loans due to our shareholders and/or directors; (iv) term loan facilities which were granted to finance our retirement of outstanding indebtedness of letter of credits and trust receipts; (v) two revolving loan facility in the amount of HK$13 million and HK$20 million respectively and an overdraft facility in the amount of HK$10 million were granted with a condition that such facility should not be applied towards property acquisition; (vi) a revolving loan facility up to a maximum amount of HK$20.0 million may be used for financing our working capital or for the repayment of existing bank loans; and (vii) a term loan facility with a principal amount of HK$35.0 million may only be used for the repayment of existing bank loans.

All of our Group's banking facilities are subject to the fulfilment of covenants based on the financial information of our Group and certain of our subsidiaries, which are commonly found in lending arrangements with banks and financial institutions. As of 30 September 2017, major debt covenants to which we are subject and have a material effect on our operations are as follows: (i) two banks required us to maintain consolidated net tangible worth of not less than HK$30 million and HK$150 million, respectively; (ii) one bank required us to direct annual import/export business of at least HK$21 million to it by way of utilising the trade finance facilities provided by the bank to settle the trade payables to its pre-approved suppliers, during the twelve months prior to March every year; (iii) two banks restricted us from declaring or paying any dividends to our shareholders without their prior written consent; (iv) one bank required us to maintain a loan-to-valuation ratio in respect of the outstanding amount of one of the term loans available under the facility which has a limit of approximately HK$0.63 million and the assets pledged to it of not more than 50%; (v) one bank required us to maintain a minimum collateral of HK$3.5 million for the utilisation of the full amount of the facility; (vi) one bank required us to maintain a debt ratio of no more than 0.8 before Listing; and (vii) one bank required us to maintain a consolidated earnings before interest, taxes, depreciation and amortisation (the "**Consolidated EBITDA**") of at least HK$30.0 million and a ratio of the Consolidated EBITDA to gross interest expenses of not less than 3.5 times after Listing. If our Group were to breach the covenants, the drawn down facilities would become payable on demand. As at 31 December 2015, our Group had breached a covenant relating to obtaining a prior written consent from our banks for the payment of dividends. Subsequent to 31 December 2015, our Group received waiver from compliance with this covenant from our banks.

Our Directors confirm that:

(i) *net worth covenant:* our net tangible assets of approximately HK$195.9 million as at 30 September 2017 were approximately 553.1% and 30.6% above the minimum net tangible worth of HK$30 million and HK$150 million imposed by the respective banks;

(ii) *business referral covenant:* during the first seven months of the annual review period of the relevant bank from 1 March 2017 to 30 September 2017, we had directed approximately HK$12.28 million worth of import/export business to such bank;

(iii) *dividends covenant:* no dividends had been declared or paid by us to our Shareholders during the year ended 31 December 2016 and up to the Latest Practicable Date;

(iv) *loan-to-valuation ratio covenant:* the banking facility stipulating a minimum loan-to-valuation ratio of 50% had been fully repaid by us;

(v) *minimum collateral covenant*: the banking facility containing a covenant on the maintenance of minimum collateral of HK$3.5 million had a credit limit of HK$19 million, of which HK$3 million and HK$16 million may be drawn by us subject to our pledging to the relevant bank collateral with a value of HK$1 million and HK$2.5 million, respectively and since we had utilised not more than HK$16 million of such banking facility as at 30 September 2017, we were permitted to maintain a cash deposit of approximately HK$2.7 million only with the relevant bank; and

(vi) *debt ratio covenant:* as at 30 September 2017, our debt ratio (consolidated total liabilities divided by consolidated total assets) was approximately 0.6, representing approximately 25% below the maximum cap of 0.8.

Save for the aforesaid or otherwise disclosed herein, our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, we are in compliance with the financial covenants and terms set forth in the loan agreements and banking facilities.

The following table sets forth a breakdown of our bank borrowings as of the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2014	**2015**	**2016**	**2017**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**
Trust receipts	58,385	62,825	52,954	65,878	82,256
Factoring loans	30,995	9,192	19,969	28,974	29,703
Term loans	16,462	79,974	68,691	103,126	120,201
Bank overdraft	3,710	5,822	14,398	12,870	4,273
Total	109,552	157,813	156,012	210,848	236,433

During the three years ended 31 December 2016, our overall bank borrowings increased which was primarily driven by the increase of term loans and bank overdraft, as we utilised for our working capital and settled our trade payables to suppliers and sub-contractors. Our bank borrowings increased to approximately HK$210.8 million as at 31 May 2017. The increase was due to the settlement of our bills payable for purchase of plant and machinery and amount due to a director.

The following table sets forth our borrowings repayable as of the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2014	2015	2016	2017	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Within 1 year or on demand	109,552	157,813	156,012	210,848	192,347
After 1 year but within 2 years	-	-	-	-	11,310
After 2 years but within 5 years	-	-	-	-	21,872
After 5 years	-	-	-	-	10,904
	-	-	-	-	44,086
	109,552	157,813	156,012	210,848	236,433

Notwithstanding the specified repayment schedules as stated in the facilities letters ("**specific repayment terms**") which allow the loans to be repaid over a period of more than one year, certain banking facilities granted to our Group include a clause that gives our banks the unconditional rights to call our bank loans at any time ("**repayment on demand clause**"). These bank loans were classified as current liabilities in our consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 31 May 2017.

Our Directors expects that our bank loans and overdrafts are to be repaid based on the specific repayment term as of the dates indicated below:

	As at 31 December			As at 31 May	As at 30 September
	2014	2015	2016	2017	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Bank loans and overdrafts due for repayment within one year or on demand:					
Overdrafts repayable on demand	3,710	5,822	14,398	12,870	4,273
Bank loans due for repayment within one year	105,842	112,025	106,393	126,535	148,074
	109,552	117,847	120,791	139,405	152,347
Bank loans due for repayment after one year (note):					
After 1 year but within 2 years	-	7,639	8,263	47,460	51,310
After 2 years but within 5 years	-	20,005	21,065	20,769	21,872
After 5 years	-	12,322	5,893	3,214	10,904
	-	39,966	35,221	71,443	84,086
	109,552	157,813	156,012	210,848	236,433

Note: The amounts due are based on the specific repayment terms set out in the banking facilities letters and ignore the effect of any repayment on demand clause.

The following table sets forth the amount of our borrowings being secured and guaranteed as of the dates indicated:

	Year ended 31 December			As at 31 May	As at 30 September
	2014	2015	2016	2017	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Bank overdrafts					
- secured and guaranteed	3,710	5,822	14,398	12,870	4,273
Bank loans					
- secured and guaranteed	105,842	151,991	141,614	197,978	232,160
	109,552	157,813	156,012	210,848	236,433

During the Track Record Period, our bank facilities were secured by our bank deposits, available-for-sales investments and trade receivables, the Properties of Super Noble and Tactful Hero, rental payment by our Company to Super Noble and Tactful Hero for leasing the Properties, benefits of key management insurance policy, guarantee from the Hong Kong Mortgage Corporation Limited, corporate guarantees from our Company and certain subsidiaries and personal guarantees from Mr. Lam, Mr. Leung and Mr. Li.

At 30 September 2017, our banking facilities were secured by our bank deposits in the aggregate amount of approximately HK$7.7 million, our available-for-sales investments in the aggregate amount of approximately HK$2.5 million, the properties of Super Noble and Tactful Hero, the market value of which was approximately HK$141.1 million, together with the assignment of rental proceeds of such properties, the benefits of key management insurance policies, our trade receivables, the corporate guarantees from our Company and certain of its subsidiaries, and bank deposits and the personal guarantees from Mr. Lam.

The banks have agreed that the deposits and the personal guarantees from Mr. Lam will be fully released upon Listing.

The following table sets out our effective interest rates of our bank loans and overdrafts as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2014	2015	2016	2017	2017
					(unaudited)
Effective interest rates per annum					
Bank loans and overdrafts	2.16% - 5.50%	2.32% - 6.50%	2.38% - 5.50%	2.25% - 6.75%	2.08% - 5.75%

During the Track Record Period and as at 30 September 2017, our overall effective interest rates remained relatively stable.

Obligation under finance leases

Certain plant and machinery of our Group were under finance leases. The following table set forth our obligation under finance leases repayable as of the dates indicated:

	As at 31 December						As at 31 May		As at 30 September	
	2014		2015		2016		2017		2017	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000 (unaudited)
Within 1 year	3,217	3,521	3,087	3,266	1,782	1,822	5,237	5,757	4,815	5,285
After 1 year but within 2 years	2,771	2,923	1,765	1,803	68	68	4,664	5,007	4,722	5,016
After 2 years but within 5 years	1,395	1,421	68	69	-	-	6,701	6,908	5,113	5,243
	4,166	4,344	1,833	1,872	68	68	11,365	11,915	9,835	10,259
	7,383	7,865	4,920	5,138	1,850	1,890	16,602	17,672	14,650	15,544
Less: Total future interest expenses		(482)		(218)		(40)		(1,070)		(894)
Present value of lease obligations		7,383		4,920		1,850		16,602		14,650

The overall decrease of our obligation under finance leases during the three years ended 31 December 2016 was primarily due to our repayment on the capital elements of the finance lease. As at 31 May 2017, our obligation under finance leases increased which was primarily due to the commencement of finance lease arrangement for settling the bills payables for purchase of plant and machinery.

Convertible loan

On 20 September 2014, our Company and Mr. Lam entered into the Original Convertible Loan Agreement, which was supplemented by the Supplemental Convertible Loan Agreement. Pursuant to the Convertible Loan Agreement, our Company agreed to obtain from Fine Time a Convertible Loan in an aggregate principal amount of HK$22.0 million comprising three tranches of HK$10.0 million, HK$5.0 million and HK$7.0 million. The completion of the drawdown of the three tranches was in September 2014, December 2014 and April 2016 respectively.

The Convertible Loan bears interest at 12% per annum and secured by personal guarantee provided by Mr. Lam with a maturity date falling on 20 March 2017. According to the Original Convertible Loan

Agreement, Mr. Lam agreed to bear and pay on behalf of our Company five-sixths (i.e. 83.33%) of all interest on the Convertible Loan.

On 25 July 2016, Fine Time converted the entire principal amount of the Convertible Loan into 1,250,000 Shares of our Company. Please refer to the section headed "*History, Reorganisation and Corporate Structure*" in this prospectus for further information about the Convertible Loan.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow analysis

During the Track Record Period, our Group financed our operations primarily through a combination of internally generated cash flows and bank borrowings. Following the completion of the Share Offer, our Group expects its capital expenditure and working capital requirement to be funded principally through internally generated cash flows, bank borrowings and the net proceeds from the Share Offer. Our Directors believe that in the long term, our Group's operations will be funded by internally generated cash flows and, if necessary, additional equity financing or bank borrowings.

The following table sets forth our cash flows for the periods indicated:

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Net cash generated from / (used in) operating activities	51,014	443	27,154	15,241	(13,230)
Net cash (used in) / generated from investing activities	(42,997)	11,996	(22,940)	(11,324)	(39,943)
Net cash used in financing activities	(7,831)	(9,951)	(17,096)	(19,601)	52,647
Net increase / (decrease) in cash and cash equivalents	186	2,488	(12,882)	(15,684)	(526)
Effects of foreign exchange rate changes	–	35	(127)	(4)	51
Beginning cash and cash equivalents	28	214	2,737	2,737	(10,272)
Ending cash and cash equivalents	214	2,737	(10,272)	(12,951)	(10,747)

Net cash flows from operating activities

We derived our cash flow from operating activities primarily through receipt of payments for our products. Cash outflow from operating activities primarily comprises payment for purchases of raw materials, staff costs and rentals. Our net cash from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation and impairment loss of trade receivables, and the effects of changes in working capital items.

For the five months ended 31 May 2017, we had net cash used in operating activities of approximately HK$13.2 million. This amount represents the operating profit before changes in working capital of approximately HK$11.6 million, adjusted for net working capital outflow of approximately HK$20.9 million and net taxation paid of approximately HK$3.9 million. The net working capital outflow was primarily attributable to the increase in our inventories and trade and other receivables of approximately HK$19.1 million and HK$23.2 million respectively and partially offset by the increase in our trade and other payables of approximately HK$21.4 million. As we generally received more orders during peak season which is typically from April to September, our inventories, particularly for raw materials and work-in-progress increased as at 31 May 2017. Furthermore, our trade receivables as at 31 May 2017 increased by approximately HK$12.3 million when compared to the balance as at 31 December 2016, which was mainly contributed from our revenue in the months of April and May 2017. In view of the above factors, we recorded net cash used in operating activities for the five months ended 31 May 2017. Our Directors expect that when we complete the orders after the peak season, the inventory level of our Group will decrease. We will continue to maintain our inventory control and management which was proven to be effective during the Track Record Period, as shown by the overall decrease in inventory balances for the three years ended 31 December 2016. Furthermore, we will continue to apply stringent credit policy with regularly monitoring and following up for any overdue trade receivable balances, which was demonstrated by our overall decrease in our trade receivables, as well as improvement in the ageing of our trade receivables for the three years ended 31 December 2016; in order to mitigate the mismatch of cash received from our revenue and cash payment for our purchases.

For the year ended 31 December 2016, we had net cash generated from operating activities of approximately HK$27.2 million. This amount represents the operating profit before changes in working capital of approximately HK$42.2 million, adjusted for net working capital outflow of approximately HK$9.1 million and net taxation paid of approximately HK$6.0 million. The net working capital outflow was primarily attributable to our decrease in trade and other payables of approximately HK$40.8 million and partially offset by the decrease in our trade and other receivables of approximately HK$29.8 million.

For the year ended 31 December 2015, we had net cash generated from operating activities of approximately HK$443,000. This amount represents the operating profit before changes in working capital of approximately HK$35.9 million, adjusted for net working capital outflow of approximately HK$26.9 million and taxation paid of approximately HK$8.5 million. The net working capital outflow was primarily attributable to the decrease in our trade and other payables of approximately HK$53.0 million and partially offset by the decrease in our trade and other receivables of approximately HK$17.4 million.

For the year ended 31 December 2014, we had net cash generated from operating activities of approximately HK$51.0 million. This amount represents the operating profit before changes in working capital of approximately HK$42.5 million, and adjusted for net working capital inflow of approximately HK$13.1 million and taxation paid of approximately HK$4.7 million. The net working capital inflow was primarily attributable to the decrease in our inventories and trade and other receivables.

Net cash flows from investing activities

Our cash flow from investing activities primarily comprises proceeds on disposal of property, plant and equipment and decrease in pledged bank deposits. Cash outflow from investing activities primarily comprises payment of purchases of property, plant and equipment and intangible assets, increase in amounts due from directors, increase in pledged bank deposits and upfront payment of investment in key management insurance policy.

For the five months ended 31 May 2017, we had net cash used in investing activities of approximately HK$39.9 million. This amount primarily represents (i) decrease in amounts due from directors of approximately HK$40.0 million, (ii) our upfront payment of investment in key management insurance policy of approximately HK$3.0 million, (iii) the payment for purchase of property, plant and equipment of approximately HK$1.4 million, and (iv) partially offset by the decrease in pledged bank deposits of approximately HK$4.3 million.

For the year ended 31 December 2016, we had net cash used in investing activities of approximately HK$22.9 million. This amount primarily represents (i) our upfront payment of investment in key management insurance policy of approximately HK$5.1 million, (ii) increase in our pledged bank deposits of approximately HK$3.9 million and (iii) increase in amounts due from directors of approximately HK$14.8 million.

For the year ended 31 December 2015, we had net cash generated from investing activities of approximately HK$12.0 million. This amount primarily represents (i) the proceeds on disposal of property, plant and equipment of approximately HK$9.0 million, (ii) decrease in pledged bank deposits of approximately HK$12.6 million, and (iii) partially offset by the increase in amounts due from directors of approximately HK$8.4 million and (iv) the payment for purchase of intangible assets of approximately HK$1.1 million.

For the year ended 31 December 2014, we had net cash used in investing activities of approximately HK$43.0 million. This amount primarily represents (i) the payment for purchase of property, plant and equipment of approximately HK$4.4 million, (ii) increase in amounts due from directors of approximately HK$52.2 million and (iii) partially offset by the proceeds on disposal of property, plant and equipment of approximately HK$11.1 million and (iv) decrease in pledged bank deposit of approximately HK$2.2 million.

Net Cash flows from financing activities

Our cash flow from financing activities primarily comprises proceeds from new bank loans and Convertible Loans. Cash outflow from financing activities primarily comprises repayment of bank loans, capital elements of finance lease rentals paid, dividend paid and interest paid.

For the five months ended 31 May 2017, we had net cash generated from financing activities of approximately HK$52.6 million. This amount primarily represents (i) net proceeds from bank loans of approximately HK$56.4 million, and (ii) partially offset by the interest paid of approximately HK$2.6 million and the capital elements of finance lease rentals paid of approximately HK$1.1 million.

For the year ended 31 December 2016, we had net cash used in financing activities of approximately HK$17.1 million. This amount primarily represents (i) interest paid of approximately HK$7.8 million, (ii) capital elements of finance lease rentals paid of approximately HK$3.2 million, (iii) net repayment of bank loans of approximately HK$11.0 million and (iv) partially offset by net proceeds from issuance of Convertible Loans of approximately HK$5.0 million.

For the year ended 31 December 2015, we had net cash used in financing activities of approximately HK$10.0 million. This amount primarily represents (i) dividend paid of HK$45.0 million, (ii) interest paid of approximately HK$7.1 million, (iii) capital elements of finance lease rentals paid of approximately HK$3.7 million, and (iv) partially offset by the net proceeds from bank loans of approximately HK$46.1 million.

For the year ended 31 December 2014, we had net cash used in financing activities of approximately HK$7.8 million. This amount primarily represents (i) net repayment of bank loans of approximately HK$8.8 million, (ii) capital elements of finance lease rentals paid of approximately HK$9.3 million, (iii) interest paid of approximately HK$5.6 million, and (iv) partially offset by the proceeds from Convertible Loans of approximately HK$17.0 million.

NET CURRENT ASSETS AND LIABILITIES

The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2014	2015	2016	2017	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Current assets					
Inventories	62,451	54,665	52,827	72,676	81,477
Trade and other receivables	206,995	199,198	105,518	128,950	141,053
Pledged bank deposits	20,731	8,135	11,985	7,711	7,724
Cash and cash equivalents	3,924	8,559	4,126	2,123	16,127
	294,101	270,557	174,456	211,460	246,381
Current liabilities					
Trade and other payables	128,953	79,508	113,390	79,436	74,203
Derivative financial instruments	-	-	25	-	-
Bank loans and overdraft	109,552	157,813	156,012	210,848	192,347
Obligations under finance leases	3,217	3,087	1,782	5,237	4,815
Tax payable	14,767	9,885	9,689	8,135	10,358
	256,489	250,293	280,898	303,656	281,723
Net current assets/(liabilities)	37,612	20,264	(106,442)	(92,196)	(35,342)

Our net current liabilities position slightly improved from approximately HK$92.2 million as at 31 May 2017 to HK$35.3 million as at 30 September 2017. The improvement of our net current liabilities position as at 30 September 2017 compared to that as at 31 May 2017 was mainly because our Group obtained a new set of general banking facilities in August 2017 and internal generated resources from our operations. Please refer to the sub-section headed "— *Working capital*" in this prospectus for details.

As at 31 May 2017, we had net current liabilities of approximately HK$92.2 million compared to net current liabilities of approximately HK$106.4 million as at 31 December 2016. The decrease was primarily due to the settlement of our bills payable for purchase of plant and machinery with finance lease arrangement, which had repayment period of 4 years. On 23 January 2017, we obtained a banking facility from a commercial bank in Hong Kong, of which the Company has drawn a loan of HK$40.0 million on 26 January 2017 with a maturity period of two years from the date of drawdown and interest rate of HIBOR plus 2% per annum. The proceeds from the said loan was used to settle our Group's amount due to Mr. Lam. Such loan was secured by a charge of deposit of HK$40.0 million by Mr. Lam who has also executed other security documents in favour of the bank such as deed of indemnity. The banks have agreed that all the said security provided by Mr. Lam will be fully released upon Listing.

As at 31 December 2016, we had net current liabilities of approximately HK$106.4 million compared to net current assets of approximately HK$20.3 million as at 31 December 2015. This was primarily due to the acquisition of the Properties through the acquisitions of Mr. Classic and Great China Gains with total consideration of approximately HK$133.8 million. The consideration was settled by setting-off the amount due from a director — Mr. Lam of approximately HK$75.4 million and the remaining balance of approximately HK$58.4 million was recorded as amount due to a director — Mr. Lam. As at 31 December 2016, the balance of our amount due to a director — Mr. Lam was approximately HK$40.0 million. As at 31 May 2016, our Group has fully settled the remaining balance regarding the acquisitions.

As at 31 December 2015, we had net current assets of approximately HK$20.3 million compared to net current assets of approximately HK$37.6 million as at 31 December 2014. The decrease was primarily due to (i) the increase of our bank loans and overdraft of approximately HK$48.3 million; (ii) the decrease of our inventories of approximately HK$7.8 million; (iii) the decrease of our trade and other receivables of approximately HK$7.8 million; and partially offset by (iv) the decrease of our trade and other payables of approximately HK$49.4 million.

Our bank borrowings which contained repayment on demand clause and with repayment schedules after one year to after five years were classified as current liabilities in our consolidated statements of financial position. Such bank borrowings accounted for approximately nil, HK$40.0 million, HK$35.2 million, HK$71.4 million and HK$40.0 million as at 31 December 2014, 2015 and 2016, 31 May 2017 and 30 September 2017, respectively. In preparing the consolidated financial information, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Instead, taking into account the guarantees provided by our Group in securing such bank borrowings, our Directors expect that such bank loans will be repaid in accordance with their respective repayment schedules as set out in the loan agreements. On this basis, if such bank borrowings were not considered as our current liabilities, our adjusted net current assets/liabilities position would have been as follows: we would have had net current assets of approximately HK$37.6 million and HK$60.2 million, respectively, as at 31 December 2014 and 2015, we would have had net current liabilities of approximately HK$71.2 million and HK$20.8 million, respectively, as at 31 December 2016 and 31 May 2017, and we would have had net current assets of approximately HK$4.7 million as at 30 September 2017.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of property, plant and equipment such as machinery for production. Our capital expenditure was funded by internal resources, finance leases and bank borrowings during the Track Record Period. The following sets forth our Group's capital expenditure as at the dates indicated:

	As at 31 December			As at 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	11,969	3,928	149.288	1,396
Intangible assets	–	1,119	112	–
Deposit for acquisition of property, plant and equipment	–	–	3,233	–
	11,969	5,047	152,633	1,396

COMMITMENTS

Capital Commitments

The following table sets forth our capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2014	**2015**	**2016**	**2017**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**
Contracted for:					
- purchase of plant and machinery	–	–	91	–	–

Operating leases commitments

Our Group leases office, factory and warehouse with initial lease period of 1 to 3 years and an option to renew the lease when all terms are negotiated. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2014	**2015**	**2016**	**2017**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**
Within 1 year	11,593	9,827	8,963	9,810	10,071
After 1 year but within 5 years	15,516	4,875	23,250	19,739	16,893
	27,109	14,702	32,213	29,549	26,964

INDEBTEDNESS

As at 30 September 2017, being the latest practicable date for the purpose of this statement of indebtedness, our Group had bank loans and overdrafts of approximately HK$236.4 million, with interest rates ranging from 2.08%% to 5.75% and were secured and guaranteed. Our banking facilities are secured by (a) our bank deposits; (b) available for-sales investments; (c) trade receivables; (d) the land and buildings of Super Noble and Tactful Hero which we acquired on 29 July 2016 (for details, please refer to the sub-section headed "*Business — Property and plant — Owned properties*" in this prospectus); (e) benefits of key management insurance policy; (f) corporate guarantees from our Company and certain of its subsidiaries; and (g) bank deposits and personal guarantees from Mr. Lam. The banks have agreed that the deposits and the personal guarantees from Mr. Lam will be fully released upon Listing. For details of the bank loans and overdrafts as at 31 December 2014, 2015 and 2016 and 31 May 2017 respectively, please refer to the sub-section headed "*— Bank loans and overdrafts*" in this section.

As at 30 September 2017, our total obligation under finance leases was approximately HK$14.7 million. For details, please refer to the sub-section headed "*— Obligation under finance leases*" in this section.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, our Group did not have, at the close of business on 30 September 2017, any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including overdrafts, liabilities under acceptance, acceptance credit, debentures, charges, mortgages, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

As at 30 September 2017, the pledged assets provided by our Group had a carrying value of approximately HK$141.9 million. As at 30 September 2017, our total banking facilities amounted to approximately HK$376.8 million with unutilised banking facilities amounted to approximately HK$133.4 million.

As at 30 September 2017, our Group had credit facilities from independent financial institutions with total amount of approximately HK$80.0 million, with interest rate of 3.0% per annum and maturity of two years. As at 30 September 2017, our Group had not utilised any amount of the credit facilities yet.

As at 31 December 2015, our Group had breached a covenant relating to the provision of a prior written consent for the payment of dividends to our banks. Our Group previously did not assign specific staff to monitor the ongoing compliance with covenants in the banking facilities. The directors of our Company at that time, being Mr. Lam and Mr. Li, also inadvertently overlooked the covenant which written consent shall be obtained from the relevant banks prior to the declaration and payment of dividend in 2015. Subsequently, our finance and accounting department discovered the breach and informed the relevant banks voluntarily about the breach. In September 2016, our Group received waiver from compliance with this covenant from our banks. In order to strengthen the internal control measures so as to ensure the ongoing compliance with covenants in the banking facilities, we assigned Ms. Chan Sau Po, our chief financial officer to monitor ongoing compliance with covenants on a monthly basis. Our chief financial officer reports our Group's ongoing compliance on bank covenants to the Board on a monthly basis. To keep abreast of the development and ensure ongoing compliance with the aforesaid restrictive covenants, our Directors and the senior management also intend to attend trainings and seminars to be organised by various professional, accredited and/or recognised bodies from time to time.

Save for the aforesaid or otherwise disclosed herein, our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the financial covenants and terms set forth in the loan agreements.

Our Directors are of the view, which the Sole Sponsor concurs, that after implementation of the abovementioned internal control measures, our Group has managed to avoid and is capable of minimising the reoccurrence of the above-mentioned incidents of breach. Our Directors are also of the view, which the Sole Sponsor concurs, that the breach would not affect the suitability of Mr. Lam to act as a Director pursuant to Rules 5.01 and 5.02 of the GEM Listing Rules, having taken into account the fact that (i) the breach of the covenant was unintentional, did not involve any fraudulent act on the part of Mr. Lam, and did not challenge the integrity of Mr. Lam; and (ii) we voluntarily informed the relevant banks about the breach and obtained waiver from compliance with the covenant from our banks.

In August 2017, our Group obtained a new set of general banking facilities (the "**New Facilities**") from a commercial bank in Hong Kong, where:

- The New Facilities consist of (a) combined facilities up to an aggregate maximum amount of HK$70.0 million; (b) a revolving loan up to an aggregate maximum amount of HK$20.0 million; and (c) two term loans with a total principal amount up to HK$55.0 million (the "**New Term Loans**"). As at 30 September 2017, we have drawn approximately HK$50.0 million of the combined facilities, approximately HK$19.7 million of the revolving loan and have fully drawn HK$55.0 million of the New Term Loans.

- The New Term Loans, with interest rate at HIBOR plus 3% per annum, are not subject to the "repayment on demand" clause but with maturity in three years and seven years, respectively from the date of respective drawdown.
- The permitted usage of the New Term Loans under such general banking facilities includes repayment of our existing bank loans as well as general working capital purposes.
- The New Facilities are secured by (a) the properties of Super Noble and Tactful Hero, including Factory Units F-H with Flat Roofs on 4/F, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong and Factory Units A-F on 2/F, plus Lorry Parking Space Nos. L5 and L6, Car Parking Space Nos. P13 to P16 on Basement, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong; (b) corporate guarantees from our Company and certain of its subsidiaries; and (c) personal guarantees from Mr. Lam, where the bank has agreed that the personal guarantees from Mr. Lam will be fully released upon Listing.
- Our Group is subject to a number of financial covenants under the New Facilities, which include:

  (i) before the Listing, it shall ensure a consolidated tangible net worth of not less than HK$150.0 million and maintain a "debt ratio" (which is defined in the New Facilities as "consolidated total liabilities divided by consolidated total assets") of no more than 0.8. As at 30 September 2017, our consolidated tangible net worth was approximately HK$195.9 million, representing approximately 30.6% above the minimum requirement of HK$150.0 million and our debt ratio was approximately 0.6, representing approximately 25% below the maximum cap of 0.8.

  (ii) after the Listing, in addition to satisfying the same consolidated tangible net worth covenant, our Group shall also maintain a consolidated earnings before interest, taxes, depreciation and amortisation (the "**Consolidated EBITDA**") of at least HK$30.0 million and a ratio of the Consolidated EBITDA to gross interest expenses of not less than 3.5 times. We recorded Consolidated EBITDA of approximately HK$40.3 million, HK$36.8 million and HK$40.6 million for the three years ended 31 December 2016 respectively, representing approximately 34.5%, 22.6% and 35.2% above the minimum requirement of HK$30.0 million respectively. Furthermore, we recorded ratio of the Consolidated EBITDA to gross interest expenses of approximately 6.0 times, 4.9 times and 4.9 times for the three years ended 31 December 2016 respectively, representing approximately 71.3%, 39.4% and 39.7% above the minimum requirement of 3.5 times. Based on the past financial performance for the three years ended 31 December 2016 and our latest unaudited financial information, our Directors are of the view that our Group will be able to meet the financial covenants on the Consolidated EBITDA and ratio of the Consolidated EBITDA to gross interest expenses after the Listing; and

  (iii) during the term of New Facilities, our Group shall not pay dividend without prior written consent from the bank.

Save for the fulfilment of the aforesaid financial covenants, no pre-conditions has to be fulfilled by our Group for the New Facilities. As at 30 September 2017, our Group has met all the financial covenants under the New Facilities and we have utilised approximately HK$124.7 million of the New Facilities.

Save for the aforesaid or otherwise disclosed herein, our Directors confirm that we did not have any further plan for material debt financing as at the Latest Practicable Date. Since 30 September 2017 and up to the Latest Practicable Date, there has been no material adverse change in our indebtedness.

Contingent liabilities

Our Group is a party to a number of Overseas Legal Proceedings where our Group, as plaintiff, claims for unpaid fees with respect to our Group's printing services, all of which arose during the ordinary course of our business. Among such Overseas Legal Proceedings, our Group has been subject to counterclaims by two of our former customers in two Overseas Legal Proceedings as at 31 May 2017. Details of these two counterclaims are set forth below:

(a) Legal proceeding in Italy

On 4 January 2016, a publisher in Italy (the "**Italian Publisher**") filed a counterclaim against our Group for approximately EUR 2,600,000 as economic damages and reputation damages on the grounds of (i) printing of books without licence, and/or (ii) the printing of books in excess of a standard licence of 2,000 copies as set forth by Italian law. The Italian Publisher further counterclaimed against us for EUR 500,000 on account of loss of profits to which it was allegedly entitled from the sale of the books printed by us.

As at the Latest Practicable Date, the legal proceeding in Italy has been settled by the parties. Please refer to the sub-paragraph headed "*Business — Legal proceedings — B. Overseas legal proceedings — III. Settled overseas legal proceedings — (5) Legal proceeding in Italy*" in this prospectus for further details.

(b) Legal proceeding in France

The customer in France (the "**French Publisher**") counterclaims (1) approximately US$318,000 as copyright payments ("**Copyright Claim**") in respect of certain books and other printing products printed by our Group under the relevant printing arrangement, which is the underlying cause of the Copyright Claim; (2) approximately US$100,000 for alleged payments ("**Alleged Payment Claim**") to our Group or our Group's affiliate which shall partially offset against our Group's original claim of approximately US$752,000 and EUR180,000 (approximately equivalent to HK$7.35 million in aggregate) in respect of non-payment of printing products against the French Publisher ("**French Original Claim**"), where it alleged to have made a payment of such amount to a print broker based in Germany with the authorisation of a third party alleged to be our agent; (3) approximately EUR1,400,000 being the primary claim on the grounds of late deliveries of print products ("**Late Delivery Primary Claim**"); (4) approximately US$501,000, EUR 584,000, 2,000 Australian Dollars and 2,000 Pounds Sterling being the secondary claim ("**Late Delivery Secondary Claim**") if the Late Delivery Primary Claim fails, plus legal interests from the date of the judgment; and (5) EUR100,000 of moral damages on the grounds for damaged reputation ("**Damaged Reputation Claim**"), where it alleged to have suffered damage to its reputation and brand as a result of late and/or faulty deliveries. The Copyright Claim and the Alleged Payment Claim were first filed on 17 December 2014 and 30 April 2016 respectively, while the Late Delivery Primary Claim, the Late Delivery Secondary Claim and the Damaged Reputation Claim were filed on 5 October 2016.

Based on currently available documents, our Group's legal advisers have advised us that:

(1) the risk of the Copyright Claim being successfully pursued against our Group is uncertain at this stage as regards the amount recoverable, pending further court proceedings and exchange of further evidence; but it is for off-setting against the French Original Claim;

(2) the Alleged Payment Claim is for off-setting against the French Original Claim;

(3) the risk of the Late Delivery Primary Claim being successfully pursued against us is remote because (i) the evidence produced by the French Publisher fails to prove the existence of any late and/or faulty deliveries nor does it or establish any causal connection between the amounts claimed and any delivery made by our Group; and (ii) the amount claimed is arbitrary and unjustified as the French Publisher fails to prove any causal connection between the alleged late deliveries and the alleged reduction in price of the printing products on-sold to its customers;

(4) the risk of the Late Delivery Secondary Claim being successfully pursued against our Group is uncertain at this stage pending further court proceedings and exchange of further evidence and it is difficult to reasonably estimate the amount payable by us to the French Publisher; and

(5) the risk of the Damaged Reputation Claim being successfully pursued against our Group is remote because there is a lack of evidence showing any damage to the French Publisher's reputation to justify the amount claimed.

Given that Mr. Lam and two former directors of our Company entered into arrangements in 2012 and 2013 to settle the unpaid trade receivables due from the Italian Publisher and the French Publisher (among other customers) without resource to our Group, based on the above legal advices, our Directors are of the opinion that these two counterclaims are not expected to have a significant impact on our financial information. Accordingly, no provision has been made.

WORKING CAPITAL

During the Track Record Period, we met our working capital needs mainly from our cash and cash equivalents on hand, cash flow generated from operations and bank borrowings. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our trade payables and receivables; and (ii) our ability to obtain external financing. We also review future cash flow requirements and assess our ability to meet debt repayment schedules and adjust our investment and financing plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

As at 31 December 2014 and 2015, we had net current assets of approximately HK$37.6 million and HK$20.3 million respectively, while as at 31 December 2016, 31 May 2017 and 30 September 2017, we had net current liabilities of approximately HK$106.4 million, HK$92.2 million and HK$35.3 million respectively. The net current liabilities as at 31 December 2016, 31 May 2017 and 30 September 2017 was mainly due to the acquisition of the Properties through the acquisitions of Mr. Classic and Great China Gains with total consideration of approximately HK$133.8 million. Up to the Latest Practicable Date, our Group has fully settled the amount due to Mr. Lam regarding the acquisitions.

As mentioned in the sub-section headed "— *Net current assets and liabilities*" in this section, certain of our bank borrowings, which contained repayment on demand clause and with period of repayment after one year to after five years, are classified as current liabilities in our consolidated statements of financial position and accounted for approximately nil, HK$40.0 million, HK$35.2 million, HK$71.4 million and HK$40.0 million as at 31 December 2014, 2015 and 2016, 31 May 2017 and 30 September 2017, respectively. Since our Group did not receive notice of demand of early or immediate loan repayment from banks and our Group was in compliance with the financial covenants during the Track Record Period and up to the Latest Practicable Date, except for the breached covenant relating to the provision of a prior written consent for the payment of dividends to our banks which we subsequently received waiver from compliance with this covenant from our banks, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment but allow such borrowings to be repaid in accordance with their respective repayment term as of the dates indicated below:

	As at 31 December			As at 31 May	As at 30 September
	2014	2015	2016	2017	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Bank loans with repayment on demand clause due for repayment after one year (note):					
After 1 year but within 2 years	-	7,639	8,263	47,460	40,000
After 2 years but within 5 years	-	20,005	21,065	20,769	-
After 5 years	-	12,322	5,893	3,214	-
	-	39,966	35,221	71,443	40,000

Note: The amounts due are based on the specific repayment terms set out in the banking facilities letters and ignore the effect of any repayment on demand clause.

If the above mentioned borrowings are excluded from current liabilities as our Directors do not expect them to be required for repayment within 12 months, we would have had adjusted net current assets/liabilities position as follows: net current assets of approximately HK$37.6 million and HK$60.2 million as at 31 December 2014 and 2015 respectively, net current liabilities of HK$71.2 million and HK$20.8 million as at 31 December 2016 and 31 May 2017 respectively, and net current assets of approximately HK$4.7 million as at 30 September 2017. The adjusted net current liabilities as at 31 December 2016 and 31 May 2017 was primarily due to the acquisition of the Properties. The Properties accounted for significant portion of our total assets, which the carrying amount accounted for approximately 27.9% and 25.5% of our total assets as at 31 December 2016 and 31 May 2017 respectively.

The improvement of our adjusted net current assets as at 30 September 2017 compared to adjusted net current liabilities as at 31 December 2016 and 31 May 2017 was primarily because our Group obtained a new set of general banking facilities in August 2017 and internal generated resources from our operations.

In August 2017, our Group obtained a new set of general banking facilities (the "**New Facilities**") from a commercial bank in Hong Kong. Such New Facilities consist of (a) combined facilities up to an aggregate maximum amount of HK$70.0 million; (b) a revolving loan up to an aggregate maximum amount of HK$20.0 million; and (c) two term loans with a total principal amount up to approximately HK$55.0 million (the "**New Term Loans**"). The New Term Loans are not subject to the "repayment on demand" clause but with maturity dates of three years and seven years, respectively, from the date of respective drawdown. The permitted usage of such New Term Loans includes repayment of our Group's existing bank loans as well as general working capital purposes.

As the New Term Loans are not subject to the "repayment on demand" clause, the portion of the New Term Loans due for repayment after one year are presented as "non-current liabilities" on our Group's consolidated financial statements. As at 30 September 2017, we have fully drawn HK$55.0 million of the New Term Loans. We used the proceeds to fully repay one of the term loans with "repayment on demand" clause (the "**Existing Term Loan**") with amount of approximately HK$33.2 million. The remaining balance of the proceeds of approximately HK$21.8 million is used as additional working capital of our Group. With the New Facilities and the drawdown of the New Term Loans, our Group improved to adjusted net current assets as at 30 September 2017 compared to adjusted net current liabilities as at 31 December 2016 and 31 May 2017.

As at 30 September 2017, we have utilised approximately HK$124.7 million of the New Facilities.

Furthermore, On 15 November 2017, Mr. Lam completed a capital contribution of HK$15.0 million to the Company on behalf of First Tech Inc. without allotment of share. Our Directors considered that such contribution shall reduce our Group's net current liability position by HK$15.0 million.

Based on the foregoing and taking into account the financial resources available to us, including our unutilised banking facilities of approximately HK$133.4 million and unutilised credit facilities from independent financial institutions of approximately HK$80.0 million as at 30 September 2017 and the estimated net proceeds from the Share Offer, our Directors are of the opinion and the Sole Sponsor concurs that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus.

DISCLOSURE ABOUT MARKET RISKS

Our Group is exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. Our Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for our Shareholders. On 15 December 2016, we entered an optional forward foreign exchange contract, pursuant to which we will be able to exchange HK$7,331,500 for JPY110,000,000 with expiry date on 24 March 2017. This arrangement is to mitigate our foreign exchange risk exposure related to the purchase of a machinery with cost of JPY110,000,000. In March 2017, we had exercised and settled the optional forward foreign exchange contract.

Our entry into this optional forward foreign exchange contract is not intended to be speculative. In light of our plan to purchase additional machinery from Japan subsequent to the Listing as set forth in the section headed "*Future Plans and Use of Proceeds*", our Directors will determine by reference to our currency risk management policies, assess our exposure to foreign exchange risk, consider whether or not and to what extent we should enter into similar forward foreign exchange contracts and monitor them in line with our currency risk management policies. Please refer to the sub-section headed "*Business — Currency risk management*" in this prospectus for further information.

Save for the abovementioned optional forward foreign exchange contract, we have not entered into any other financial instruments for hedging purpose during the Track Record Period and up to the Latest Practicable Date.

For further details, please refer to Note 28 to the Accountants' Report included in Appendix I to this prospectus.

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

The HKICPA has issued a number of amendments and new standards which are not yet effective for the Track Record Period and our Group does not plan to early adopt the amendments or new standards. Our Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on our Group's results of operations and financial position. However, our Group has not completed its assessment of their full impact on our Group and will continue the assessment. Below represents the details regarding the amendments and new standards:

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the existing guidance in HKAS 39 "Financial Instruments: Recognition and Measurement". HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

Based on our assessment so far, our Group anticipates that the initial application of HKFRS 9 is not expected to have any significant impact on our Group's results of operations and financial position.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and HK(IFRIC)-Int 13 "Customer Loyalty Programs". It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

This standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

The five steps are as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

Based on the assessment so far, our Directors do not consider that the application of HKFRS 15 will have a material financial impact on our Group's results of operations and financial position.

HKFRS 16 "Leases"

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17 "Leases" and the related interpretations including HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease".

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a lease liability at the present value of the minimum future lease payments representing its obligation to make lease payments and a corresponding right-of-use asset representing its right to use the underlying leased asset. After initial recognition of this asset and liability, the lessee will recognised depreciation of the right-of-use asset and interest expense on the outstanding balance of the lease liability, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect our Group's accounting as a lessee of leases for a number of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. Our Group's total future minimum lease payments under non-cancellable operating leases in respect of the office, factory and warehouse as at 31 May 2017 amounted to approximately HK$29.5 million, the majority of which is payable between 1 to 5 years after the reporting year end date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. Our Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact of our Group's result but it is expected that the certain portion of the lease commitment in the future in respect of leased properties with terms more than 12 months will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

MAJOR FINANCIAL RATIOS

	Year ended 31 December			Five months ended 31 May
	2014	**2015**	**2016**	**2017**
Profitability ratios				
Gross profit margin[(1)]	27.5%	28.7%	32.5%	30.1%
Net profit margin[(2)]	2.9%	3.1%	3.4%	Net loss
Return on equity[(3)]	6.2%	7.8%	7.2%	Net loss
Return on total assets[(4)]	2.5%	2.8%	2.8%	Net loss

	As at 31 December			As at 31 May
	2014	**2015**	**2016**	**2017**
	times	**times**	**times**	**times**
Liquidity ratios				
Current ratio[(5)]	1.1	1.1	0.6	0.7
Quick ratio[(6)]	0.9	0.9	0.4	0.5
Capital adequacy ratios				
Interest coverage[(7)]	3.7	3.1	3.2	1.8
Gearing ratio[(8)]	0.7	1.2	0.9	1.2

Notes:

(1) The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.

(2) The calculation of net profit margin is based on profit for the year divided by revenue and multiplied by 100%.

(3) The calculation of return on equity is based on profit for the year divided by total equity and multiplied by 100%.

(4) The calculation of return on total assets is based on profit for the year divided by total assets and multiplied by 100%.

(5) The calculation of current ratio is based on current assets divided by current liabilities.

(6) The calculation of quick ratio is based on current assets less inventories divided by current liabilities.

(7) Interest coverage is based on profit from operations divided by finance costs for the period.

(8) The calculation of gearing ratio is based on interest-bearing liabilities divided by total equity.

Please refer to the section headed "*Financial Information – Review of Historical Results of Operations*" in this prospectus for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Return on equity

Our return on equity increased from 6.2% for the year ended 31 December 2014, to 7.8% for the year ended 31 December 2015. The increase was mainly due to the increase in our net profit and the decrease in total equity after the dividend paid during the year ended 31 December 2015.

Our return on equity decreased from 7.8% for the year ended 31 December 2015 to 7.2% for the year ended 31 December 2016. The decrease was primarily due to the increase of our equity from the conversion of Convertible Loan.

If our listing expenses and under-provision of income tax in respect of prior years of approximately HK$1.9 million and HK$1.0 million were excluded, our return on equity would have been approximately 3.4% for the five months ended 31 May 2017. Demand for our products is subject to seasonal fluctuation which normally second and third quarter of a financial year is our peak season. Accordingly, this would affect our return on equity for the five months ended 31 May 2017.

Return on total assets

Our return on total assets increased from 2.5% for the year ended 31 December 2014, to 2.8% for the year ended 31 December 2015. The increase was mainly due to the increase in our net profit and the decrease in total assets as we declared and distributed dividends during the year ended 31 December 2015.

Our return on total assets remained stable as 2.8% for the years ended 31 December 2015 and 2016.

If our listing expenses and under-provision of income tax in respect of prior years of approximately HK$1.9 million and HK$1.0 million were excluded, our return on total assets would have been approximately 1.3% for the five months ended 31 May 2017. Demand for our products is subject to seasonal fluctuation which normally second and third quarter of a financial year is our peak season. Accordingly, this would affect our return on total assets for the five months ended 31 May 2017.

Current ratio

Our current ratio remained stable as 1.1 as at 31 December 2014 and 2015.

Our current ratio decreased from 1.1 as at 31 December 2015 to 0.6 as at 31 December 2016. The decrease was mainly because the amounts due from directors decreased and we recorded amounts due to a director of approximately HK$40.0 million as at 31 December 2016, which was because of the acquisitions of the Properties held by Super Noble and Tactful Hero through the acquisitions of Mr. Classic and Great China Gains.

Our current ratio remained relatively stable and slightly increased from 0.6 as at 31 December 2016 to 0.7 as at 31 May 2017.

Quick ratio

Our quick ratio remained stable as 0.9 as at 31 December 2014 and 2015.

Our quick ratio decreased from 0.9 as at 31 December 2015 to 0.4 as at 31 December 2016. The decrease was mainly because the amounts due from directors decreased and we recorded amounts due to a director of approximately HK$40.0 million as at 31 December 2016, which was because of the acquisitions of the Properties held by Super Noble and Tactful Hero through the acquisitions of Mr. Classic and Great China Gains.

Our quick ratio remained relatively stable and slightly increased from 0.4 as at 31 December 2016 to 0.5 as at 31 May 2017.

Interest coverage

Our interest coverage decreased from 3.7 for the year ended 31 December 2014 to 3.1 for the year ended 31 December 2015. The decrease was primarily due to the increase of our finance costs from the Convertible Loan.

Our interest coverage increased from 3.1 for the year ended 31 December 2015 to 3.2 for the year ended 31 December 2016. The increase was primarily due to the increase of our profit from operations for the year ended 31 December 2016.

Our interest coverage decreased from 3.2 for the year ended 31 December 2016 to 1.8 for the five months ended 31 May 2017. The decrease was primarily due to the decrease in our annualised profit from operations for the five months ended 31 May 2017, when compared to the year ended 31 December 2016, which subject to seasonality impact.

Gearing ratio

Our gearing ratio increased from 0.7 as at 31 December 2014 to 1.2 as at 31 December 2015. The increase was primarily due to the decrease in total equity after the dividend paid during the year ended 31 December 2015 and the increase in our bank loans and overdrafts as at 31 December 2015.

Our gearing ratio decreased from 1.2 as at 31 December 2015 to 0.9 as at 31 December 2016. The decrease was primarily due to the conversion of the Convertible Loan into 1,250,000 Shares.

Our gearing ratio increased from 0.9 as at 31 December 2016 to 1.2 as at 31 May 2017. The increase was primarily due to the increase in our bank loans and overdrafts as at 31 May 2017.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in Note 31 of the Accountants' Report set out in Appendix I to this prospectus were conducted on normal commercial terms and/or on terms not less favourable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Please also refer to the section headed "*Connected Transactions*" in this prospectus for further details of the related party transactions.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangements or contingencies.

FINANCIAL INSTRUMENT

On 15 December 2016, we entered an optional forward foreign exchange contract, pursuant to which we will be able to exchange HK$7,331,500 for JPY110,000,000 with expiry date on 24 March 2017. This arrangement is to mitigate our foreign exchange risk exposure related to the purchase of a machinery with cost of JPY110,000,000. In March 2017, we had exercised and settled the optional forward foreign exchange contract.

Save for the aforesaid or otherwise disclosed herein, we have not entered into any financial instruments for hedging purposes during the Track Record Period and as at the Latest Practicable Date.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Greater China Appraisal Limited, an independent qualified professional surveyor, valued our property interests as at 30 September 2017 at approximately HK$141.1 million. Details of the valuation are summarised in Appendix III to this prospectus.

The following table sets out a reconciliation of the fair value of our relevant property interests as at 30 September 2017 to their net book value as at 31 May 2017:

	HK$'000
Valuation as at 30 September 2017 as set out in the Property Valuation in Appendix III	141,100
Less: net book value of our property interest as at 31 May 2017	(128,012)
Add: depreciation for the period from 1 June 2017 to 30 September 2017 (unaudited)	1,516
Valuation surplus	14,604

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "*Appendix II — Unaudited Pro Forma Financial Information*" in this prospectus for further details.

DISTRIBUTABLE RESERVE

As at 31 May 2017, our Company had distributable reserves of approximately HK$79.8 million.

On the other hand, we operate a substantial part of our core business mainly through our operating subsidiary in Shenzhen. PRC laws require that dividends be paid only out of profit after tax, calculated according to PRC accounting principles. PRC law requires PRC companies, including foreign-invested enterprises, when those companies distribute the after-tax profit for the current year, to set aside 10% of their profit after tax as statutory reserves until the accumulated statutory reserves account for 50% of the registered capital of the PRC companies. These statutory reserves are not available for distribution as cash dividends. As at 31 December 2014, 2015 and 2016 and 31 May 2017, the aggregate amount of reserves available for distribution of Prosperous (SZ) were approximately HK$8.6 million, HK$12.3 million and HK$15.7 million and HK$15.7 million, respectively, after appropriation had been made by Prosperous (SZ) to its statutory reserve.

DIVIDENDS

For each of the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, we declared and distributed dividends of nil, HK$45.0 million, nil and nil respectively to our then Shareholders.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of our Shareholders as well as the constitution of our Company. In addition, certain of our banks which have granted credit facilities to us have restricted us from declaring or paying dividends without their prior written consent.

The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

LISTING EXPENSES

Assuming the Offer Price of HK$0.30 per Offer Share, being the mid-point of the indicative Offer Price, the total expenses for Listing are estimated to be approximately HK$28.6 million, of which approximately nil, HK$0.6 million, HK$8.1 million and HK$1.9 million was recognised as other expenses in our consolidated statements of profit or loss during the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 respectively. We expect to incur additional listing expenses of approximately HK$8.6 million which will be recognised as other expenses for the seven months ending 31 December 2017. The balance of approximately HK$9.4 million is expected to be recognised as a deduction in equity upon Listing.

In view of the above, our Directors are of the view that the one-off listing expenses, which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the year ending 31 December 2017. We wish to emphasise that the aforesaid amount of listing expenses is a current estimate for reference only and the final amount to be recognised in our consolidated statement of profit or loss for the years ending 31 December 2017 will be subject to adjustments based on audit and changes in variables and assumptions.

RECENT DEVELOPMENT

We recorded net loss of approximately HK$0.3 million for the five months ended 31 May 2017, mainly as a result of the under-provision of tax in prior years. For further details, please refer to the sub-section headed "*Financial Information — Description of selected items for the consolidated statements of profit or loss — Income tax*" in this prospectus.

Subsequent to 31 May 2017 and as at the Latest Practicable Date, our Group has reached settlement of five Overseas Legal Proceedings with the German Print Broker, three former German customers and one former Italian Publisher. Please refer to the sub-section headed "*Business — Legal proceedings — B. Overseas legal proceedings — III. Settled overseas legal proceedings*" in this prospectus for further details.

In August 2017, our Group obtained a new set of general banking facilities from a commercial bank in Hong Kong. Such banking facilities consist of (a) combined facilities up to an aggregate maximum amount of HK$70.0 million; (b) a revolving loan up to an aggregate maximum amount of HK$20.0 million; and (c) two term loans with a total principal amount up to approximately HK$55.0 million. Our Directors considered that such new banking facilities bring in additional financial resources to our Group and could strengthen our financial position. For further details of such new banking facilities, please refer to the sub-section headed "*Financial Information — Indebtedness*" in this prospectus.

On 15 November 2017, Mr. Lam made a capital contribution of HK$15 million to the Company on behalf of First Tech without allotment of shares.

The average prices of paper used by the Group increased from approximately HK$6,545 per ton for the five months ended 31 May 2016 to approximately HK$7,004 per ton for the five months ended 31 May 2017. For the nine months ended 30 September 2017, the average prices of paper used by the

Group further increased to approximately HK$7,009 per ton, as compared to approximately HK$6,354 per ton for the nine months ended 30 September 2016. Our Directors expect that if the current trend of the increase in average prices of paper continues, it will lead to an increase in our costs of sales for the year ending 31 December 2017. Accordingly, if our Group is unable to pass on such increased costs to our customers, our gross profit and net profit for the year ending 31 December 2017 will be adversely affected.

Set forth below are the recent developments on our financial performance after 31 May 2017 (being the end of the Track Record Period) prepared based on the unaudited consolidated financial information of the Group for the nine months ended 30 September 2017, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA:

- for the nine months ended 30 September 2017, our revenue, gross profit and gross profit margin were approximately HK$322.4 million, HK$97.7 million and 30.3%, respectively; and
- expenses incurred in relating to the Listing amounted to approximately HK$3.4 million.

Based on the unaudited consolidated management account for the nine months ended 30 September 2016, our revenue, gross profit and gross profit margin were approximately HK$285.5 million, HK$89.3 million and 31.3%, respectively. The increase in our revenue and gross profit for the nine months ended 30 September 2017 as compared to the corresponding period in 2016 was mainly driven by the increase in the number of orders from our customers; while the slight decrease in our gross profit margin for the nine months ended 30 September 2017 as compared to the corresponding period in 2016 was primarily attributable to the increase in the average prices of paper used during the period.

Our Directors confirm that we did not have any material non-recurring income or expenses for the nine months ended 30 September 2017 save for expenses incurred in relation to the Listing of approximately HK$3.4 million for the nine months ended 30 September 2017.

As at the Latest Practicable Date, we had a total of 672 purchase orders on hand with a total value of approximately HK$46.3 million, of which approximately HK$0.5 million has been invoiced and recognised as our revenue, and the balance of approximately HK$45.8 million represents the backlog value of our purchase orders on hand as at the Latest Practicable Date. Our Directors estimated that most of such purchase orders could be completed by the end of 2017.

MATERIAL ADVERSE CHANGE SUBSEQUENT TO 31 MAY 2017

Our Directors confirm that, up to the date of this prospectus and save for the impact on our gross profit and net profit for the year ending 31 December 2017 due to (a) the estimated increase of the average prices of paper as disclosed in sub-section headed "— *Recent development*" in this section, and (b) the one-off listing expenses as disclosed in the sub-section headed "— *Listing expenses*" in this section, there has been no material adverse change in our financial, operational or trading position since 31 May 2017, being the end of the period reported on in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

PUBLIC OFFER UNDERWRITERS

Kingsway Financial Services Group Limited

Head & Shoulders Securities Limited

ChaoShang Securities Limited

Fortune (HK) Securities Limited

Future Land Resources Securities Limited

JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

Kingsway Financial Services Group Limited

Head & Shoulders Securities Limited

ChaoShang Securities Limited

CO-LEAD MANAGERS

Future Land Resources Securities Limited

Fortune (HK) Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of the 20,000,000 Public Offer 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, without limitation:

(a) the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and

(b) 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 Bookrunners (for themselves and on behalf of the Public Offer Underwriters) may at their sole and absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

(a) there has come to the notice of the Joint Bookrunners that:

 (i) any statement, estimate, forecast or expression of opinion, intention or expectation considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer

Underwriters) in their reasonable opinion to be material, contained in any this prospectus, Application Forms and any other documents issued or used in connection with the Share Offer (including any supplement or amendment thereto) was, when the same was issued, or has become, untrue, incorrect or misleading in any respect or that any forecasts, expression of opinion, intention or expectation expressed in any of such documents is not, in the reasonable opinion of the Joint Bookrunners, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their reasonable opinion to be material in the context of the Share Offer; or

(iii) any of the representations and warranties given by the Company or the Controlling Shareholders or the executive Directors in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their reasonable opinion to be material in the context of the Share Offer; or

(iv) any material breach of any of the obligations or undertakings imposed upon any party (other than the Joint Bookrunners or the Underwriters) to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or

(v) any material adverse change or prospective material adverse change in the conditions, business, prospects, assets and liabilities, in the financial or trading position or results of operations of any company of the Group which is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their reasonable opinion to be material in the context of the Share Offer; or

(vi) approval by the Listing Division of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) the Company withdraws any of the documents issued in connection with the Public Offer or the Placing and/or any other documents used in connection with the contemplated subscription of the Offer Shares (including any supplement or amendment thereto); or

(viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of the Company or the Controlling Shareholders or the executive Directors pursuant to the indemnities contained in the Public Offer Underwriting Agreement; or

(ix) any expert (other than the Joint Bookrunners and the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or

(b) there shall develop, occur, exist or come into effect:

(i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, 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) in or affecting Hong Kong, the PRC, the BVI, the United States, the United Kingdom, the EU (or any member thereof), Japan, or any other jurisdiction relevant to the Group (each a "**Relevant Jurisdiction**"); or

(ii) any new laws or change or development involving a prospective change in any existing laws or any change or development in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics (including without limitation Severe Acute Respiratory Syndrome, avian influenza A (H5N1) and swine influenza (H1N1) and such related or mutated forms or interruption or delay in transportation) in or affecting any of the Relevant Jurisdiction; or

(iv) 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 calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the EU (or any member thereof) on any of the Relevant Jurisdictions; or

(vi) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(vii) any material adverse change or development or event involving a prospective material adverse change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

(viii) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws in any of the Relevant Jurisdictions or affecting an investment in the Shares; or

(ix) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "*Risk Factors*" in this prospectus that will likely result in a material adverse change to the operations of the Group; or

(x) any material litigation or claim (other than those legal proceedings and claims as disclosed in this prospectus) being threatened or instigated against the Company or any other company of the Group or the Controlling Shareholders; or

(xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xii) the chairman or chief executive officer of the Company vacating his office in circumstances where the operations of the Group will be materially and adversely affected; or

(xiii) the commencement by any judicial or regulatory body or organisation of any publication against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or

(xiv) a material contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any of the GEM Listing Rules; or

(xv) a prohibition on the Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or

(xvi) non-compliance of this prospectus or offering document or any other documents used in connection with the subscription of the Offer Shares or any aspect of the Share Offer with the GEM Listing Rules or any other applicable law or regulation; or

(xvii) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the subscription of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules in circumstances where the matter to be disclosed is, in the reasonable opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Share Offer; or

(xviii) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any other Company of the Group or in respect of which the Company or any other company of the Group is liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person) which will have a material adverse effect to the financial position of the Group; or

(xix) a petition is presented for the winding-up or liquidation of the Company or any other company of the Group or the Company or any other company 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 the Company or any other company of the Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of the Company or any other company of the Group or anything analogous thereto occurs in respect of the Company or any other company of the Group;

and which, in any of the above cases and in the reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

(1) is or may or will or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs, management, business, financial, trading or other condition or

prospects of the Company or the Group or any other company of the Group or on any present or prospective shareholder in his, her or its capacity as such; or

(2) has or may have or will have or is likely to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing and/or make it impracticable or inadvisable for any part of the Public Offer Underwriting Agreement (including underwriting), the Public Offer or the Share Offer to be performed or implemented as envisaged; or

(3) makes or may make or will or is likely to make it inadvisable, inexpedient or impracticable to proceed with the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms in the manner contemplated by this prospectus, or to market the Share Offer; or

(4) would have the effect of preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters, and each of our Controlling Shareholders and executive Directors has undertaken to and covenants with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Public Offer Underwriters that he/it will procure that except pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option), the options which may be granted under the Share Option Scheme or with the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, the Company will not, at any time within the period commencing from the date of the Public Offer Underwriting Agreement and ending on the date which is six months following the Listing Date (the "**First Six-Month Period**"), whether any such transaction is to be settled by delivery of Shares or other securities, in cash or otherwise:

(a) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company (including, but not limited to, any securities that are convertible into or exchangeable for , or that represent the right to receive any Shares or securities or any interest therein) or repurchase Shares or other securities of the Company; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequence of ownership of any Shares or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or

(d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders undertakes jointly and severally to the Stock Exchange, the Company, the Sole Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer (including the Offer Size Adjustment Option) and the grant or exercise of any options which may be granted under the Share Option Scheme:

(a) it or he shall not and shall procure that the relevant registered holders(s) of the Shares (if applicable) shall not dispose of nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of its or his direct and indirect interest in the Shares in respect of which it or he is shown in this prospectus to be the beneficial owner(s) (the "**Relevant Securities**") (save for pursuant to a pledge or charge as security in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in which case it shall inform the Company, the Stock Exchange and the Sole Sponsor) during the First Six-Month Period; and

(b) it or he shall not and shall procure that the relevant registered holder(s) of the Shares (if applicable) shall not during the period of six (6) months from the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of its or his direct and indirect interest in the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he will cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company (save for pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in which case it shall inform the Company, the Stock Exchange and the Sole Sponsor).

Each of the Controlling Shareholders further undertakes jointly and severally to the Company, the Sole Sponsor and the Public Offer Underwriters that, during the twelve (12) months from the Listing Date, he or it will inform the Company and the Stock Exchange of:

(a) any pledge(s) or charge(s) of any Shares or securities of the Company beneficially owned by any of them in favour of any authorised institution as permitted under the GEM Listing Rules, and the number of such Shares or securities of the Company so pledged or charged; and

(b) any indication(s) received by any of them, either verbal or written, from any pledgee or chargee of any Shares or other securities of the Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our Controlling Shareholders and our Executive Directors will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to 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 and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing 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, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed "*Undertakings to the Public Offer Underwriters*" above in this section.

Commission, fees and expenses

The Public Offer Underwriters will receive a gross underwriting commission of 7.0% of the aggregate Offer Price of the Public Offer Shares initially offered under the Public Offer. For unsubscribed Public Offer Shares reallocated to the Placing and any Placing Shares reallocated from the Placing to the Public Offer, we will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Placing Underwriters and not the Public Offer Underwriters.

Based on the Offer Price of HK$0.3 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, 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$28.6 million in total which shall be borne by our Company.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee to the Share Offer. The Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Underwriters will receive an underwriting commission and/or praecipium and/or management fee. Particulars of these underwriting commission, fees and expenses are set forth under the paragraph headed "*Commission, fees and expenses*" above.

Save as disclosed above, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our 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 any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors, the Joint Bookrunners, the Joint Lead Managers and the Co-lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23(7) of the GEM Listing Rules after completion of the Share Offer.

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer.

The Share Offer consists of:

a. the Public Offer of 20,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the sub-section headed "— *The Public Offer*" below; and

b. the Placing of an aggregate of 180,000,000 Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the Placing.

Investors may apply for the 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.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to reallocation as described in the paragraph headed "*The Public Offer — Reallocation*" below.

References in this prospectus to applications, the Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer, will represent 2.5% of our Company's issued share capital immediately after completion of the Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional and institutional 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.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "*Conditions of the Share Offer*" of this section.

Allocation

Allocation of the Public Offer Shares to 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 applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may be allotted more Public Offer Shares 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.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares, being the 100% of the 20,000,000 Public Offer shares initially available under the Public Offer are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. A clawback mechanism will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Bookrunners (for themselves and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

(a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times 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 for subscription under the Public Offer will be 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

(b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times 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 for subscription under the Public Offer will be 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

(c) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more 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 for subscription under the Public Offer will be 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In each case, additional Offer Shares will be reallocated to the Public Offer and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate. If the Placing Shares are not fully subscribed or purchased, the Joint Bookrunners (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed or un-purchased Placing Shares to the Public Offer in such amount as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate.

Applications

Each applicant under the Public Offer will also 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 applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing.

THE PLACING

Number of Offer Shares offered

Subject to reallocation as described above, the Placing will consist of 180,000,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Offer Shares initially offered under the Placing will represent approximately 22.5% of our Company's issued share capital immediately after completion of the Share Offer.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who 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. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" 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 relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued and sold pursuant to the Placing may change as a result of the clawback arrangement described in the subsection headed "*The Public Offer — Reallocation*" above, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

Offer Price range

The Offer Price will not be more than HK$0.35 per Offer Share and is expected to be not less than HK$0.25 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK$0.35 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK$3,535.27 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$0.35 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 7 December 2017, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed "*How to apply for Public Offer Shares*" in this prospectus.

Change to Offer Price range

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, reduce the number of the Offer Shares being offered under the Share Offer and/or change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.prosperous-printing-group.com.hk** notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a reduction in the number of the Offer Shares and/or change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Announcement of the Offer Price and the basis of allocations

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, and the level of applications in the Public Offer and the basis of allocation of the Public Offer

Shares are expected to be published on Tuesday, 12 December 2017 on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.prosperous-printing-group.com.hk** website.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around Tuesday, 5 December 2017. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed *"Underwriting"* in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the 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 30 days after the date of this prospectus:

(i) the Listing Division granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including the Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme);

(ii) the entering into the Price Determination Agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date; and

(iii) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional and not being terminated in accordance with the terms of the Underwriting Agreements.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.prosperous-printing-group.com.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 "How to apply for Public Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 12 December 2017 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 13 December 2017 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed *"Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination"* in this prospectus has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our 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.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 13 December 2017, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 December 2017.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8385.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the Joint Lead Managers and the Co-lead Managers may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Joint Bookrunners, Joint Lead Managers and the Co-lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- are a close associate (as defined in the GEM Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form;

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) complete and sign the **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 29 November 2017 to 12:00 noon on Monday, 4 December 2017 from:

(i) the following office of the Public Offer Underwriters:

Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

Head & Shoulders Securities Limited
Room 2511, 25/F Cosco Tower
183 Queen's Road Central, Hong Kong

ChaoShang Securities Limited
Rooms 4001-4002, 40/F, China Resources Building
26 Harbour Road, Wanchai, Hong Kong

Future Land Resources Securities Limited
6/F, Winbase Centre
208 Queen's Road Central
Hong Kong

Fortune (HK) Securities Limited
35/F, Office Tower Convention Plaza
1 Harbour Road
Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road
	Telford Plaza Branch	Shop Unit, P2-P7, Telford Plaza, No. 33 Wai Yip Street, Kowloon Bay
New Territories	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 29 November 2017 until 12:00 noon on Monday, 4 December 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — PROSPEROUS PRINTING PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Wednesday, 29 November 2017 — 9:00 a.m. to 5:00 p.m.
- Thursday, 30 November 2017 — 9:00 a.m. to 5:00 p.m.
- Friday, 1 December 2017 — 9:00 a.m. to 5:00 p.m.
- Saturday, 2 December 2017 — 9:00 a.m. to 1:00 p.m.
- Monday, 4 December 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 4 December 2017, the last application day or such later time as described in "*Effect of bad weather on the opening of the applications lists*" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Bookrunners and/or the Joint Lead Managers and/or the Co-lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read 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 representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any of the Placing Shares nor participated in the Placing;

(viii) agree to disclose to our Company, our Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to deposit any share certificate(s) into CCASS and/or to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Co-lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application 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 by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures 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
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this 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 will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and our Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- 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 CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Co-lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such

agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our 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, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

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 our Company or any other person in respect of the things mentioned below:

- 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;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 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.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Wednesday, 29 November 2017 — 9:00 a.m. to 8:30 p.m.[(1)]
- Thursday, 30 November 2017 — 8:00 a.m. to 8:30 p.m.[(1)]
- Friday, 1 December 2017 — 8:00 a.m. to 8:30 p.m.[(1)]
- Saturday, 2 December 2017 — 8:00 a.m. to 1:00 p.m.[(1)]
- Monday, 4 December 2017 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) 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 Wednesday, 29 November 2017 until 12:00 noon on Monday, 4 December 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 4 December 2017, the last application day or such later time as described in "Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If 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 for which you have given such instructions and/or for 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 purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our 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** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Share Registrar, the receiving banker, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and the Underwriters take no responsibility for such applications 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**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **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 Monday, 4 December 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, 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 joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the 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).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, 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 by the Stock Exchange on behalf of the SFC).

9. EFFECT OF BAD WEATHER 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 Monday, 4 December 2017. 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 do not open and close on Monday, 4 December 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer on Tuesday, 12 December 2017 on our Company's website at **www.prosperous-printing-group.com.hk** 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 (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.prosperous-printing-group.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 12 December 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 12 December 2017 to 12:00 midnight on Monday, 18 December 2017;

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 December 2017 to Friday, 15 December 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 December 2017 to Thursday, 14 December 2017 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "*Structure and Conditions of the Share Offer*" of this prospectus.

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 right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees 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 press 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.

(ii) If our Company or its agents exercise their discretion to reject your application:

The Company, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying 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) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners, or the Joint Lead Managers, or the Co-lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.35 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "*Structure and conditions of the Share Offer — Conditions of the Share Offer*" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 12 December 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares 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 where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/ or (ii) the difference between the Offer Price and the maximum Offer Price per Offer share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

  Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 12 December 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s). Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 December 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed "*Underwriting*" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/ or share certificate(s) from the Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 December 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 12 December 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 12 December 2017, by ordinary post and at your own risk.

If you apply by 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 or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 12 December 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

  For Public Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "*Publication of Results*" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 December 2017 or any other date as 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 CCASS Internet System.

(iii) If you apply via electronic application instructions to HKSCC

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 instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- 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 your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 12 December 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "*Publication of Results*" above on Tuesday, 12 December 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 December 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- 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.
- 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 Tuesday, 12 December 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of 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.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 December 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply 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 or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) 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 stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong.

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PROSPEROUS PRINTING COMPANY LIMITED AND KINGSWAY CAPITAL LIMITED

Introduction

We report on the historical financial information of Prosperous Printing Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-126, which comprises the consolidated statements of financial position of the Group as at as at 31 December 2014, 2015 and 2016 and 31 May 2017, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-126 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 November 2017 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2014, 2015, 2016 and 31 May 2017 and the Company's financial position as at 31 December 2014, 2015, 2016 and 31 May 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong
29 November 2017

Yau Hok Hung
Practising Certificate Number P04911

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**Underlying Financial Statements**")

The Historical Financial Information is presented in HK dollars and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

1. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended 31 December			Five months ended 31 May	
		2014	**2015**	**2016**	**2016**	**2017**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
Revenue	4(a)	401,218	377,750	386,043	125,798	155,860
Cost of sales		(290,760)	(269,276)	(260,460)	(85,887)	(108,939)
Gross profit		110,458	108,474	125,583	39,911	46,921
Other income/(losses)	4(c)	5,528	3,096	3,507	794	(1,221)
Distribution costs		(30,510)	(29,317)	(31,848)	(9,024)	(9,484)
Administrative expenses		(56,001)	(58,483)	(60,311)	(24,676)	(29,171)
Other expenses	5	(4,529)	(400)	(10,256)	(2,279)	(2,248)
Profit from operations		24,946	23,370	26,675	4,726	4,797
Finance costs	6(a)	(6,729)	(7,537)	(8,296)	(3,295)	(2,642)
Profit before taxation	6	18,217	15,833	18,379	1,431	2,155
Income tax	7	(6,501)	(3,955)	(5,415)	(1,681)	(2,476)
Profit/(loss) for the year/period		11,716	11,878	12,964	(250)	(321)
Attributable to:						
Equity shareholders of the Company		11,547	13,550	13,365	762	(321)
Non-controlling interests		169	(1,672)	(401)	(1,012)	-
Profit/(loss) for the year/period		11,716	11,878	12,964	(250)	(321)
		HK Cents	**HK Cents**	**HK Cents**	**HK Cents**	**HK Cents**
Earnings/(loss) per share	11					
Basic		2.41	2.82	2.51	0.16	(0.05)
Diluted		2.39	2.68	2.29	0.16	(0.05)

The accompanying notes form part of the Historical Financial Information.

2. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
	Note	**2014**	**2015**	**2016**	**2016**	**2017**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
Profit/(loss) for the year/period		11,716	11,878	12,964	(250)	(321)
Other comprehensive income/(loss) for the year/period, net of nil tax	10					
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of operations with functional currency other than Hong Kong dollars		(482)	(6,444)	(7,331)	(942)	2,591
Available-for-sale investments:						
Net movement in the fair value reserve		(161)	(75)	3	17	(14)
Other comprehensive income/(loss) for the year/period, net of nil tax		(643)	(6,519)	(7,328)	(925)	2,577
Total comprehensive income/(loss) for the year/period		11,073	5,359	5,636	(1,175)	2,256
Attributable to:						
Equity shareholders of the Company		10,904	7,031	6,037	(163)	2,256
Non-controlling interests		169	(1,672)	(401)	(1,012)	-
Total comprehensive income/(loss) for the year/period		11,073	5,359	5,636	(1,175)	2,256

The accompanying notes form part of the Historical Financial Information.

3. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December			At 31 May
		2014	2015	2016	2017
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	12	173,616	150,228	278,931	275,437
Intangible assets	13	-	1,028	963	939
Available-for-sale investments	14	2,952	2,573	2,405	2,443
Investments in key management insurance policies	15	-	-	5,116	8,166
Deposits for acquisition of property, plant and equipment		-	-	3,233	3,233
		176,568	153,829	290,648	290,218
Current assets					
Inventories	16	62,451	54,665	52,827	72,676
Trade and other receivables	17	206,995	199,198	105,518	128,950
Pledged bank deposits	18	20,731	8,135	11,985	7,711
Cash and cash equivalents	19	3,924	8,559	4,126	2,123
		294,101	270,557	174,456	211,460
Current liabilities					
Trade and other payables	20	128,953	79,508	113,390	79,436
Derivative financial instruments	21	-	-	25	-
Bank loans and overdrafts	22	109,552	157,813	156,012	210,848
Obligations under finance leases	23	3,217	3,087	1,782	5,237
Tax payable	25(a)	14,767	9,885	9,689	8,135
		256,489	250,293	280,898	303,656
Net current assets/(liabilities)		37,612	20,264	(106,442)	(92,196)
Total assets less current liabilities		214,180	174,093	184,206	198,022

	Note	At 31 December 2014	2015	2016	At 31 May 2017
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current liabilities					
Obligations under finance leases	23	4,166	1,833	68	11,365
Convertible loan	24	16,754	16,893	-	-
Deferred tax liabilities	25(b)	3,716	3,665	3,332	3,595
		24,636	22,391	3,400	14,960
NET ASSETS		189,544	151,702	180,806	183,062
CAPITAL AND RESERVES					
Share capital	26(c)	5,000	5,000	27,539	27,539
Reserves		187,331	151,161	153,267	155,523
Total equity attributable to equity shareholders of the Company		192,331	156,161	180,806	183,062
Non-controlling interests		(2,787)	(4,459)	-	-
TOTAL EQUITY		189,544	151,702	180,806	183,062

The accompanying notes form part of the Historical Financial Information.

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital	Exchange reserve	Capital reserve	Fair value reserve	Retained profits	Total	Non-Controlling interests	Total equity
		Attributable to equity shareholders of the Company							
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2014		5,000	3,651	-	150	172,036	180,837	(2,956)	177,881
Changes in equity for the year ended 31 December 2014:									
Profit for the year		-	-	-	-	11,547	11,547	169	11,716
Other comprehensive loss for the year	10	-	(482)	-	(161)	-	(643)	-	(643)
Total comprehensive income for the year		-	(482)	-	(161)	11,547	10,904	169	11,073
Issuance of convertible loan		-	-	296	-	-	296	-	296
Deemed contribution from a shareholder		-	-	294	-	-	294	-	294
Balance at 31 December 2014		5,000	3,169	590	(11)	183,583	192,331	(2,787)	189,544
Balance at 1 January 2015		5,000	3,169	590	(11)	183,583	192,331	(2,787)	189,544
Changes in equity for the year ended 31 December 2015:									
Profit/(loss) for the year		-	-	-	-	13,550	13,550	(1,672)	11,878
Other comprehensive loss for the year	10	-	(6,444)	-	(75)	-	(6,519)	-	(6,519)
Total comprehensive income for the year		-	(6,444)	-	(75)	13,550	7,031	(1,672)	5,359
Deemed contribution from a shareholder		-	-	1,799	-	-	1,799	-	1,799
Dividend declared in respect of the current year		-	-	-	-	(45,000)	(45,000)	-	(45,000)
Balance at 31 December 2015		5,000	(3,275)	2,389	(86)	152,133	156,161	(4,459)	151,702
Balance at 1 January 2016		5,000	(3,275)	2,389	(86)	152,133	156,161	(4,459)	151,702
Changes in equity for the year ended 31 December 2016:									
Profit/(loss) for the year		-	-	-	-	13,365	13,365	(401)	12,964
Other comprehensive income/(loss) for the year	10	-	(7,331)	-	3	-	(7,328)	-	(7,328)
Total comprehensive income for the year		-	(7,331)	-	3	13,365	6,037	(401)	5,636
Acquisition of non-controlling interest	27(b)	-	-	-	-	(4,860)	(4,860)	4,860	-
Issuance of convertible loan		-	-	306	-	-	306	-	306
Deemed contribution from a shareholder		-	-	1,225	-	-	1,225	-	1,225
Conversion of convertible loan		22,539	-	(602)	-	-	21,937	-	21,937
Balance at 31 December 2016		27,539	(10,606)	3,318	(83)	160,638	180,806	-	180,806
Balance at 1 January 2017		27,539	(10,606)	3,318	(83)	160,638	180,806	-	180,806
Changes in equity for the five months ended 31 May 2017:									
Loss for the period		-	-	-	-	(321)	(321)	-	(321)
Other comprehensive income/(loss) for the period		-	2,591	-	(14)	-	2,577	-	2,577
Total comprehensive income for the period		-	2,591	-	(14)	(321)	2,256	-	2,256
Balance at 31 May 2017		27,539	(8,015)	3,318	(97)	160,317	183,062	-	183,062

	Note	Attributable to equity shareholders of the Company						Non-Controlling interests	Total equity
		Share capital	Exchange reserve	Capital reserve	Fair value reserve	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2016		5,000	(3,275)	2,389	(86)	152,133	156,161	(4,459)	151,702
Changes in equity for the five months ended 31 May 2016:									
Profit/(loss) for the period		-	-	-	-	762	762	(1,012)	(250)
Other comprehensive income/(loss) for the period	10	-	(942)	-	17	-	(925)	-	(925)
Total comprehensive loss for the period		-	(942)	-	17	762	(163)	(1,012)	(1,175)
Issuance of convertible loan		-	-	259	-	-	259	-	259
Deemed contribution from a shareholder		-	-	853	-	-	853	-	853
Balance at 31 May 2016 (Unaudited)		5,000	(4,217)	3,501	(69)	152,895	157,110	(5,471)	151,639

The accompanying notes form part of the Historical Financial Information.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Five months ended 31 May	
		2014	2015	2016	2016	2017
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Operating activities						
Cash generated from/(used in) operations	19(b)	55,691	8,932	33,109	20,150	(9,316)
Tax paid						
PRC enterprise income tax		(1,263)	(1,441)	(1,057)	(608)	(2,038)
Hong Kong profits tax		(3,414)	(7,048)	(5,071)	(4,301)	(1,967)
Tax refund						
Hong Kong profits tax		-	-	173	-	91
Net cash generated from/(used in) operating activities		**51,014**	**443**	**27,154**	**15,241**	**(13,230)**
Investing activities						
Payment for purchase of property, plant and equipment		(4,395)	(600)	(385)	(158)	(1,396)
Proceeds on disposal of property, plant and equipment		11,058	8,983	1,731	1,656	17
Payment for purchase of intangible assets		-	(1,119)	(112)	-	-
Proceeds from disposal of available-for-sale investments		-	96	-	-	-
Increase in amounts due from directors		(52,168)	(8,393)	(14,822)	(13,283)	(40,025)
Decrease/(increase) in pledged bank deposits		2,156	12,596	(3,850)	354	4,274
Net cash inflow from acquisition of assets	27	-	-	136	-	-
Upfront payment of investments in key management insurance policies		-	-	(5,083)	-	(2,974)
Payment for deposit for acquisition of property, plant and equipment		-	-	(809)	-	-
Interest received		273	330	192	72	161
Dividend received		79	103	62	35	-
Net cash (used in)/generated from investing activities		**(42,997)**	**11,996**	**(22,940)**	**(11,324)**	**(39,943)**
Financing activities						
Net proceeds from issuance of convertible loans		17,000	-	5,000	5,000	-
Proceeds from new bank loans		290,649	410,322	382,521	86,272	228,437
Repayment of bank loans		(299,456)	(364,173)	(393,506)	(106,399)	(172,073)
Capital elements of finance lease rentals paid		(9,345)	(3,702)	(3,165)	(1,276)	(1,075)
Interest elements of finance lease rentals paid		(1,048)	(342)	(176)	(94)	(84)
Interest paid		(5,631)	(7,056)	(7,770)	(3,104)	(2,558)
Dividend paid		-	(45,000)	-	-	-
Net cash (used in)/generated from financing activities		**(7,831)**	**(9,951)**	**(17,096)**	**(19,601)**	**52,647**
Net increase/(decrease) in cash and cash equivalents		**186**	**2,488**	**(12,882)**	**(15,684)**	**(526)**
Effects of foreign exchange rate changes		**-**	**35**	**(127)**	**(4)**	**51**
Cash and cash equivalents at 1 January		**28**	**214**	**2,737**	**2,737**	**(10,272)**
Cash and cash equivalents at 31 December	19(a)	**214**	**2,737**	**(10,272)**	**(12,951)**	**(10,747)**

Major non-cash transactions:

(a) During the year ended 31 December 2016, the Group acquired 100% equity interests together with the shareholder's loan in Super Noble Limited and Tactful Hero Limited, through BVI companies of Mr. Classic Inc. and Great China Gains Inc., from Mr. Lam Sam Ming, the director and controlling shareholder of the Company, at the considerations of approximately HK$62,178,000 and HK$71,660,000, respectively (see Note 27(a)). The considerations were off-set against the amount due from director – Mr. Lam Sam Ming.

(b) During the year ended 31 December 2016, the consideration for acquisition of non-controlling interests (see Note 27(b)) was offset against the amount due from director – Mr. Lam Sam Ming.

(c) During the year ended 31 December 2016, the entire principal amount of the convertible loan was converted into 1,250,000 ordinary shares of the Company.

The accompanying notes form part of the Historical Financial Information.

6. COMPANY-LEVEL STATEMENTS OF FINANCIAL POSITION

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Plant and equipment	13,075	11,367	9,740	10,453
Investments in subsidiaries	72,419	72,419	187,716	187,716
Available-for-sale investments	2,952	2,573	2,405	2,443
Investments in key management insurance policies	-	-	5,116	8,167
	88,446	86,359	204,977	208,779
Current assets				
Trade and other receivables	126,646	116,106	51,528	58,650
Amounts due from subsidiaries	81,364	87,470	82,836	101,556
Pledged bank deposits	18,782	6,172	10,121	7,711
Cash and cash equivalents	1,496	6,632	1,350	196
	228,288	216,380	145,835	168,113
Current liabilities				
Trade and other payables	81,902	52,855	89,362	39,081
Amount due to a director				567
Amount due to a subsidiary	-	-	177	597
Derivative financial instruments	-	-	25	-
Bank loans and overdrafts	104,090	153,962	146,889	205,628
Obligations under finance leases	528	554	480	4,692
Convertible loan	-	-	-	-
Tax payable	8,573	4,136	3,935	4,002
	195,093	211,507	240,868	254,567
Net current assets/(liabilities)	33,195	4,873	(95,033)	(86,454)
Total assets less current liabilities	121,641	91,232	109,944	122,325
Non-current liabilities				
Obligations under finance leases	988	433	-	11,365
Convertible loan	16,754	16,893	-	-
Deferred tax liabilities	420	383	325	390
	18,162	17,709	325	11,755
NET ASSETS	103,479	73,523	109,619	110,570
CAPITAL AND RESERVES				
Share capital	5,000	5,000	27,539	27,539
Reserves	98,479	68,523	82,080	83,031
TOTAL EQUITY	103,479	73,523	109,619	110,570

The accompanying notes form part of the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in Hong Kong on 23 December 1992 with limited liability under the Hong Kong Companies Ordinance.

The Historical Financial Information comprises the Company and its subsidiaries (together referred to as the "**Group**").

The figures and financial information relating to each of the years ended 31 December 2014, 2015 and 2016 included in this document are not the Company's statutory annual financial statements for that year. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on those financial statements:

> The auditor's report for the year ended 31 December 2014 was qualified due to the non-consolidation of subsidiaries; and contained a statement under sections 141(4) and 141(6) of the predecessor Hong Kong Companies Ordinance Cap. 32.
>
> The auditor's report for the year ended 31 December 2015 was unqualified; and included a reference to a matter relating to the non-consolidation of subsidiaries to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.
>
> The auditor's report for the year ended 31 December 2016 was unqualified; included a reference to a matter relating to the non-consolidation of subsidiaries to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

During the Relevant Periods, the Group also acquired certain subsidiaries and non-controlling interests in certain subsidiaries (see Note 27).

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and fully paid capital/ registered share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Printplus Limited ("**Printplus**")	Hong Kong/ 18 February 2004	100 shares	100%	100%	-	Trading of books and paper products
Century Sight Limited	Hong Kong/ 22 February 2008	100 shares	100%	100%	-	Investment holding
Great Wall Printing Company Limited ("**Great Wall**")	Hong Kong/ 23 May 2008	100 shares	100%	-	100%	Trading and production of books and paper products
Prosperous Printing (Shenzhen) Co., Ltd. ("**Prosperous (SZ)**") (中万印刷 (深圳) 有限公司)*(Note)*	The People's Republic of China (the "**PRC**")/ 3 December 2010	RMB60,000,000 registered capital	100%	100%	-	Productions of books and paper products
Mr. Classic Inc.	British Virgin Islands ("**BVI**")/ 6 January 2016	50,000 shares of US$1 each	100%	100%	-	Investment holding
Great China Gains Inc.	BVI/ 6 January 2016	50,000 shares of US$1 each	100%	100%	-	Investment holding
Super Noble Limited ("**Super Noble**")	Hong Kong/ 10 March 2008	10,000 shares	100%	-	100%	Property investment
Tactful Hero Limited ("**Tactful Hero**")	Hong Kong/ 10 March 2008	1,000 shares	100%	-	100%	Property investment

Note: Prosperous (SZ) is established in the PRC as a wholly foreign-owned enterprise. The English name is for identification purpose only.

INFORMATION OF STATUTORY FINANCIAL STATEMENTS OF THE SUBSIDIARIES

The statutory financial statements of the Company's subsidiaries during the Relevant Periods were audited by the following auditors:

Name of company	Financial period	Statutory auditors
Printplus	For the years ended 31 December 2014, 2015 and 2016	David Ho & Company Certified Public Accountants (Practising)
Century Sight Limited	For the years ended 31 December 2014, 2015 and 2016	David Ho & Company Certified Public Accountants (Practising)
Great Wall	For the years ended 31 December 2014, 2015 and 2016	David Ho & Company Certified Public Accountants (Practising)
Super Noble	For the years ended 31 March 2014, 2015 and 2016, and the nine months ended 31 December 2016 (see note below)	David Ho & Company Certified Public Accountants (Practising)
Tactful Hero	For the years ended 31 March 2014, 2015 and 2016, and the nine months ended 31 December 2016 (see note below)	David Ho & Company Certified Public Accountants (Practising)
Prosperous SZ	For the years ended 31 December 2014, 2015 and 2016	深圳市寶龍會計師事務所有限公司

No audited financial statements have been issued for Mr. Classic Inc. and Great China Gains Inc. as there are no statutory audit requirement in the BVI.

*South Sea International Press Limited ("**South Sea**") was deregistered on 23 September 2016. The statutory financial statements of South Sea for the year ended 31 December 2014 were audited by Messrs. David Ho & Company, Certified Public Accountants (Practising), and its statutory financial statements for the year ended 31 December 2015 was not prepared.*

Note:

By a special resolution of Super Noble and Tactful Hero passed on 29 July 2016, their financial year end date was changed from "31 March" to "31 December".

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Further details of the significant accounting policies adopted by the Group are set out in the Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group as at 31 May 2017. The directors of the Company consider this basis of preparation is appropriate having regard to the following factors.

Among the current liabilities, there were bank loans contractually due for repayment after one year of HK$71,443,000 as at 31 May 2017, but have been classified as current liabilities because the loan facility letters include a clause that give the banks the unconditional right to call the bank loans at any time (see Note 22).

The directors of the Company do not expect the banks will demand repayment of these bank loans before maturity as the Group has good repayment records and has complied with the relevant covenants related to such banking facilities. In addition, the directors of the Company have carried out a detailed review of the working capital forecast of the Group for the period ending 31 December 2018. Based on the review, the directors of the Company consider the Group will have the necessary liquid funds to finance its working capital requirements and it will be able to meet its financial obligations as and when they fall due.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement and use of estimates and judgements

The Historical Financial Information are presented in Hong Kong dollars, rounded to the nearest thousand except per share data, which is the functional currency of the Company. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that available-for-sale investments and investment properties are stated at their fair value as explained in the accounting policies set out in Notes 2(c) and (e) below respectively.

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(l), (m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(c) Investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(s)(iii) and (s)(iv).

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see Note 2(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(i)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 2(s)(iii) and 1(s)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are recognised in profit or loss.

When these investments are derecognised or impaired (see Note 2(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/ derecognised on the date the Group commits to purchase/sell the investments or they expire.

(d) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(s)(vi).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see Note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the following method over their estimated useful lives as follows:

Leasehold land and buildings classified as held under finance leases are depreciated over the shorter of the useful life of the buildings or the unexpired term of the land lease using the straight line method.

Plant and machinery	10 years	(10% using the reducing balance method)
Fixtures and furnitures	5 years	(20% using the reducing balance method)
Motor vehicles	5 years	(20% using the reducing balance method)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Computer Software 10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Leased assets

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 with the following exception:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a financial lease (see Note 2(e)).

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, of such assets are recognised in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(i). Finance 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.

iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of assets

i) Impairment of investments in debt securities and other receivables

Investments in debt securities and other current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment 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 debtor;
- a breach of contract, such as a default or delinquency in interest or 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 debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

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

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt 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.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- deposit for acquisition of property, plant and equipment; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs 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 the estimated costs necessary to make the sale.

When 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 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.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Convertible loan

Convertible loan that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible loan is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the loan is converted or redeemed.

If the loan is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital as consideration for the shares issued. If the loan is redeemed, the capital reserve is released directly to retained profits.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(p) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate 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.

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 events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

ii) Provision of sub-contracting services

Revenue arising from provision of sub-contracting services is recognised when the related services are rendered.

iii) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

vi) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(t) Translation of foreign currencies

Foreign currency transactions during the reporting period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowings costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences 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 in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

a) A person, or a close member of that person's family, is related to the Group if that person:

   i) has control or joint control over the Group;

   ii) has significant influence over the Group; or

   iii) is a member of the key management personnel of the Group or the Group's parent.

b) An entity is related to the Group if any of the following conditions applies:

   i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii) Both entities are joint ventures of the same third party.

   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

   vi) The entity is controlled or jointly controlled by a person identified in (a).

   vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii) The entity, or any member of Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies, which 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 following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Historical Financial Information.

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

The directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$92,196,000 as at 31 May 2017. The directors consider that it is appropriate to prepare the Historical Financial Information using a going concern basis. Further details are set out in Note 1.

Should the Group be unable to continue as a going concern, all of the Group's assets and liabilities would have to be stated at net realisable value. In particular, the non-current assets and non-current liabilities would have to be reclassified as current assets and current liabilities respectively.

Note 28 contain information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

a) Impairment of property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment and intangible assets may not be recoverable, the assets may be considered "impaired" and are tested for impairment. An impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in Note 2(i)(ii). The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have an impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to the ones previously estimated, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

c) Impairment of trade and other receivables

The Group estimates the provision for impairment of trade and other receivables resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

d) Net realisable value of inventories

The Group performs regular review of the carrying amounts of inventories with reference to ageing analysis of the Group's inventories, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the net realisable value of inventories declines below their carrying amount. Due to changes in technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

e) Income taxes and deferred tax assets

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

4. REVENUE AND SEGMENT REPORTING AND OTHER INCOME/(LOSSES)

(a) Revenue

The principal activities of the Group are the production and sale of books and paper products.

The Group's revenue is analysed as follows:

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
Revenue arising from sales of the following books and paper products:					
- Leisure and lifestyle books	264,816	253,107	260,273	72,698	99,869
- Educational textbooks and learning materials	80,892	70,747	78,614	37,688	38,052
- Children's books	51,145	52,426	43,659	15,107	14,884
- Other paper-related products	4,365	1,470	1,189	305	58
	401,218	377,750	383,735	125,798	152,863
Revenue arising from provision of sub-contracting services	-	-	2,308	-	2,997
	401,218	377,750	386,043	125,798	155,860

(b) Segment reporting

HKFRS 8 "Operating Segments" requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company's executive directors, being the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the production and sale of books and paper products.

i) Information about major customers

The Group's customer base is diversified and includes one, one, two, one and three customers with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017. Revenue from these customers, including sales to entities which are known to the Group to be under common control with each of these customers, for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 was as follows:

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
Customer A	47,101	45,248	43,367	21,162	*note (1)*
Customer B	*note (2)*	*note (2)*	45,599	*note (2)*	24,040
Customer C	-	-	*note (3)*	*note (3)*	18,993
Customer D	*note (4)*	*note (4)*	*note (4)*	*note (4)*	16,788

Details of concentrations of credit risk arising from these customers are set out in Note 28(a).

Notes:

(1) Revenue from Customer A for the five months ended 31 May 2017 is less than 10% of the Group's revenue.

(2) Revenue from Customer B for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016 is less than 10% of the Group's revenue.

(3) Revenue from Customer C for the year ended 31 December 2016 and the five months ended 31 May 2016 is less than 10% of the Group's revenue.

(4) Revenue from Customer D for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 is less than 10% of the Group's revenue.

ii) Information about geographical areas

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and deposits for acquisition of property, plant and equipment ("**specified non-current assets**"). The geographical location of customers is based on the location of external customers. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets.

	Revenue from external customers				
	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Hong Kong (place of domicile)	167,633	167,639	199,654	74,214	85,714
USA	89,363	96,440	113,125	32,436	51,091
UK	86,906	71,135	40,069	10,199	11,537
Australia	26,673	19,109	13,608	3,864	1,088
Europe (other than UK)	16,436	4,683	2,469	950	111
Other countries	14,207	18,744	17,118	4,135	6,319
	401,218	377,750	386,043	125,798	155,860

Revenue from the individual countries included in other countries is not significant.

	Specified non-current assets			
	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong (place of domicile)	21,203	19,589	150,888	149,199
Mainland China	152,413	131,667	132,239	130,410
	173,616	151,256	283,127	279,609

(c) Other income/(losses)

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Bank interest income	273	330	192	72	161
Interest income from investments in key management insurance policies	-	-	94	-	79
Profit arising from sale of paper and scrap materials (see note below)	1,308	1,946	1,905	566	341
Income received from government subsidies	-	174	1,896	91	63
Loss on a forward foreign exchange contract	-	-	(25)	-	-
Exchange gain/(loss), net	1,378	(564)	(1,252)	(654)	(2,065)
Gain/(loss) on disposal of property, plant and equipment	1,973	258	190	431	(41)
Dividend income	79	103	62	35	-
Sundry income	517	849	445	253	241
	5,528	3,096	3,507	794	(1,221)

Note:

Profit arising from sale of paper and scrap materials is analysed as follows:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Revenue arising from sale of paper and scrap materials	84,020	67,845	1,905	566	341
Costs of materials (Note 16(b))	(82,712)	(65,899)	-	-	-
Profit arising from sale of paper and scrap materials	1,308	1,946	1,905	566	341

5. OTHER EXPENSES

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Impairment loss on trade debtors	4,529	-	3,212	-	321
Reversal of impairment loss on trade debtors	-	(272)	(1,059)	(3)	-
Loss on disposal of available-for-sale investments	-	51	-	-	-
Listing expense	-	621	8,103	2,282	1,927
	4,529	400	10,256	2,279	2,248

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
a) Finance costs					
Interest on convertible loan	353	2,158	1,471	1,024	-
Interest on bank loans and overdrafts	3,427	3,481	5,411	1,961	2,384
Finance charges on obligations under finance leases	1,048	342	176	94	84
Other borrowing costs	1,901	1,556	1,238	216	174
	6,729	7,537	8,296	3,295	2,642
b) Staff costs# (including directors' emoluments)					
Contributions to defined contribution retirement plans	8,183	8,415	11,086	3,215	5,979
Salaries, wages and other benefits	99,358	96,153	91,378	39,865	39,253
	107,541	104,568	102,464	43,080	45,232

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

In addition, employees with 4 years to 10 years of service of the Group are entitled to receive the employer's additional voluntary contributions equal to 5% to 10% of the employees' monthly basic salaries when the employees make additional voluntary contributions at the same time. The maximum voluntary contributions of the Group for those employees with services of the Group more than 10 years are 10% of the employees' basic salaries.

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiary in the PRC participates in defined contribution retirement benefit schemes (the "**Schemes**") organised by the relevant local government authorities in the PRC whereby the subsidiary is required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the Relevant Periods.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

c) Other items

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
Auditors' remuneration - audit services	446	417	382	168	166
Amortisation of intangible assets	-	53	109	45	48
Depreciation of property, plant and equipment#	15,396	13,361	13,783	5,818	6,613
Operating lease rentals in respect of office, factory and warehouse#	14,254	12,641	10,323	5,081	3,219
Cost of finished goods# (Note 16(b))	290,760	269,276	260,460	85,887	108,939

Cost of finished goods includes HK$93,089,000, HK$86,265,000, HK$79,536,000, HK$34,533,000, HK$32,904,000 relating to staff costs, operating lease charges and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses in respect of the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017, respectively.

7. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

a) Income tax in the consolidated statements of profit or loss represents:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Current tax - Hong Kong Profits Tax					
Provision for the year	4,170	2,609	4,219	1,782	1,211
(Over)/under-provision in respect of prior years	(20)	-	-	-	1,010
Tax penalty for prior year's late submission	-	-	80	-	-
Current tax - PRC Enterprise Income Tax					
Provision for the year	1,391	1,352	1,419	255	-
Deferred tax					
Origination and reversal of temporary difference	960	(6)	(303)	(356)	255
	6,501	3,955	5,415	1,681	2,476

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the group are domiciled and operates.

The provision for Hong Kong Profits Tax of the Company and subsidiaries established in Hong Kong are calculated at 16.5% of the estimated assessable profits for each reporting period.

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% of the estimated taxable profits for each reporting period.

b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
Profit before taxation	18,217	15,833	18,379	1,431	2,155
Notional tax on profit before taxation calculated at the statutory tax rates applicable to the profit in the jurisdictions concerned	2,003	2,215	3,097	113	151
Tax effect of non-deductible expenses	4,204	763	1,816	383	648
Tax effect of non-taxable income	-	-	(3)	-	(20)
Tax effect of utilisation of unused tax losses	(44)	-	-	-	-
Tax effect of tax losses not recognised	272	1,095	715	1,111	591
Statutory tax concession	(20)	(20)	(60)	-	-
(Over)/under-provision in prior years	(20)	-	-	-	1,010
Others	106	(98)	(150)	74	96
Actual tax expense	6,501	3,955	5,415	1,681	2,476

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

For the year 31 December 2014:

	Note	Directors' fees	Salaries, allowance and benefits in kind	Retirement scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Lam Sam Ming (Chairman and chief executive)		-	1,710	161	1,871
Leung Kwong Hung	(i)	-	200	19	219
Li Mun Kun	(ii)	12	340	58	410
		12	2,250	238	2,500

For the year 31 December 2015:

	Note	Directors' fees	Salaries, allowance and benefits in kind	Retirement scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Lam Sam Ming (Chairman and chief executive)		-	2,483	224	2,707
Li Mun Kun	(ii)	-	258	56	314
		-	2,741	280	3,021

For the year ended 31 December 2016:

	Note	Directors' fees	Salaries, allowance and benefits in kind	Retirement scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Lam Sam Ming (Chairman and chief executive)		-	2,573	224	2,797
Li Mun Kun	(ii)	-	-	-	-
Yao Yuan	(iii)	-	143	8	151
Chan Sau Po	(iv)	-	218	26	244
Non-executive director					
Ong Chor Wei	(iv)	-	-	-	-
		-	2,934	258	3,192

For the five months ended 31 May 2017:

	Note	Directors' fees	Salaries, allowance and benefits in kind	Retirement scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Lam Sam Ming (Chairman and chief executive)		-	1,415	97	1,512
Li Mun Kun	(ii)	-	-	-	-
Yao Yuan	(iii)	-	130	6	136
Chan Sau Po	(iv)	-	457	36	493
Non-executive director					
Ong Chor Wei	(iv)	-	-	-	-
		-	2,002	139	2,141

For the five months ended 31 May 2016 (Unaudited):

	Note	Directors' fees	Salaries, allowance and benefits in kind	Retirement scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Lam Sam Ming (Chairman and chief executive)		-	1,372	93	1,465
Li Mun Kun	(ii)	-	-	-	-
Yao Yuan	(iii)	-	39	4	43
		-	1,411	97	1,508

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.

Notes:

i) Leung Kwong Hung ("**Mr. Leung**") resigned as a director of the Company on 15 September 2014.

ii) Li Mun Kun ("**Mr. Li**") resigned as a director of the Company on 10 March 2016.

iii) Yao Yuan ("**Ms. Yao**"), the spouse of Mr. Lam Sam Ming ("**Mr. Lam**"), was appointed as a director of the Company on 10 March 2016.

iv) Chan Sau Po and Ong Chor Wei were appointed as directors of the Company on 8 September 2016.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one, one, two, one and two for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017, respectively, are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Salaries and other emoluments	2,137	2,397	1,965	1,331	1,063
Retirement scheme contributions	213	257	195	113	88
	2,350	2,654	2,160	1,444	1,151

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (Unaudited)	Number of individuals
Nil to HK$1,000,000	4	4	3	4	4

10. OTHER COMPREHENSIVE INCOME/(LOSS)

Components of other comprehensive income/(loss), including re-classification adjustments, are as follows:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Exchange differences on translation of financial statements of operations with functional currency other than Hong Kong dollars	(482)	(6,444)	(7,331)	(942)	2,591
Available-for-sale investments:					
Changes in fair value recognised during the reporting period	(161)	(126)	3	17	(14)
Reclassification adjustments for amounts transferred to profit or loss:					
- loss on disposal (Note 5)	-	51	-	-	-
Net movement in the fair value reserve	(161)	(75)	3	17	(14)
	(643)	(6,519)	(7,328)	(925)	2,577

11. EARNINGS PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the Relevant Periods is based on the profit attributable to ordinary equity shareholders of the Company of HK$11,547,000, HK$13,550,000, HK$13,365,000, HK$762,000 and the loss attributable to ordinary equity shareholders of the Company of HK$321,000 for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017, respectively, and the weighted average of ordinary shares after taking into account the effect of the share subdivision on 14 September 2016 calculated as follows:

Weighted average number of ordinary shares (basic)

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	'000	**'000**	**'000**	**'000 (Unaudited)**	**'000**
Issued ordinary shares at 1 January	5,000	5,000	5,000	5,000	600,000
Effect of convertible loan converted	-	-	546	-	-
Effect of shares subdivision	475,000	475,000	526,913	475,000	-
Weighted average number of ordinary shares at 31 December/31 May	480,000	480,000	532,459	480,000	600,000

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share for the Relevant Periods is based on the profit attributable to ordinary equity shareholders of the Company of HK$11,842,000, HK$15,352,000, HK$14,593,000, HK$1,594,000 and the loss attributable to ordinary equity shareholders of the Company of HK$321,000 for each of the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017, respectively, and the weighted average number of ordinary shares after taking into account the effect of the share subdivision on 14 September 2016, calculated as follows:

(i) Profit/(loss) attributable to ordinary equity shareholders of the Company (diluted)

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
Profit/(loss) attributable to ordinary equity shareholders	11,547	13,550	13,365	762	(321)
After tax effect of effective interest on the liability component of convertible loan	295	1,802	1,228	-*	-
Profit/(loss) attributable to ordinary equity shareholders (diluted)	11,842	15,352	14,593	762	(321)

* The convertible loan was not included in the calculation of diluted earnings per share because it was antidilutive for the five months ended 31 May 2016.

(ii) Weighted average number of ordinary shares (diluted)

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	'000	**'000**	**'000**	**'000 (Unaudited)**	**'000**
Weighted average number of ordinary shares (basic) at 31 December/31 May	480,000	480,000	532,459	480,000	600,000
Effect of conversion of convertible loan	15,975	92,727	105,507	-*	-
Weighted average number of ordinary shares (diluted) at 31 December/31 May	495,975	572,727	637,966	480,000	600,000

* The convertible loan was not included in the calculation of diluted earnings per share because it was antidilutive for the five months ended 31 May 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held for own use	Plant and machinery	Fixtures and furnitures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:					
At 1 January 2014	-	381,185	9,791	5,148	396,124
Additions	-	10,927	613	429	11,969
Disposals	-	(13,427)	-	-	(13,427)
Exchange realignment	-	(523)	(6)	-	(529)
At 31 December 2014	**-**	**378,162**	**10,398**	**5,577**	**394,137**
At 1 January 2015	-	378,162	10,398	5,577	394,137
Additions	-	3,331	484	113	3,928
Disposals	-	(13,254)	(91)	-	(13,345)
Exchange realignment	-	(7,337)	(129)	(45)	(7,511)
At 31 December 2015	**-**	**360,902**	**10,662**	**5,645**	**377,209**
At 1 January 2016	-	360,902	10,662	5,645	377,209
Additions					
- through acquisition of subsidiaries	131,800	-	514	-	132,314
- others	-	16,944	30	-	16,974
Disposals	-	(2,906)	(59)	-	(2,965)
Exchange realignment	-	(8,491)	(152)	(52)	(8,695)
At 31 December 2016	**131,800**	**366,449**	**10,995**	**5,593**	**514,837**
At 1 January 2017	131,800	366,449	10,995	5,593	514,837
Additions	-	186	92	1,118	1,396
Disposals	-	(93)	-	(166)	(259)
Exchange realignment	-	3,095	53	19	3,167
At 31 May 2017	**131,800**	**369,637**	**11,140**	**6,564**	**519,141**
Accumulated depreciation:					
At 1 January 2014	-	201,339	5,620	2,608	209,567
Charge for the year	-	13,828	984	584	15,396
Written back on disposals	-	(4,391)	-	-	(4,391)
Exchange realignment	-	(53)	1	1	(51)
At 31 December 2014	**-**	**210,723**	**6,605**	**3,193**	**220,521**
At 1 January 2015	-	210,723	6,605	3,193	220,521
Charge for the year	-	11,956	902	503	13,361
Written back on disposals	-	(4,315)	(39)	-	(4,354)
Exchange realignment	-	(2,449)	(60)	(38)	(2,547)
At 31 December 2015	**-**	**215,915**	**7,408**	**3,658**	**226,981**
At 1 January 2016	-	215,915	7,408	3,658	226,981
Charge for the year	1,894	10,738	734	417	13,783
Written back on disposals	-	(1,291)	(55)	-	(1,346)
Exchange realignment	-	(3,374)	(93)	(45)	(3,512)
At 31 December 2016	**1,894**	**221,988**	**7,994**	**4,030**	**235,906**
At 1 January 2017	1,894	221,988	7,994	4,030	235,906
Charge for the period	1,894	4,290	264	165	6,613
Written back on disposals	-	(37)	-	(164)	(201)
Exchange realignment	-	1,330	39	17	1,386
At 31 May 2017	**3,788**	**227,571**	**8,297**	**4,048**	**243,704**

	Land and buildings held for own use	Plant and machinery	Fixtures and furnitures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount:					
At 31 December 2014	**-**	**167,439**	**3,793**	**2,384**	**173,616**
At 31 December 2015	**-**	**144,987**	**3,254**	**1,987**	**150,228**
At 31 December 2016	**129,906**	**144,461**	**3,001**	**1,563**	**278,931**
At 31 May 2017	**128,012**	**142,066**	**2,843**	**2,516**	**275,437**

a) The Group's properties

The leasehold land and buildings are held in Hong Kong on long leases.

As at 31 December 2016 and 31 May 2017, the Group's properties with carrying amounts of HK$129,906,000 and HK$128,012,000, respectively, were pledged as collateral for the Group's banking facilities (see Note 22).

b) Assets held under finance leases

In addition to the leasehold land and buildings classified as being held under a finance lease in note (a) above, the Group leases production plant and machinery under finance leases expiring 3 years. At the end of the lease term the Group has the option to purchase the leased machinery or equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

At 31 December 2014, 2015 and 2016 and 31 May 2017, the carrying amount of plant and machinery held under finance leases were HK$7,362,000, HK$6,738,000, HK$5,789,000 and HK$19,820,000, respectively.

13. INTANGIBLE ASSETS

	Computer software
	HK$'000
Cost:	
At 1 January 2014, 31 December 2014 and 1 January 2015	-
Additions	1,119
Exchange realignment	(40)
At 31 December 2015	**1,079**
At 1 January 2016	1,079
Additions	112
Exchange realignment	(77)
At 31 December 2016	**1,114**
At 1 January 2017	1,114
Additions	-
Exchange realignment	27
At 31 May 2017	**1,141**
Accumulated amortisation:	
At 1 January 2014, 31 December 2014 and 1 January 2015	-
Charge for the year	53
Exchange realignment	(2)
At 31 December 2015	**51**
At 1 January 2016	51
Charge for the year	109
Exchange realignment	(9)
At 31 December 2016	**151**
At 1 January 2017	151
Charge for the period	48
Exchange realignment	3
At 31 May 2017	**202**
Carrying amount:	
At 31 December 2014	**-**
At 31 December 2015	**1,028**
At 31 December 2016	**963**
At 31 May 2017	**939**

For the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, the amortisation charges of HK$Nil, HK$53,000, HK$109,000 and HK$48,000 are included in "administrative expenses" in the consolidated statements of profit or loss, respectively.

14. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Club membership, at cost	148	-	-	-
Investment funds in Hong Kong, at fair value				
- Unlisted but quoted funds	2,804	2,573	2,405	2,443
	2,952	2,573	2,405	2,443

The Group's investments in golf club memberships were not stated at fair value but at cost because it did not have a quoted market price in an active market and the fair value cannot be reliably measured. No impairment is recognised since there is no objective evidence that investments in golf club memberships were impaired.

The fair value of investment funds is based on quoted market price in an active market at the end of the reporting period.

The available-for-sale investments of approximately HK\$2,804,000, HK\$2,573,000, HK\$2,405,000 and HK\$2,443,000 denominated in RMB were pledged as collateral for the Group's banking facilities (see Note 22) as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively.

15. INVESTMENTS IN KEY MANAGEMENT INSURANCE POLICIES

During the Relevant Periods, the Group entered into the following key management insurance policies:

(a) During the five months ended 31 May 2017, the Company has entered into two key management insurance policies (the "Policy I" and "Policy II") with insurance companies to insure two directors of the Company. Under these policies, the Company is the beneficiary and policy holder, and the total insured sums of Policy I and Policy II are US\$536,395 and US\$1,000,000, respectively. The Company is required to pay a single premium of US\$128,000 (equivalent to approximately HK\$992,000) and US\$256,580 (equivalent to approximately HK\$1,988,000), respectively, under the Policy I and Policy II to the insurance company at inception. The Company can, at any time, withdraw cash based on the account value of the relevant policy ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of the policies. If withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge deducted from Account Value. Under the Policy I, the insurance company will pay the Group a guaranteed interest rate of 3.9% per annum for the first five years and a variable return per annum afterwards (with guaranteed minimum interest rate of 2.25%) during the effective period of the policy. Under the Policy II, the insurance company will pay the Group a guaranteed interest rate of 3.4% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 1.8%) during the effective period of the policy.

As represented by the directors of the Company, the Company will not terminate the policy nor withdraw cash prior to the end of the 15th policy year and the expected life of the policy remained unchanged since its initial recognition. The balance of the deposit of key management insurance policy is denominated in USD, being a currency other than the functional currency of the relevant group entity.

(b) During the year ended 31 December 2016, the Company has entered into a key management insurance policy with an insurance company to insure a director of the Company. Under this policy, the Company is the beneficiary and policy holder and the total insured sum is US$1,250,000. The Company is required to pay a single premium of US$655,862 (equivalent to approximately HK$5,083,000) to the insurance company at inception. The Company can, at any time, withdraw cash based on the account value of the policy ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge deducted from Account Value. The insurance company will pay the Group a guaranteed interest rate of 4% per annum for the first year and a variable return per annum afterwards (with guaranteed minimum interest rate of 2%) during the effective period of the policy.

As represented by the directors of the Company, the Company will not terminate the policy nor withdraw cash prior to the end of the 18th policy year and the expected life of the policy remained unchanged since its initial recognition. The balance of the deposit of key management insurance policy is denominated in USD, being a currency other than the functional currency of the relevant group entity.

At the inception date, the gross premium paid by the Company included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the key management insurance policy. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policy and the deposit placed is carried at amortised cost using the effective interest method.

As at 31 December 2016 and 31 May 2017, investments in key management insurance policies with carrying amounts of HK$5,116,000 and HK$5,168,000, respectively, were pledged as collateral for the Group's banking facilities (see Note 22).

16. INVENTORIES

a) Inventories in the consolidated statements of financial position comprise:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Raw materials	41,883	38,569	38,749	42,626
Work-in-progress	18,289	13,687	13,170	26,326
Finished goods	2,279	2,409	908	3,724
	62,451	54,665	52,827	72,676

b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

		Year ended 31 December			Five months ended 31 May	
	Note	2014	2015	2016	2016	2017
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Carrying amount of raw materials sold	4	82,712	65,899	-	-	-
Carrying amount of finished goods sold	6(c)	290,760	269,276	260,460	85,887	108,939
Carrying amount of inventories sold		373,472	335,175	260,460	85,887	108,939

17. TRADE AND OTHER RECEIVABLES

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Trade debtors	150,148	130,465	105,541	118,129
Less: allowance for doubtful debts	(15,401)	(14,888)	(17,041)	(17,362)
	134,747	115,577	88,500	100,767
Advance to a sub-contractor	-	8,714	9,035	9,890
Consideration receivable in respect of disposal of plant and machinery (Note 31(b))	10,458	-	-	-
Amounts due from directors (Note 31(b))	52,898	60,002	-	7,565
Amounts due from related companies (Note 31(b))	2,707	7,603	-	-
Other receivables	2,272	2,978	889	1,925
Loans and receivables	203,082	194,874	98,424	120,147
Prepaid expense for listing fee	-	-	1,743	2,389
Other prepaid expenses	690	179	390	394
Utility and other deposits	130	287	1,450	610
Other tax recoverable	3,093	3,858	3,511	5,410
	206,995	199,198	105,518	128,950

The amounts of utility and other deposits expected to be recovered or recognised as expense after more than one year are HK$103,000, HK$287,000, HK$567,000 and HK$593,000 as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively. All of the other trade and other receivables (including amounts due from directors and related companies) are expected to be recovered or recognised as expense within one year.

a) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade debtors, based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 month	21,348	23,983	30,749	37,306
1 to 3 months	39,736	33,832	22,901	42,199
3 to 6 months	53,966	47,069	29,583	9,091
6 to 12 months	15,496	9,744	4,967	12,171
1 to 2 years	4,053	876	300	-
Over 2 years	148	73	-	-
	134,747	115,577	88,500	100,767

Trade receivables are normally due within 180 days from the date of billing. Further details on the Group's credit policy are set out in Note 28(a)(i).

b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see Note 2(i)(i)).

The movement in the allowance for doubtful debts during the reporting period is as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
At beginning of the reporting period	13,775	15,401	14,888	17,041
Impairment loss recognised	4,529	-	2,153	321
Impairment loss written back	-	(272)	-	-
Uncollectible amounts written off	(2,903)	(241)	-	-
At end of the reporting period	15,401	14,888	17,041	17,362

Trade receivables of HK$15,401,000, HK$14,888,000, HK$17,041,000 and HK$17,362,000 as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively, were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowance for doubtful debts of HK$15,401,000, HK$14,888,000, HK$17,041,000 and HK$17,362,000 at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively, were recognised.

c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Neither past due nor impaired	75,049	67,681	56,425	78,797
Less than 1 month past due	24,295	16,604	16,694	5,539
1 to 3 months past due	17,793	22,398	12,956	9,236
3 to 6 months past due	8,971	6,594	1,794	3,857
6 to 12 months past due	5,179	1,798	331	3,338
Over 1 year past due	3,460	502	300	-
	59,698	47,896	32,075	21,970
	134,747	115,577	88,500	100,767

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, 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 fully recoverable.

18. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged to a bank to secure banking facilities granted to the Group (see Note 22).

19. CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents comprise:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Cash and cash equivalents in the consolidated statements of financial position				
- Cash at banks and on hand	3,924	8,559	4,126	2,123
Bank overdrafts (Note 22)	(3,710)	(5,822)	(14,398)	(12,870)
Cash and cash equivalents in the consolidated statements of cash flows	214	2,737	(10,272)	(10,747)

At 31 December 2014, 2015 and 2016 and 31 May 2017, bank balances of a PRC subsidiary amounting to HK$798,000, HK$397,000, HK$1,466,000 and HK$336,000 are not freely convertible into other currencies and subject to Mainland China's Regulation on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯，售匯及付匯管理規定) promulgated by the People's Bank of China of the PRC.

b) Reconciliation of profit before taxation to cash generated from operations:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Operating activities					
Profit before taxation	18,217	15,833	18,379	1,431	2,155
Adjustments for:					
Depreciation of property, plant and equipment	15,396	13,361	13,783	5,818	6,613
(Gain)/loss on disposal of property, plant and equipment	(1,973)	(258)	(190)	(431)	41
Amortisation of intangible assets	-	53	109	45	48
Loss on disposal of available-for-sale investments	-	51	-	-	-
Reversal of impairment loss of trade debtors	-	(272)	-	(3)	-
Impairment loss on trade debtors	4,529	-	2,153	-	321
Bank interest income	(273)	(330)	(192)	(72)	(161)
Interest income from investments in key management insurance policies	-	-	(94)	-	(79)
Insurance premium charge for investments in key management insurance policies	-	-	44	-	37
Finance costs	6,729	7,537	8,296	3,295	2,642
Dividend income	(79)	(103)	(62)	(35)	-
	42,546	35,872	42,226	10,048	11,617
Changes in working capital:					
Decrease/(increase) in inventories	9,569	8,691	1,891	(15,809)	(19,124)
Decrease/(increase) in trade and other receivables	12,825	17,350	29,752	12,967	(23,173)
(Decrease)/increase in trade and other payables	(9,249)	(52,981)	(40,785)	12,944	21,389
Increase in derivative financial instruments	-	-	25	-	(25)
Cash generated from/ (used in) operations	55,691	8,932	33,109	20,150	(9,316)

c) **Reconciliation of liabilities arising from financing activities**

	Bank loans and overdrafts	Finance leases	Convertible loan	Total
	HK$'000 (Notes 22)	HK$'000 (Note 23)	HK$'000 (Note 24)	HK$'000
At 1 January 2014	120,021	11,901	-	131,922
Changes from financing cash flows:				
Proceeds from new bank loans	290,649	-	-	290,649
Repayment of bank loans	(299,456)	-	-	(299,456)
Proceeds from issuance of convertible loan	-	-	17,000	17,000
Interest paid	(5,328)	-	(303)	(5,631)
Capital elements of finance lease rentals paid	-	(9,345)	-	(9,345)
Interest elements of finance lease rentals paid	-	(1,048)	-	(1,048)
Total changes from financing cash flows	(14,135)	(10,393)	16,697	(7,831)
Exchange adjustments	-	(4)	-	(4)
Other changes:				
Decrease in bank overdrafts	(1,662)	-	-	(1,662)
Interest on bank loans and overdrafts (Note 6 (a))	3,427	-	- -	3,427
Other borrowing costs (Note 6(a))	1,901	-	-	1,901
Interest on convertible loan (Note 6(a))	-	-	353	353
Classification of equity conversion option as an equity instrument	-	-	(296)	(296)
New finance leases	-	4,831	-	4,831
Finance charges on obligations under finance leases (Note 6(a))	-	1,048	-	1,048
Total other changes	3,666	5,879	57	9,602
At 31 December 2014	109,552	7,383	16,754	133,689

	Bank loans and overdrafts	Finance leases	Convertible loan	Total
	HK$'000 (Note 22)	HK$'000 (Note 23)	HK$'000 (Note 24)	HK$'000
At 1 January 2015	109,552	7,383	16,754	133,689
Changes from financing cash flows:				
Proceeds from new bank loans	410,322	-	-	410,322
Repayment of bank loans	(364,173)	-	-	(364,173)
Interest paid	(5,037)	-	(2,019)	(7,056)
Capital elements of finance lease rentals paid	-	(3,702)	-	(3,702)
Interest elements of finance lease rentals paid	-	(342)	-	(342)
Total changes from financing cash flows	41,112	(4,044)	(2,019)	35,049
Exchange adjustments	-	95	-	95
Other changes:				
Increase in bank overdrafts	2,112	-	-	2,112
Interest on bank loans and overdrafts (Note 6(a))	3,481	-	-	3,481
Other borrowing costs (Note 6(a))	1,556	-	-	1,556
Interest on convertible loan (Note 6(a))	-	-	2,158	2,158
New finance leases	-	1,144	-	1,144
Finance charges on obligations under finance leases (Note 6(a))	-	342	-	342
Total other changes	7,149	1,486	2,158	10,793
At 31 December 2015	157,813	4,920	16,893	179,626

	Bank loans and overdrafts	Finance leases	Convertible loan	Total
	HK$'000 (Note 22)	HK$'000 (Note 23)	HK$'000 (Note 24)	HK$'000
At 1 January 2016	157,813	4,920	16,893	179,626
Changes from financing cash flows:				
Proceeds from new bank loans	382,521	-	-	382,521
Repayment of bank loans	(393,506)	-	-	(393,506)
Proceeds from issuance of convertible loan	-	-	5,000	5,000
Interest paid	(6,649)	-	(1,121)	(7,770)
Capital elements of finance lease rentals paid	-	(3,165)	-	(3,165)
Interest elements of finance lease rentals paid	-	(176)	-	(176)
Total changes from financing cash flows	(17,634)	(3,341)	3,879	(17,096)
Changes arising from obtaining control of subsidiaries	608	-	-	608
Exchange adjustments	-	95	-	95
Other changes:				
Increase in bank overdrafts	8,576	-	-	8,576
Interest on bank loans and overdrafts (Note 6(a))	5,411	-	-	5,411
Other borrowing costs (Note 6(a))	1,238	-	-	1,238
Interest on convertible loan (Note 6(a))	-	-	1,471	1,471
Classification of equity conversion option as an equity instrument	-	-	(306)	(306)
Conversion of convertible loan	-	-	(21,937)	(21,937)
Finance charges on obligations under finance leases (Note 6(a))	-	176	-	176
Total other changes	15,225	176	(20,772)	(5,371)
At 31 December 2016	156,012	1,850	-	157,862

	Bank loans and overdrafts	Finance leases	Convertible loan	Total
	HK$'000 (Note 22)	HK$'000 (Note 23)	HK$'000 (Note 24)	HK$'000
At 1 January 2017	156,012	1,850	-	157,862
Changes from financing cash flows:				
Proceeds from new bank loans	228,437	-	-	228,437
Repayment of bank loans	(172,073)	-	-	(172,073)
Interest paid	(2,558)	-	-	(2,558)
Capital elements of finance lease rentals paid	-	(1,075)	-	(1,075)
Interest elements of finance lease rentals paid	-	(84)	-	(84)
Total changes from financing cash flows	53,806	(1,159)	-	52,647
Exchange adjustments	-	-	-	-
Other changes:				
Decrease in bank overdrafts	(1,528)	-	-	(1,528)
Interest on bank loans and overdrafts (Note 6(a))	2,384	-	-	2,384
Other borrowing costs (Note 6(a))	174	-	-	174
New finance leases	-	15,827	-	15,827
Finance charges on obligations under finance leases (Note 6(a))	-	84	-	84
Total other changes	1,030	15,911	-	16,941
At 31 May 2017	210,848	16,602	-	227,450
At 1 January 2016	157,813	4,920	16,893	179,626
Changes from financing cash flows (unaudited):				
Proceeds from new bank loans	86,272	-	-	86,272
Repayment of bank loans	(106,399)	-	-	(106,399)
Proceeds from issuance of convertible loans	-	-	5,000	5,000
Interest paid	(2,614)	-	(490)	(3,104)
Capital elements of finance lease rentals paid	-	(1,276)	-	(1,276)
Interest elements of finance lease rentals paid	-	(94)	-	(94)
Total changes from financing cash flows	(22,741)	(1,370)	4,510	(19,601)
Exchange adjustments (unaudited)	-	(1)	-	(1)
Other changes (unaudited):				
Increase in bank overdrafts	8,703	-	-	8,703
Interest on bank loans and overdrafts (Note 6(a))	1,961	-	-	1,961
Other borrowing costs (Note 6(a))	216	-	-	216
Interest on convertible loan (Note 6(a))	-	-	1,024	1,024
Classification of equity conversion option as an equity instrument	-	-	(259)	(259)
Finance charges on obligations under finance leases (Note 6(a))	-	94	-	94
Total other changes	10,880	94	765	11,739
At 31 May 2016 (unaudited)	145,952	3,643	22,168	171,763

20. TRADE AND OTHER PAYABLES

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Trade creditors	94,469	64,194	36,692	50,699
Accrued staff costs	7,041	5,449	7,035	7,469
Other accruals	5,249	2,208	1,820	2,353
Other payables	10,198	6,676	12,664	13,049
Bills payable for purchase of plant and machinery	-	-	14,612	-
Advances from customers (see note (i) below)	5,340	-	-	5,000
Amount due to a director (Note 31(b))	-	-	40,025	-
Amounts due to related companies (Note 31(b))	4,456	455	-	-
Receipts in advance	1,017	192	487	240
Other tax payable	1,183	334	55	626
	128,953	79,508	113,390	79,436

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of each reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 month	20,852	17,205	16,540	14,887
1 to 3 months	35,053	30,221	12,533	29,567
3 to 6 months	35,554	16,657	7,511	4,851
6 to 12 months	2,713	91	88	1,374
Over 1 year	297	20	20	20
	94,469	64,194	36,692	50,699

Note:

i) The advances from customers based in Hong Kong bear interest at a range from 1% to 13.5% per annum, are unsecured and are repayable within one year. The amount of finance costs incurred amounting to HK$789,000, HK$573,000, HK$306,000 and HK$110,000 for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively, are included in finance costs (Note 6(a)).

21. DERIVATIVE FINANCIAL INSTRUMENTS

On 12 December 2016, the Company entered into a foreign currency forward contract with a bank in Hong Kong in order to manage the Group's currency risk. The Company recognised the fair value loss of HK$25,000 in profit or loss during the year ended 31 December 2016.

The major items of the outstanding contract at 31 December 2016 were as follows:

Notional amount	The contract maturity date	Forward contract rate
Buy JPY110,000,000	24 March 2017	HK$1 to JPY15.00

The above foreign exchange forward contract was measured at fair value at the end of the reporting period by reference to the contracted forward rate and the current spot rate.

22. BANK LOANS AND OVERDRAFTS

At 31 December 2014, 2015 and 2016 and 31 May 2017, the bank loans and overdrafts were repayable as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year or on demand	109,552	157,813	156,012	210,848

At 31 December 2014, 2015 and 2016 and 31 May 2017, the bank loans and overdrafts were secured as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Bank overdrafts				
-secured and guaranteed	3,710	5,822	14,398	12,870
Bank loans				
-secured and guaranteed	105,842	151,991	141,614	197,978
	109,552	157,813	156,012	210,848

The effective interest rates of the Group's bank loans are as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
Effective interest rates:				
Bank loans and overdrafts	2.16%-5.50% per annum	2.32%-6.50% per annum	2.38%-5.50% per annum	2.11%-6.75% per annum

a) All of the bank loans and overdrafts are carried at amortised costs.

b) The bank loans and overdrafts of approximately HK$16,963,000, HK$1,577,000, HK$10,455,000 and HK$12,695,000 are denominated in USD as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively.

At 31 December 2014, the bank facilities were secured by bank deposits of the Group, available-for-sales investments of the Group, the Group's trade receivables, the land and buildings of Super Noble and Tactful Hero together with the assignment of rental proceeds of the aforementioned properties situated in Hong Kong, corporate guarantees from the Company and certain subsidiaries, personal guarantees from Mr. Lam, Mr. Leung and Mr. Li and guarantee from the Hong Kong Mortgage Corporation Limited.

At 31 December 2015, the bank facilities were secured by bank deposits of the Group, available-for-sales investments of the Group, the Group's trade receivables, the land and buildings of Super Noble and Tactful Hero together with the assignment of rental proceeds of the aforementioned properties situated in Hong Kong, corporate guarantees from the Company and certain subsidiaries, personal guarantees from Mr. Lam, Mr. Leung and Mr. Li.

At 31 December 2016, the bank facilities were secured by bank deposits of the Group, available-for-sales investments of the Group, the Group's trade receivables, the land and buildings of Super Noble and Tactful Hero together with the assignment of rental proceeds of the aforementioned properties situated in Hong Kong, benefits of key management insurance policy, corporate guarantees from the Company and certain subsidiaries, personal guarantees from Mr. Lam.

At 31 May 2017, the bank facilities were secured by bank deposits of the Group, available-for-sales investments of the Group, the Group's trade receivables, the land and buildings of Super Noble and Tactful Hero together with the assignment of rental proceeds of the aforementioned properties situated in Hong Kong, benefits of key management insurance policies, corporate guarantees from the Company and certain subsidiaries, bank deposits and personal guarantees from Mr. Lam.

At the end of each reporting period, the directors of the Company do not consider it probable that a claim will be made against the Company and the Group under the corporate guarantees given by the Company and the Group, no liability is provided for in the financial statements of the Group.

The Company and the Group have not recognised any deferred income in respect of these financial guarantees given by the Company and the Group as their fair values are insignificant.

The carrying amounts of assets pledged against bank loans and overdrafts as at the end of each reporting period are analysed as follows:

	At 31 December			At 31 May
	2014	**2015**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Property, plant and equipment	-	-	129,906	128,012
Available-for-sale investments	2,804	2,573	2,405	2,443
Investments in key management insurance policies	-	-	5,116	5,168
Trade receivables	53,045	29,752	24,755	34,215
Bank deposits	20,731	8,135	11,985	7,711
	76,580	40,460	174,167	177,549
Less: Factoring trade receivables covered by insurance	(42,991)	(26,610)	(24,755)	(34,215)
	33,589	13,850	149,412	143,334

These banking facilities amounted to HK$258,297,000, HK$310,372,000, HK$317,396,000 and HK$372,964,000 as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively. These facilities were utilised to the extent of HK$109,302,000, HK$157,813,000, HK$162,116,000 and HK$217,845,000 as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively.

c) All of the Group's banking facilities are subject to the fulfilment of covenants based on the financial information of the Group and certain of its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand.

At 31 December 2015, the Group had breached a covenant relating to the prior written consent on the payment of dividends from three banks. Subsequent to 31 December 2015, the Group received waiver from compliance with this covenant from these three banks.

Other than the above, as at 31 December 2014, 2015 and 2016 and 31 May 2017, none of the covenants relating to drawn down facilities had been breached. Further details of the Group's management of liquidity risk are set out in Note 28(b).

d) Notwithstanding the specified repayment schedules as stated in the facilities letters ("**specific repayment terms**") which allow the loans to be repaid over a period of more than one year, certain banking facilities granted to the Group include a clause that gives the banks the unconditional rights to call the bank loans at any time ("**repayment on demand clause**"). These bank loans as at 31 December 2014, 2015 and 2016 and 31 May 2017 were classified as current liabilities in the consolidated statements of financial position.

However, the directors of the Company expects that the bank loans and overdrafts are to be repaid as follows based on the specific repayment terms:

	At 31 December			At 31 May
	2014	**2015**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Bank loans and overdrafts due for repayment within one year or on demand:				
Overdrafts repayable on demand	3,710	5,822	14,398	12,870
Bank loans due for repayment within one year	105,842	112,025	106,393	126,535
	109,552	117,847	120,791	139,405
Bank loans due for repayment after one year (see note below):				
After 1 year but within 2 years	-	7,639	8,263	47,460
After 2 years but within 5 years	-	20,005	21,065	20,769
After 5 years	-	12,322	5,893	3,214
	-	39,966	35,221	71,443
	109,552	157,813	156,012	210,848

Note: The amounts due are based on the specific repayment terms set out in the banking facilities letters and ignore the effect of any repayment on demand clause.

23. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2014, 2015 and 2016 and 31 May 2017, the Group had obligations under finance leases repayable as follows:

	At 31 December						At 31 May	
	2014		2015		2016		2017	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year	3,217	3,521	3,087	3,266	1,782	1,822	5,237	5,757
After 1 year but within 2 years	2,771	2,923	1,765	1,803	68	68	4,664	5,007
After 2 years but within 5 years	1,395	1,421	68	69	-	-	6,701	6,908
	4,166	4,344	1,833	1,872	68	68	11,365	11,915
	7,383	7,865	4,920	5,138	1,850	1,890	16,602	17,672
Less: Total future interest expenses		(482)		(218)		(40)		(1,070)
Present value of lease obligations		7,383		4,920		1,850		16,602

24. CONVERTIBLE LOAN

On 20 September 2014, the Company and Mr. Lam Sam Ming ("**Mr. Lam**"), a director and controlling shareholder of the Company, entered into a convertible loan agreement with an independent third party (the "**Investor**") (the "**Original Convertible Loan Agreement**"), which was supplemented by a supplemental convertible loan agreement dated 25 July 2016 (the "**Supplemental Convertible Loan Agreement**", together with the Original Convertible Loan Agreement, the "**Convertible Loan Agreements**"). Pursuant to the Convertible Loan Agreements, the Company agreed to obtain from the Investor three tranches of the convertible loan with the facility amounts of HK$10,000,000, HK$5,000,000 and HK$10,000,000, respectively.

The convertible loan bears interest at 12% per annum, are secured by personal guarantee provided by Mr. Lam and has a maturity date falling thirty months after the date of the Original Convertible Loan Agreement (i.e. 20 March 2017). According to the Original Convertible Loan Agreement, Mr. Lam agreed to bear and pay on behalf of the Company five-sixths (5/6th) of all interest on the convertible loan. During the years ended 31 December 2014 and 2016, the Company drew down the amounts of HK$17,000,000 and HK$5,000,000, respectively.

The rights of the Investor may convert all or any portion of the convertible loan at any time up to maturity at the option of the Investor at a fixed exercise price of HK$17.6 per share.

The imputed finance cost on the convertible loan is calculated using the effective interest method by applying effective interest rates from 12.96% to 14.88%, from 12.96% to 14.88% and from 12.96% to 21.00% per annum for the convertible loan during the years ended 31 December 2014, 2015 and 2016, respectively.

On 25 July 2016, the Investor converted the entire principal amount of the convertible loan into 1,250,000 ordinary shares of the Company. The carrying amount of the convertible loan at the time of conversion, together with the capital reserve of HK$602,000, was transferred to the share capital account in accordance with the accounting policy set out in Note 2(l).

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a) Current taxation in the consolidated statement of financial position represents:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax payable at the beginning of year/period	13,923	14,767	9,885	9,689
Provision for Hong Kong Profits Tax for the current year/period	4,150	2,609	4,219	1,211
Under-provision for Hong Kong Profits Tax in respect of prior years	-	-	-	1,010
Provision for PRC Enterprise Income Tax for the current year/period	1,391	1,352	1,419	-
Tax paid	(4,677)	(8,489)	(6,128)	(4,005)
Tax refund	-	-	173	91
Exchange realignment	(20)	(354)	121	139
Tax payable at the end of year/period	14,767	9,885	9,689	8,135

b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the reporting period are as follows:

	Unrealised loss arising from intra-group transactions	Depreciation allowance in excess of the related depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
Deferred tax arising from:			
At 1 January 2014	58	2,696	2,754
Charged/(credited) to profit or loss	(21)	981	960
Exchange realignment	-	2	2
At 31 December 2014	37	3,679	3,716
At 1 January 2015	37	3,679	3,716
Charged/(credited) to profit or loss	235	(241)	(6)
Exchange realignment	-	(45)	(45)
At 31 December 2015	272	3,393	3,665
At 1 January 2016	272	3,393	3,665
Charged/(credited) to profit or loss	463	(766)	(303)
Exchange realignment	-	(30)	(30)
At 31 December 2016	735	2,597	3,332
At 1 January 2017	735	2,597	3,332
Charged/(credited) to profit or loss	191	64	255
Exchange realignment	-	8	8
At 31 May 2017	926	2,669	3,595

c) Deferred tax assets not recognised

As at 31 December 2014, 2015 and 2016 and 31 May 2017, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$22,939,000, HK$29,576,000, HK$33,911,000 and HK$36,024,000 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

d) Deferred tax liabilities not recognised

The PRC income tax law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on or after 1 January 2008. At 31 December 2014, 2015 and 2016 and 31 May 2017, temporary differences relating to the undistributed profits of a PRC subsidiary amounted to HK$9,706,000, HK$13,056,000, HK$17,376,000 and HK$22,763,000, respectively. Deferred tax liabilities of HK$971,000, HK$1,306,000, HK$1,738,000 and HK$2,276,000 have not been recognised at the end of each reporting period in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of this subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

26. CAPITALS RESERVES AND DIVIDENDS

a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

The Company

	Share capital	Fair value reserve	Capital reserve	Retained profits	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2014	5,000	150	-	75,479	80,629
Changes in equity for the year ended 31 December 2014:					
Profit for the year	-	-	-	22,421	22,421
Other comprehensive loss for the year	-	(161)	-	-	(161)
Total comprehensive income for the year	-	(161)	-	22,421	22,260
Issuance of convertible loan	-	-	296	-	296
Deemed contribution from a shareholder	-	-	294	-	294
Balance at 31 December 2014	5,000	(11)	590	97,900	103,479

	Share capital	Fair value reserve	Capital reserve	Retained profits	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2015	5,000	(11)	590	97,900	103,479
Changes in equity for the year ended 31 December 2015:					
Profit for the year	-	-	-	13,320	13,320
Other comprehensive loss for the year	-	(75)	-	-	(75)
Total comprehensive income for the year	-	(75)	-	13,320	13,245
Deemed contribution from a shareholder	-	-	1,799	-	1,799
Dividend declared in respect of the current year	-	-	-	(45,000)	(45,000)
Balance at 31 December 2015	5,000	(86)	2,389	66,220	73,523
Balance at 1 January 2016	5,000	(86)	2,389	66,220	73,523
Changes in equity for the year ended 31 December 2016:					
Profit for the year	-	-	-	12,625	12,625
Other comprehensive income for the year	-	3	-	-	3
Total comprehensive income for the year	-	3	-	12,625	12,628
Issuance of convertible loan	-	-	306	-	306
Deemed contribution from a shareholder	-	-	1,225	-	1,225
Conversion of convertible loan	22,539	-	(602)	-	21,937
Balance at 31 December 2016	27,539	(83)	3,318	78,845	109,619
Balance at 1 January 2017	27,539	(83)	3,318	78,845	109,619
Changes in equity for the five months ended 31 May 2017:					
Profit for the period	-	-	-	938	938
Other comprehensive income for the period	-	(14)	-	-	(14)
Profit and total comprehensive income for the period	-	(14)	-	938	924
Balance at 31 May 2017	27,539	(97)	3,318	79,783	110,543
Balance at 1 January 2016	5,000	(86)	2,389	66,220	73,523
Changes in equity for the five months ended 31 May 2016 (Unaudited):					
Profit for the period	-	-	-	7,946	7,946
Other comprehensive income for the period	-	17	-	-	17
Total comprehensive income for the period	-	17	-	7,946	7,963
Issuance of convertible loan	-	-	306	-	306
Deemed contribution from a shareholder	-	-	853	-	853
Balance at 31 May 2016 (Unaudited)	5,000	(69)	3,548	74,166	82,645

b) Dividends

Dividends payable to equity shareholders of the Company attributable to the reporting period

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Interim dividend declared and paid of HK$9 per ordinary share (before share subdivision) in respect of the reporting period	-	45,000	-	-	-

c) Share capital

	At 31 December						At 31 May	
	2014		2015		2016		2017	
	Number of shares	HK$'000	Number of shares	HK$'000	Number of shares	HK$'000	Number of shares	HK$'000
Ordinary shares, issued and fully paid:								
At the beginning of the reporting period	5,000,000	5,000	5,000,000	5,000	5,000,000	5,000	600,000,000	27,539
Conversion of convertible loan (see Note 24)	-	-	-	-	1,250,000	22,539	-	-
Effect of share subdivision	-	-	-	-	593,750,000	-	-	-
At the end of the reporting period	5,000,000	5,000	5,000,000	5,000	600,000,000	27,539	600,000,000	27,539

i) Share subdivision

On 14 September 2016, each and every ordinary share of the Company was divided into 96 ordinary shares, and immediately following completion of the share subdivision, the number of the Company's issued ordinary shares was increased from 6,250,000 ordinary shares to 600,000,000 ordinary shares.

ii) In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

iii) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

d) Nature and purpose of reserves

i) Exchange reserve

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set in Note 2(t).

ii) Capital reserve

Capital reserve comprising the following:

- the amount allocated to the unexercised equity component of convertible loan issued by the Company recognised in accordance with the accounting policy adopted for convertible loan in Note 2(l);
- the contribution from the shareholder for bearing the interest of convertible loan.

iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with the accounting policies in Notes 2(c) and 2(i)(i).

e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, net debt is defined as total debt (which includes bank loans and overdrafts, obligations under finance leases, amount due to a director and convertible loan) less cash and cash equivalents and pledged bank deposits. Equity comprises all of components of equity.

The Group's overall strategy remains unchanged throughout the Relevant Periods. The Group's strategy was to maintain the net debt to equity ratio in a balanced position. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratios as at 31 December 2014, 2015 and 2016 and 31 May 2017 were as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Current liabilities				
Bank loans and overdrafts	109,552	157,813	156,012	210,848
Obligations under finance leases	3,217	3,087	1,782	5,237
Amount due to a director	-	-	40,025	-
	112,769	160,900	197,819	216,085
Non-current liabilities				
Obligations under finance leases	4,166	1,833	68	11,365
Convertible loan	16,754	16,893	-	-
	20,920	18,726	68	11,365
Total debt	133,689	179,626	197,887	227,450
Less: Cash and cash equivalents	(3,924)	(8,559)	(4,126)	(2,123)
Pledged bank deposits	(20,731)	(8,135)	(11,985)	(7,711)
Net debt	109,034	162,932	181,776	217,616
Total equity	189,544	151,702	180,806	183,062
Net debt to equity ratio	58%	107%	101%	119%

Except for the banking facilities which require the fulfilment of covenants as disclosed in Note 22, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27. ACQUISITIONS OF ASSETS AND NON-CONTROLLING INTERESTS

a) Acquisition of assets and liabilities through acquisition of subsidiaries

The below acquisitions were determined by the directors of the Company to be acquisitions of assets and liabilities through acquisition of subsidiaries as the assets acquired are just industrial properties which in itself do not meet the definition of a business.

i) On 29 July 2016, the Group acquired 100% equity interests together with shareholder's loan in Super Noble Limited, which holds properties in Hong Kong that are rented by the Group as office, factory and warehouse, through a BVI company, Mr. Classic Inc., from the director and controlling shareholder of the Company, Mr. Lam Sam Ming, at a consideration of approximately HK$62,178,000.

Details of the net assets acquired in respect of the acquisition of Super Noble Limited are summarised as follows:

	Fair value on acquisition
	HK$'000
Leasehold land and buildings	61,900
Plant and equipment	89
Deposit for acquisition of property, plant and equipment	1,138
Deposits and other receivables	114
Cash and cash equivalents	52
Accruals and other payables	(253)
Shareholder's loan	(7,595)
Tax payables	(862)
	54,583
Assignment of shareholder's loan to the Group	7,595
	62,178
The consideration of HK$62,178,000 was set-off against the amount due from a director — Mr. Lam Sam Ming.	
Cash inflow arising on acquisition:	
Cash and cash equivalents acquired	52

ii) On 29 July 2016, the Group acquired 100% equity interest together with shareholder's loan in Tactful Hero Limited, which holds properties in Hong Kong that are rented by the Group as office, factory and warehouse, through a BVI company, Great China Gains Inc., from the director and controlling shareholder of the Company, Mr. Lam Sam Ming, at a consideration of approximately HK$71,660,000.

Details of the net assets acquired in respect of the acquisition of Tactful Hero Limited are summarised as follows:

	Fair value on acquisition
	HK$'000
Leasehold land and buildings	69,900
Plant and equipment	425
Deposit for acquisition of property, plant and equipment	1,286
Deposits and other receivables	207
Cash and cash equivalents	84
Tax recoverable	415
Accruals and other payables	(49)
Shareholder's loan	(10,945)
Bank loan	(608)
	60,715
Assignment of shareholder's loan to the Group	10,945
	71,660
The Consideration of HK$71,660,000 was off-set against the amount due from a director — Mr. Lam Sam Ming.	
Cash inflow arising from acquisition:	
Cash and cash equivalents acquired	84

b) Acquisition of non-controlling interests

i) On 29 July 2016, the Company acquired an additional 1% interest in Printplus Limited at a nominal consideration of HK$10. After the aforesaid acquisition, Printplus Limited became a wholly-owned subsidiary of the Company. The Group recognised:

- a decrease in non-controlling interests of HK$110,000; and
- an increase in retained profits of HK$109,990.

ii) On 29 July 2016, the Company acquired an additional 31% interest in Century Sight Limited ("**Century Sight**") and its subsidiaries at a nominal consideration of HK$10. After the aforesaid acquisition, Century Sight and its subsidiaries became wholly-owned subsidiaries of the Company. The Group recognised:

- an increase in non-controlling interests of HK$4,970,000; and
- a decrease in retained profits of HK$4,970,010.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's financial instruments include available-for-sale investments, investments in key management insurance policies, trade and other receivables, pledged bank deposits, cash and cash equivalents, trade and other payables, derivative financial instruments, bank loans and overdrafts, obligations under finance leases and convertible loan. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are recorded for irrecoverable amounts.

i) Trade debtors

In respect of trade debtors, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2014, 2015 and 2016 and 31 May 2017, 11%, 15%, 13% and 18% of the total trade debtors were due from the Group's largest trade debtor and 42%, 45%, 41% and 54% of the total trade debtors were due from the Group's five largest trade debtors, respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 17.

ii) Pledged bank deposits and cash at banks

The Group's cash is deposited with banks with sound credit ratings and the Group have exposure limit to any single bank. Given their high credit ratings, management does not expect any of these banks will fail to meet their obligations.

Except for the financial guarantees given by the Group as set out in Note 22(b), the Group does not provide any other guarantees which expose the Group to credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, 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 longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

For bank loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	At 31 December 2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 year	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December 2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	119,712	-	-	-	119,712	119,712
Bank loans	106,547	-	-	-	106,547	105,842
Bank overdrafts	3,710	-	-	-	3,710	3,710
Obligations under finance leases	3,521	2,923	1,421	-	7,865	7,383
Convertible loan	2,020	2,440	22,660	-	27,120	16,754
	235,510	5,363	24,081	-	264,954	253,401

	At 31 December 2015 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December 2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	73,533	-	-	-	73,533	73,533
Bank loans	113,904	8,677	21,922	12,674	157,177	151,991
Bank overdrafts	5,822	-	-	-	5,822	5,822
Obligations under finance leases	3,266	1,803	69	-	5,138	4,920
Convertible loan	2,440	22,660	-	-	25,100	16,893
	198,965	33,140	21,991	12,674	266,770	253,159
Adjustments to present cash flow on bank loans based on lender's right to demand repayment	38,087	(8,677)	(21,922)	(12,674)	(5,186)	-
	237,052	24,463	69	-	261,584	253,159

	At 31 December 2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December 2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	105,813	-	-	-	105,813	105,813
Bank loans	108,226	9,140	22,475	5,977	145,818	141,614
Bank overdrafts	14,398	-	-	-	14,398	14,398
Obligations under finance leases	1,822	68	-	-	1,890	1,850
	230,259	9,208	22,475	5,977	267,919	263,675
Adjustments to present cash flow on bank loans based on lender's right to demand repayment	33,388	(9,140)	(22,475)	(5,977)	(4,204)	-
	263,647	68	-	-	263,715	263,675
Financial derivatives settled gross:						
Forward foreign exchange contract (Note 28(d)(i))						
- outflow	(7,331)	-	-	-	(7,331)	
- inflow	7,306	-	-	-	7,306	

	At 31 May 2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 May 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	66,101	-	-	-	66,101	66,101
Bank loans	129,355	48,880	21,932	3,242	203,409	197,978
Bank overdrafts	12,870	-	-	-	12,870	12,870
Obligations under finance lease	5,757	5,007	6,908	-	17,672	16,602
	214,083	53,887	28,840	3,242	300,052	293,551
Adjustments to present cash flow on bank loans based on lender's right to demand repayment	68,623	(48,880)	(21,932)	(3,242)	(5,431)	-
	282,706	5,007	6,908	-	294,621	293,551

c) **Interest rate risk**

The Group's interest rate risk arises primarily from bank loans and overdrafts, obligations under finance leases and convertible loan. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by the management is set out in note (i) below.

i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of each reporting period:

	At 31 December						At 31 May	
	2014		2015		2016		2017	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		HK$'000		HK$'000		HK$'000		HK$'000
Fixed rate borrowings:								
Bank loans	-	-	-	-	3.75%	1,202	3.75%	784
Obligations under finance leases	3.75% – 6.15%	7,383	4.48% – 6.15%	4,920	4.48% – 6.15%	1,850	3.36% – 6.15%	16,602
Convertible loan	12.96% – 14.88%	16,754	12.96% – 14.88%	16,893	-	-	-	-
		24,137		21,813		3,052		17,386
Variable rate borrowings:								
Bank overdrafts	5.00% – 5.50%	3,710	5.25% – 6.50%	5,822	5.00% – 6.50%	14,398	5.25% – 6.75%	12,870
Bank loans	2.16% – 3.88%	105,842	2.32% – 5.50%	151,991	2.38% – 5.50%	140,412	2.11% – 5.75%	197,194
		109,552		157,813		154,810		210,064
Total borrowings		133,689		179,626		157,862		227,450
Fixed Rate borrowings as a percentage of total borrowings		18%		12%		2%		8%

ii) Sensitivity analysis

At 31 December 2014, 2015 and 2016 and 31 May 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$915,000, HK$1,318,000, HK$1,293,000 and HK$731,000, respectively.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis is performed on the same basis for the Relevant Periods.

The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group's exposure to fair value interest risk is insignificant.

d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Unites States dollars, Renminbi, British pound and Japanese Yen. The Group manages this risk as follows:

i) Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss (see Note 4(c)). The net fair value of forward exchange contracts used by the Group as economic hedges of monetary assets and liabilities denominated in foreign currencies at 31 December 2016 was HK$25,000, recognised as derivative financial instruments (see Note 21).

In respect of other financial assets and liabilities denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

All the Group's borrowings are denominated in either Hong Kong dollars or United States dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the reporting period end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

Exposure to foreign currencies (expressed in HK$'000)

	At 31 December												At 31 May			
	2014				2015				2016				2017			
	United States Dollars	Renminbi	British pound	Japanese Yen	United States Dollars	Renminbi	British pound	Japanese Yen	United States Dollars	Renminbi	British pound	Japanese Yen	United States Dollars	Renminbi	British pound	Japanese Yen
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments	-	2,804	-	-	-	2,573	-	-	-	2,405	-	-	-	2,443	-	-
Investments in key management insurance policies	-	-	-	-	-	-	-	-	5,116	-	-	-	8,166	-	-	-
Trade and other receivables	78,733	1,024	9,993	-	66,557	3	6,748	-	57,726	-	878	-	64,191	26,385	3,959	-
Pledged bank deposits	-	19,730	-	-	-	7,135	-	-	-	6,526	-	-	-	2,710	-	-
Cash and cash equivalents	469	3	1	-	973	80	204	-	1,302	2	-	-	920	337	49	-
Trade and other payables	(42,162)	(20)	-	-	(29,474)	(20)	-	-	(6,590)	(20)	(26)	(14,612)	(13,044)	(18,475)	-	-
Bank loans and overdrafts	(16,963)	-	(185)	-	(1,577)	-	-	-	(10,455)	-	-	-	(12,695)	-	-	-
Obligations under finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross exposure arising from recognised assets and liabilities	20,077	23,541	9,809	-	36,479	9,771	6,952	-	47,099	8,913	852	(14,612)	47,538	13,400	4,008	-
Notional amount of forward exchange contract used as economic hedge	-	-	-	-	-	-	-	-	-	-	-	7,306	-	-	-	-
Net exposure arising from recognised assets and liabilities	20,077	23,541	9,809	-	36,479	9,771	6,952	-	47,099	8,913	852	(7,306)	47,538	13,400	4,008	-

iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	At 31 December									At 31 May		
	2014			2015			2016			2017		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on other components of equity
	%	HK$'000	HK$'000	%	HK$'000	HK$'000	%	HK$'000	HK$'000	%	HK$'000	HK$'000
United States dollars	5	838	-	5	1,523	-	5	1,966	-	5	1,985	-
	(5)	(838)	-	(5)	(1,523)	-	(5)	(1,966)	-	(5)	(1,985)	-
Renminbi	5	866	140	5	301	129	5	272	120	5	457	122
	(5)	(866)	(140)	(5)	(301)	(129)	(5)	(272)	(120)	(5)	(457)	(122)
British Pound	5	410	-	5	290	-	5	36	-	5	167	-
	(5)	(410)	-	(5)	(290)	-	(5)	(36)	-	(5)	(167)	-
Japanese Yen	5	-	-	5	-	-	5	(305)	-	5	-	-
	(5)	-	-	(5)	-	-	(5)	305	-	(5)	-	-

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis throughout the Relevant Periods.

e) Fair value measurement

i) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 December 2014

		Fair value measurements categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements				
Assets:				
Available-for-sale investments				
- Investment funds in Hong Kong	2,804	2,804	-	-

At 31 December 2015

		Fair value measurements categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurements				
Assets:				
Available-for-sale investments				
- Investment funds in Hong Kong	2,573	2,573	-	-

At 31 December 2016

	Fair value	Fair value measurements categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
Available-for-sale investments				
- Investment funds in Hong Kong	2,405	2,405	-	-
Liabilities:				
Derivative financial instruments:				
- Forward exchange contract (see Note 21)	25	-	25	-

At 31 May 2017

	Fair value	Fair value measurements categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
Available-for-sale investments				
- Investment funds in Hong Kong	2,443	2,443	-	-

During the years ended 31 December 2014, 2015 and 2016 and five months ended 31 May 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

ii) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2014, 2015 and 2016 and 31 May 2017.

29. COMMITMENTS

a) Capital commitments outstanding as at 31 December 2014, 2015 and 2016 and 31 May 2017 not provided for in the financial statements were as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Contracted for:				
- purchase of plant and machinery	-	-	91	-

b) At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 31 May
	2014	2015	2016	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Within 1 year	11,593	9,827	8,963	9,810
After 1 year but within 5 years	15,516	4,875	23,250	19,739
	27,109	14,702	32,213	29,549

The Group is the lessee in respect of the office, factory and warehouse. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

30. CONTINGENT LIABILITIES

The Group is a party to a number of legal proceedings where the Group, as plaintiff, claims for unpaid fees with respect to the Group's printing services, all of which arose during the ordinary course of the Group's business. Among such legal proceedings, the Group has been subject to counterclaims by the Group's two former customers in two legal proceedings as at 31 May 2017. Details of these two counterclaims are set forth below:

(a) Legal proceeding in Italy

On 4 January 2016, a publisher in Italy (the "**Italian Publisher**") filed a counterclaim against the Group for approximately Euros 2,600,000 as economic damages and reputation damages on the grounds of (i) printing of books without licence, and/or (ii) the printing of books in excess of a standard licence of 2,000 copies as set forth by Italian law. The Italian Publisher further counterclaimed against the Group for Euros 500,000 on account of loss of profits to which it was allegedly entitled from the sale of the books printed by the Group.

Based on the currently available documents, the Group's legal advisers have advised the Group that the counterclaim is unsubstantiated because (i) while the counterclaims are premised on the fact that the books and printing products in question were printed without its authorisation, the Group has contradicted such allegation by producing ample evidence, such as invoices issued by the Group for earlier transactions and paid for by the Italian Publisher, to show that the Group were duly authorised to process the printing orders placed by a print broker based in Germany (the "**German Print Broker**"); (ii) the relevant Italian law prescribing the printing of books in excess of a standard licence of 2,000 copies is applicable where a person has printed copies of a literary work above the prescribed minimum in the absence of any agreement, whether express or implied, of its copyright owner. However, the Italian Publisher acknowledged in its statement of defence that the German Print Broker was indeed authorised to seek customers for, and to engage printers (including the Group) to print, the books in question but without imposing any express limitation on the number of copies to be printed and that it had regularly settled former invoices for the Group's printing services of certain of its books that were well in excess of 2,000 copies which, taken together, point to the existence of some sort of implied contract between the Italian Publisher and the Group for printing the books in questions and thus, the relevant Italian law is inapplicable to this case; and (iii) the Italian Publisher failed to produce any evidence for the amount of economic and reputational losses incurred by the Italian Publisher nor has it given any proof and/or basis of calculation on its counterclaim for alleged loss of profits.

(b) Legal proceeding in France

The customer in France (the "**French Publisher**") counterclaims (1) approximately US$318,000 as copyright payments ("**Copyright Claim**") in respect of certain books and other printing products printed by the Group under the relevant printing arrangement, which is the underlying cause of the Copyright Claim; (2) approximately US$100,000 for alleged payments ("**Alleged Payment Claim**") to the Group or the Group's affiliate which shall partially off-set against the Group's original claim of approximately US$752,000 and Euros 180,000 (approximately equivalent to HK$7.35 million in aggregate) in respect of non-payment of printing products against the French Publisher ("**French Original Claim**"), where it alleged to have made a payment of such amount to a print broker based in Germany with the authorisation of a third party alleged to be the Group's agent; (3) approximately Euros 1,400,000 being the primary claim on the grounds of late deliveries of print products ("**Late Delivery Primary Claim**"); (4) approximately US$501,000, Euros 584,000, 2,000 Australian Dollars and 2,000 Pounds Sterling being the secondary claim ("**Late Delivery Secondary Claim**") if the Late Delivery Primary Claim fails, plus legal interests from the date of the judgement; and (5) Euros 100,000 of moral damages on the grounds for damaged reputation ("**Damaged Reputation Claim**"), where it alleged to have suffered damage to its reputation and brand as a result of late and/or faulty deliveries. The Copyright Claim and the Alleged Payment Claim were first filed on 17 December 2014 and 30 April 2016 respectively, while the Late Delivery Primary Claim, the Late Delivery Secondary Claim and the Damaged Reputation Claim were filed on 5 October 2016.

Based on currently available documents, the Group's legal advisers have advised the Group that:

(1) the risk of the Copyright Claim being successfully pursued against the Group is uncertain at this stage as regards the amount recoverable, pending further court proceedings and exchange of further evidence; but it is for off-setting against the French Original Claim;

(2) the Alleged Payment Claim is for off-setting against the Original Claim;

(3) the risk of the Late Delivery Primary Claim being successfully pursued against the Group is remote because (i) the evidence produced by the French Publisher fails to prove the existence of any late and/or faulty deliveries nor does it establish any causal connection between the amounts claimed and any delivery made by the Group; and (ii) the amount claimed is arbitrary and unjustified as the French Publisher fails to prove any causal connection between the alleged late deliveries and the alleged reduction in price of the printing products on-sold to its customers;

(4) the risk of the Late Delivery Secondary Claim being successfully pursued against the Group is uncertain at this stage pending further court proceedings and exchange of further evidence and it is difficult to reasonably estimate the amount payable by the Group to the French Publisher; and

(5) the risk of the Damaged Reputation Claim being successfully pursued against the Group is remote because there is a lack of evidence showing any damage to the French Publisher's reputation to justify the amount claimed.

Given that (i) the Group entered into a settlement agreement with the Italian Publisher in October 2017; and (ii) Mr. Lam and two former directors of the Company entered into arrangements in 2012 and 2013 to settle the unpaid trade receivables due from the Italian Publisher and the French Publisher (among other customers) without resource to the Group, the directors of the Company are of the opinion, based on the above legal advices, that these two counterclaims are not expected to have a significant impact on the Historical Financial Information. Accordingly, no provision has been made in the Historical Financial Information.

31. MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Periods, transactions with the following parties are considered to be related party transactions:

Name of related party	*Relationship with the Group*
Mr. Lam Sam Ming ("**Mr. Lam**")	A director and the controlling shareholder of the Company and the spouse of Ms. Yao
Ms. Yao Yuan ("**Ms. Yao**")	A director of the Company and the spouse of Mr. Lam
Mr. Li Mun Kun	An ex-director of the Company (he resigned as a director of the Company on 10 March 2016)
Super Noble Limited	Controlled by Mr. Lam (but acquired by the Group on 29 July 2016)
Tactful Hero Limited	Controlled by Mr. Lam (but acquired by the Group on 29 July 2016)
Topping Shiny Limited	Controlled by Mr. Lam
Shenzhen Royal Step Printing Company Limited ("**Royal Step (SZ)**")	Controlled by Ms. Yao (she disposed all of her equity interest in Royal Step (SZ) on 5 May 2015)
Prosperous Printing Co. (萬里印刷製版裝釘公司) (the "**Partnership**")	A partnership carried on by Mr. Lam and Ms. Yao

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

a) Transactions with key management personnel

(i) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and all of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (Unaudited)**	**HK$'000**
Salaries and other emoluments	5,065	5,832	5,958	2,972	3,282
Retirement scheme contributions	511	603	574	234	256
	5,576	6,435	6,532	3,206	3,538

Total remuneration is included in "staff costs" (see Note 6(b)).

(ii) Transactions with the Company's director

The directors of the Company have given their personal guarantees to financial institutions in respect of the banking facilities granted to the Company. Details of which are set out in Note 22.

The Company acquired two subsidiaries and non-controlling interests from Mr. Lam during the year ended 31 December 2016. Details of which are set out in Note 27.

The Partnership have granted to the Company an exclusive right to use the vehicle licences, as the same may be extended or renewed from time to time, free of charge during the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017.

The Company has granted to Mr. Lam and Ms. Yao, in their capabilities as the partners of the Partnership, a non-exclusive licence to use the name "Prosperous" or "萬里" (whether used individually or together) for the Partnership free of charge.

b) Financing arrangements with related parties

At 31 December 2014, 2015 and 2016 and 31 May 2017, the Group has the following balances with related parties:

		At 31 December			At 31 May
	Note	2014	2015	2016	2017
		HK$'000	HK$'000	HK$'000	HK$'000
Consideration receivable in respect of disposal of plant and machinery from Royal Step (SZ) (Trade in nature) (see Note 31(c)(iii))		10,458	-	-	-
Amounts due from directors (Non-trade in nature)					
- Lam Sam Ming	(i), (ii), (iii)	41,020	38,153	-	7,565
- Li Mun Kun	(i), (ii), (iii)	11,878	21,849	-	-
- Leung Kwong Hung	(i), (ii), (iii)	-	-	-	-
		52,898	60,002	-	7,565
Amount due to a director (Non-trade in nature)					
- Lam Sam Ming	(i)	-	-	(40,025)	-
Amounts due from related companies (Non-trade in nature)					
- Super Noble Limited	(i), (ii), (iii)	-	-	-	-
- Tactful Hero Limited	(i), (ii), (iii)	873	4,787	-	-
- Topping Shiny Limited	(i), (ii), (iii)	1,834	2,816	-	-
		2,707	7,603	-	-
Amounts due to related companies (Trade in nature)					
- Super Noble Limited (see Note 31(c)(i))	(i)	(946)	(455)	-	-
- Royal Step (SZ) (see Note 31(c)(ii))	(i)	(3,510)	-	-	-
		(4,456)	(455)	-	-

Notes:

i) The amounts due from/(to) directors and related companies are unsecured, interest-free and repayable on demand.

During the year ended 31 December 2016, amount due from Li Mun Kun of HK$21,849,000 was assigned and transferred to Mr. Lam.

During the year ended 31 December 2016, amount due from Tactful Hero Limited of HK$5,002,000, amount due from Super Noble Limited of HK$115,000 and amount due from Topping Shiny Limited of HK$2,816,000 were assigned and transferred to Mr. Lam.

ii) No provisions for bad and doubtful debts have been made in respect of the amounts due directors and related companies as at 31 December 2014, 2015 and 2016 and 31 May 2017.

iii) The maximum outstanding amounts due from related parties during the year ended 31 December 2014, 2015 and 2016 and 31 May 2017 were as follows:

	At 1 January 2014	Maximum balance outstanding during the year/period ended 31 December 2014	31 December 2015	31 December 2016	31 May 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due from directors					
- Lam Sam Ming	53,801	53,801	82,007	38,320	7,565
- Li Mun Kun	-	11,878	21,849	21,849	-
- Leung Kwong Hung	-	-	-	-	-

	At 1 January 2014	Maximum balance outstanding during the year/period ended 31 December 2014	31 December 2015	31 December 2016	31 May 2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due from related companies					
- Tactful Hero Limited	71	873	4,787	5,122	-
- Topping Shiny Limited	1,779	1,834	2,816	2,816	-
- Super Noble Limited	-	-	-	15	-
- Royal Step (SZ)	-	11,283	20,835	-	-

c) Other related party transactions

i) During the Relevant Periods, the Group entered into two leases for the period of 1 to 3 years in respect of leasehold properties from Super Noble Limited and Tactful Hero Limited for the Group's office, factory and warehouse. The amount of rent charged under the leases was determined with reference to amounts charged by these two related companies to third parties. The amount of rental incurred in the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2016 and 2017 were HK$4,362,000, HK$3,612,000, HK$2,107,000, HK$1,505,000 and Nil, respectively. The amounts outstanding as at 31 December 2014, 2015 and 2016 are disclosed in Note 31(b).

ii) During the year ended 31 December 2014 and the period from 1 January 2015 to 4 May 2015, the Group paid sub-contracting fee of HK$13,401,000 and HK$133,000 to Royal Step (SZ), respectively. Sub-contracting fee to this related company was carried out based on mutually agreed terms with reference to comparable market prices, where applicable, and on normal commercial terms in the ordinary course of business.

iii) During the years ended 31 December 2014 and the period from 1 January 2015 to 4 May 2015, the Group sold certain of the Group's plant and machinery at a consideration of HK$10,458,000 and HK$5,768,000 to Royal Step (SZ), resulting in a gain on disposal of HK$2,490,000 and HK$1,140,000, respectively. Such disposal of the Group's plant and machinery to this related company was carried out based on mutually agreed terms with reference to the comparable market price, where applicable, and on normal commercial terms ordinary course of business.

32. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 May 2017, the directors consider the immediate controlling party of the Company to be First Tech Inc., which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

The directors regard ultimate controlling party of the Company to be Mr. Lam.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax treatments[2]
Amendments to HKAS 4	Insurance Contracts: Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts[1]
Amendments to HKAS 40	Investment Property: Transfers of Investment Property[1]
Amendments to HKFRS 2	Share-based Payment: Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers: Clarifications to HKFRS 15[1]
Amendments to HKAS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 except for amendments to HKFRS 12[1]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

The Group does not plan to early adopt the above amendments or new standards. The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position. However, the Group has not completed its assessment of their full impact on the Group and will continue the assessment. Further details are discussed as follows:

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces the existing guidance in HKAS 39 "Financial Instruments: Recognition and Measurement". HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from HKAS 39.

Based on the assessment so far, the Group anticipates that the initial application of HKFRS 9 is not expected to have any significant impact on the Group's results of operations and financial position.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and HK(IFRIC)-Int 13 "Customer Loyalty Programmes". It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

This standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The five steps are as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

An entity may adopt HKFRS 15 on a full retrospective basis. Alternatively, it may choose to adopt it from the date of initial application by adjusting opening balances at that date. Transitional disclosures are different depending on the approach adopted by the entity.

Based on the assessment so far, the directors of the Company do not consider that the application of HKFRS 15 will have a material financial impact on the Group's results of operations and financial position.

HKFRS 16 "Leases"

HKFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, HKFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces HKAS 17 "Leases" and the related interpretations including HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease".

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a lease liability at the present value of the minimum future lease payments representing its obligation to make lease payments and a corresponding right-of-use asset representing its right to use the underlying leased asset. After initial recognition of this asset and liability, the lessee will recognised depreciation of the right-of-use asset and interest expense on the outstanding balance of the lease liability, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term.

For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for a number of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As set out in Note 29(b) above, the Group's total future minimum lease payments under non-cancellable operating leases in respect of the office, factory and warehouse as at 31 May 2017 amounted to HK$29,549,000, the majority of which is payable between 1 to 5 years after the reporting year end date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact of the Group's result but it is expected that the certain portion of the lease commitment in the future in respect of leased properties with terms more than 12 months will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

III. PRE-ACQUISITION FINANCIAL INFORMATION OF SUPER NOBLE LIMITED

Super Noble Limited ("**Super Noble**") was incorporated in Hong Kong on 10 March 2008 as a limited liability company. The principal activity of Super Noble is property investment.

The pre-acquisition financial information of Super Noble (the "**Pre-Acquisition Financial Information of Super Noble**") for the pre-acquisition period (the "**Pre-Acquisition Period**") has been prepared in accordance with the accounting policies set out in Note 1 of Section II in this report. The Pre-Acquisition Financial Information of Super Noble includes applicable disclosure required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The pre-acquisition underlying financial statements of Super Noble (the "**Pre-Acquisition Underlying Financial Statements of Super Noble**") are prepared in accordance with HKFRSs. The Pre-Acquisition Financial Information of Super Noble includes statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Super Noble for the Pre-Acquisition Period and the statements of financial position of Super Noble as at 31 December 2014 and 2015 and 28 July 2016, together with the notes thereto. The Pre-Acquisition Financial Information of Super Noble has been prepared from the Pre-Acquisition Underlying Financial Statements with no adjustments for incorporation into this report.

A. STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014	Year ended 31 December 2015	Period from 1 January 2016 to 28 July 2016
		HK$'000	HK$'000	HK$'000
Revenue	3	1,920	1,560	910
Valuation gain/(loss) on investment properties	9	4,900	2,800	(1,900)
General and administrative expenses		(290)	(325)	(217)
Profit/(loss) from operations		6,530	4,035	(1,207)
Finance costs	4(a)	(78)	(23)	(1)
Profit/(loss) before taxation	4	6,452	4,012	(1,208)
Income tax	5	(184)	(128)	(53)
Profit/(loss) for the year/period		6,268	3,884	(1,261)
Other comprehensive income		-	-	-
Total comprehensive income/(loss) for the year/period		6,268	3,884	(1,261)

B. STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2014	At 31 December 2015	At 28 July 2016
		HK$'000	HK$'000	HK$'000
Non-current assets				
Investment properties	9	61,000	63,800	61,900
Plant and equipment	10	125	100	89
Deposit for acquisition of property, plant and equipment		-	253	1,138
		61,125	64,153	63,127
Current assets				
Deposits and other receivables	11	1,217	1,187	114
Cash and cash equivalents	12	710	276	52
		1,927	1,463	166
Current liabilities				
Accruals and other payables	13	7,537	8,098	7,848
Bank loans	14	2,313	304	–
Tax payable		1,251	1,379	862
		11,101	9,781	8,710
Net current liabilities		(9,174)	(8,318)	(8,544)
NET ASSETS		51,951	55,835	54,583
CAPITAL AND RESERVES				
Share capital	15(a)	1	1	10
Retained profits		51,950	55,834	54,573
TOTAL EQUITY		51,951	55,835	54,583

C. STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits	Total equity
	HK$'000	HK$'000	HK$'000
At 1 January 2014	1	45,682	45,683
Changes in equity for the year ended 31 December 2014:			
Profit for the year	-	6,268	6,268
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	6,268	6,268
At 31 December 2014	1	51,950	51,951
At 1 January 2015	1	51,950	51,951
Changes in equity for the year ended 31 December 2015:			
Profit for the year	-	3,884	3,884
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	3,884	3,884
At 31 December 2015	1	55,834	55,835
At 1 January 2016	1	55,834	55,835
Changes in equity for the period ended 28 July 2016:			
Loss for the period	-	(1,261)	(1,261)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(1,261)	(1,261)
Allotment and issuance of shares	9	-	9
At 28 July 2016	10	54,573	54,583

D. STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2014	Year ended 31 December 2015	Period from 1 January 2016 to 28 July 2016
		HK$'000	HK$'000	HK$'000
Operating activities				
Cash generated from operations	12(b)	3,091	1,851	1,527
Hong Kong Profits Tax paid		-	-	(570)
Net cash generated from operating activities		**3,091**	**1,851**	**957**
Investing activities				
Payment for acquisition of property, plant and equipment		-	(253)	(885)
Net cash used in investing activities		**-**	**(253)**	**(885)**
Financing activities				
Repayment of bank loans		(2,798)	(2,009)	(304)
Proceeds of allotment and issuance of shares		-	-	9
Interest paid		(78)	(23)	(1)
Net cash used in financing activities		**(2,876)**	**(2,032)**	**(296)**
Net increase/(decrease) in cash and cash equivalents		**215**	**(434)**	**(224)**
Cash and cash equivalents at the beginning of the reporting period		**495**	**710**	**276**
Cash and cash equivalents at the end of the reporting period	12(a)	**710**	**276**	**52**

E. NOTES TO PRE-ACQUISITION FINANCIAL INFORMATION OF SUPER NOBLE LIMITED

1. BASIS OF PREPARATION AND PRESENTATION

The Pre-Acquisition Financial Information of Super Noble has been prepared assuming Super Noble will continue as a going concern notwithstanding the net current liabilities of Super Noble at 28 July 2016. The director of Super Noble considers this basis of preparation is appropriate having regard to the continuing financial support from a related company, Prosperous Printing Company Limited. Prosperous Printing Company Limited will and is able to provide such financial and other support to Super Noble as is necessary to enable Super Noble to meet its liabilities as and when they fall due and to maintain Super Noble in existence as a going concern for foreseeable future.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Pre-Acquisition Financial Information of Super Noble in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the accounting policies set out in Note 1 of Section II in this report, which 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 following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Pre-Acquisition Financial Information of Super Noble.

In the process of applying the accounting policies set out in Note 1 of Section II in this report, management has made the following accounting judgements:

The director of Super Noble has given careful consideration to the future liquidity of Super Noble in light of the Super Noble's net current liabilities of approximately HK$8,544,000 as at 28 July 2016.

The director consider that it is appropriate to prepare the Pre-Acquisition Financial Information of Super Noble using a going concern basis. Further details are set out in Note 1 of this Section above.

Should Super Noble be unable to continue as a going concern, all of the Super Noble's assets and liabilities would have to be stated at net realisable value. In particular, the non-current assets and non-current liabilities would have to be reclassified as current assets and current liabilities respectively.

Note 16 of this Section contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

a) Fair value of investment properties

At the end of the reporting period, Super Noble's investment properties are stated at fair value based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates and reversionary income potential and redevelopment potential taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions.

b) Income tax and deferred taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Super Noble carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

Revenue represents rental income from property leasing during the reporting period.

b) Segment reporting

Super Noble is a property investment company engaged in a single business of leasing investment properties located in Hong Kong, its place of domicile. Its non-current assets are all located in Hong Kong. The rental income from investment properties as a whole is reviewed by the director of Super Noble (the chief operating decision maker) for the purposes of assessment of performance and resource allocation. Accordingly, this business as a whole constitutes one operating segment for purpose of segment information presentation under HKFRS 8.

Super Noble considered that there is only one reportable operating segment with the segment revenue, segment results, segment assets and segment liabilities are the same as the revenue, profit for the reporting period, total assets and total liabilities respectively as reported in the Pre-Acquisition Financial Information of Super Noble.

i) Information about major customers

Super Noble's revenues is derived from a related company, and the details of which are set out in Note 18(c) of this Section. Further details of concentrations of credit risk arising from this customer are set out in Note 16(a) of this Section.

ii) Information about geographical areas

No analysis of Super Noble's revenue from external customers and non-current assets by geographical location has been presented as Super Noble's operating activities are carried out in Hong Kong.

4. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Year ended 31 December		Period from 1 January 2016 to 28 July
	2014	**2015**	**2016**
	HK$'000	**HK$'000**	**HK$'000**
a) Finance costs			
Interest on bank loans	78	23	1
b) Other items			
Auditors' remuneration - audit services	*note*	23	18
Depreciation of plant and equipment	32	25	11
Rental receivable from investment properties less direct outgoings of HK$247,000, HK$259,000 and HK$176,000 for the years ended 31 December 2014 and 2015 and the period ended 28 July 2016, respectively	(1,673)	(1,301)	(734)

Note:

The auditors' remuneration for the year ended 31 December 2014 was borne by the related company, Prosperous Printing Company Limited.

5. INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

a) Income tax in the statement of profit or loss and other comprehensive income represents:

	Year ended 31 December		Period from 1 January 2016 to 28 July 2016
	2014	2015	
	HK$'000	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax			
Provision for the year/period	184	128	53

The provision for Hong Kong Profits Tax of Super Noble is calculated at 16.5% of the estimated assessable profits for each reporting period.

b) Reconciliation between tax expense charged to profit or loss and accounting profit/(loss) at applicable tax rate:

	Year ended 31 December		Period from 1 January 2016 to 28 July 2016
	2014	2015	
	HK$'000	HK$'000	HK$'000
Profit/(loss) before taxation	6,452	4,012	(1,208)
Notional tax on profit before taxation, calculated at the statutory tax rate of 16.5%	1,064	662	(199)
Tax effect of non-deductible expense	5	4	315
Tax effect of non-taxable income	(847)	(500)	(25)
Statutory tax concession	(20)	(20)	(20)
Others	(18)	(18)	(18)
Actual tax expense	184	128	53

c) Deferred tax assets and liabilities not recognised

Super Noble had no significant deferred tax assets and liabilities for the reporting period and at the end of each reporting period.

6. DIRECTOR'S AND CHIEF EXECUTIVE'S EMOLUMENTS

The director, Mr. Lam Sam Ming did not receive any fees or emoluments in respect of his services to Super Noble during the Pre-Acquisition Period.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

No individuals with the highest emoluments is disclosed since Super Noble did not employ any staff (other than the director) during the Pre-Acquisition Period.

8. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Pre-Acquisition Financial Information of Super Noble, is not considered meaningful.

9. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2014	56,100
Fair value adjustment	4,900
At 31 December 2014	61,000
At 1 January 2015	61,000
Fair value adjustment	2,800
At 31 December 2015	63,800
At 1 January 2016	63,800
Fair value adjustment	(1,900)
At 28 July 2016	61,900

a) Super Noble's investment properties are held in Hong Kong and pledged to secure banking facilities as set out in Note 14 of this Section below.

b) Fair value adjustment of investment properties is recognised in the line item "valuation gain/(loss) on investment properties" on the face of the statement of profit or loss and other comprehensive income.

c) Super Noble leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are negotiated. None of the leases includes contingent rentals.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

As lessor

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within 1 year	390	390	1,560
After 1 year but within 5 years	-	-	2,210
	390	390	3,770

d) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 December 2014:

		Fair value measurements categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurement				
Investment properties	61,000	-	-	61,000

At 31 December 2015:

		Fair value measurements categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurement				
Investment properties	63,800	-	-	63,800

At 28 July 2016:

		Fair value measurements categorised into		
	Fair value	**Level 1**	**Level 2**	**Level 3**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Recurring fair value measurement				
Investment properties	61,900	-	-	61,900

During the years ended 31 December 2014 and 2015 and the period ended 28 July 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The investment properties were revalued as at 31 December 2014 and 2015 and 28 July 2016. The valuations were carried out by independent firm of surveyors, Greater China Appraisal Limited, who have their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The director of Super Noble has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

(ii) Information about Level 3 fair value measurements

Investment properties	Valuation technique	Unobservable input	Rate
			At 31 December 2014 and 2015 and 28 July 2016
Industrial - Hong Kong	Investment method	Term yield rate	2.5%
		Reversion yield rate	3.0%

The fair value of investment properties located in Hong Kong is determined by using the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancies. The fair value measurement is negatively correlated to the yield rates.

10. PLANT AND EQUIPMENT

	Total
	HK$'000
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016 and 28 July 2016	**500**
Accumulated depreciation:	
At 1 January 2014	343
Charge for the year	32
At 31 December 2014	**375**
At 1 January 2015	375
Charge for the year	25
At 31 December 2015	**400**
At 1 January 2016	400
Charge for the period	11
At 28 July 2016	**411**
Carrying amount:	
At 31 December 2014	**125**
At 31 December 2015	**100**
At 28 July 2016	**89**

11. DEPOSITS AND OTHER RECEIVABLES

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Amounts due from related companies (Note 18(b))	1,103	1,073	–
Utility deposits	114	114	114
	1,217	1,187	114

The amounts of utility deposits expected to be recovered or recognised as expense after more than one year are HK$114,000, HK$114,000 and HK$114,000 as at 31 December 2014, 2015 and 28 July 2016, respectively. All of the other deposits and other receivables (including amounts due from the related companies) are expected to be recovered or recognised as expense within one year.

12. CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents comprise:

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Cash at banks and on hand	710	276	52

b) Reconciliation of profit/(loss) before taxation to cash generated from operations:

	Year ended 31 December		Period from 1 January 2016 to 28 July 2016
	2014	2015	
	HK$'000	HK$'000	HK$'000
Operating activities			
Profit/(loss) before taxation	6,452	4,012	(1,208)
Adjustments for:			
Depreciation of plant and equipment	32	25	11
Finance costs	78	23	1
Valuation (gain)/loss on investment properties	(4,900)	(2,800)	1,900
Operating profit before changes in working capital	1,662	1,260	704
Decrease in deposits and other receivables	829	30	1,073
Increase/(decrease) in accruals and other payables	600	561	(250)
Cash generated from operations	3,091	1,851	1,527

13. ACCRUALS AND OTHER PAYABLES

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Accrued expenses	-	-	5
Amounts due to shareholders/ex-shareholders (Note 18(b))	5,230	5,230	7,595
Amounts due to related companies (Note 18(b))	2,307	2,868	248
	7,537	8,098	7,848

14. BANK LOANS

The analysis of the carrying amount of secured bank loans is as follows:

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within 1 year or on demand	2,313	304	-

The range of effective interest rates on Super Noble's bank loans are as follows:

	At 31 December		At 28 July
	2014	2015	2016
Effective interest rates:			
Bank loans	1.65% per annum	1.65% per annum	-

a) All of the bank loans are carried at amortised costs and fully repaid during the period ended 28 July 2016.

b) At 31 December 2014 and 2015 and 28 July 2016, the banking facilities for Super Noble and its related companies including Great Wall Printing Company Limited, Printplus Limited, Tactful Hero Limited and Prosperous Printing Company Limited ("**Prosperous Printing**") (collectively, the "**Related Companies**") were secured by Super Noble's properties with an aggregate carrying amounts of HK$61,000,000, HK$63,800,000 and HK$61,900,000, respectively, with the assignment of rental proceeds of the aforementioned properties.

The properties held by Tactful Hero Limited with the assignment of rental proceeds of the aforementioned properties were also pledged for these banking facilities.

These banking facilities were also secured by personal guarantees provided by Mr. Lam, the director of Super Noble, and Mr. Li Mun Kun, the ex-director of Prosperous Printing, and the corporate guarantees provided by the Related Companies to the extent of unlimited amount.

At the end of each reporting period, the director of Super Noble does not consider it probable that a claim will be made against Super Noble under this guarantee given by Super Noble, no liability is provided for in the Pre-Acquisition Financial Information of Super Noble.

Super Noble has not recognised any deferred income in respect of the financial guarantee given by Super Noble as its fair value is insignificant.

c) These banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Related Companies and Super Noble were to breach the covenants, the drawn down facilities would become payable on demand. Super Noble and its Related Companies regularly monitor its compliance with these covenants. Further details of Super Noble's management of liquidity risk are set out in Note 16(b) of this Section. None of the covenants relating to drawn down facilities had been breached.

d) The agreement for bank loans contains a clause which gives the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether Super Noble and its Related Companies have complied with the covenants and met the scheduled repayment obligations.

15. CAPITAL AND RESERVES

a) Share capital

	At 31 December				At 28 July	
	2014		2015		2016	
	Number of shares	HK$	Number of shares	HK$	Number of shares	HK$
Ordinary shares, issued and fully paid:						
At the beginning of the reporting period	100	100	100	100	100	100
Allotment and issuance of shares	-	-	-	-	9,900	9,900
At the end of the reporting period	100	100	100	100	10,000	10,000

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

During the period ended 28 July 2016, Super Noble allotted and issued 9,900 new ordinary shares at the consideration of HK$9,900 for cash as its additional working capital.

The holders of ordinary share are entitled to receive dividends declared from time to time and are entitled to one vote per share at meetings of Super Noble. All ordinary shares rank equally with regard to Super Noble's residual assets.

b) Capital management

Super Noble's primary objectives when managing capital are to safeguard Super Noble's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Super Noble actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Super Noble monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, net debt is defined as total debt (which includes bank loans, amounts due to shareholders and related companies) less cash and cash equivalents. Equity comprises all of components of equity.

Super Noble's overall strategy remains unchanged throughout the Pre-Acquisition Period. Super Noble's strategy was to maintain the net debt to equity ratio in a balanced position. In order to maintain or adjust the ratio, Super Noble may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratios as at 31 December 2014 and 2015 and 28 July 2016 were as follows:

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Current liabilities			
Accruals and other payables	7,537	8,098	7,843
Bank loans	2,313	304	-
Total borrowing	9,850	8,402	7,843
Less: Cash and cash equivalents	(710)	(276)	(52)
Net debt	9,140	8,126	7,791
Total equity	51,951	55,835	54,583
Net debt to equity ratio	18%	15%	14%

Except for the banking facilities which required the fulfilment of covenants relating to banking facilities as disclosed in Note 14 of this Section above, Super Noble are not subject to externally imposed capital requirements.

16. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Super Noble's financial instruments include deposits and other receivables, cash and cash equivalents, accruals and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of Super Noble manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

Super Noble's credit risk is primarily attributable to an amount due from a related company and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

i) Amount due from a related company

In respect of the amount due from a related company, Super Noble reviews the recoverable amount of this balance at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the management considers that Super Noble's credit risk is significantly reduced.

At the end of each reporting period, Super Noble has the concentration of credit risk on the amount due from the related company.

ii) Cash at banks

Super Noble's cash is deposited with banks with sound credit ratings and Super Noble have exposure limit to any single bank. Given their high credit ratings, management does not expect any of these banks will fail to meet their obligations.

Except for the financial guarantee given by Super Noble in respect of banking facilities as disclosed in Note 14(b) of this Section. Super Noble does not provide any other guarantees which would expose Super Noble to credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

b) Liquidity risk

Super Noble is responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. Super Noble's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or related companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of Super Noble's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date Super Noble can be required to pay.

For bank loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

At 31 December 2014:

	Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**Total**	**Carrying amount at**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Bank loans	2,032	304	2,336	2,313
Accruals and other payables	7,537	-	7,537	7,537
	9,569	304	9,873	9,850
Adjustments to present cash flow on bank loans based on lender's right to demand repayment	281	(304)	(23)	-
	9,850	-	9,850	9,850

At 31 December 2015:

	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans	304	-	304	304
Accruals and other payables	8,098	-	8,098	8,098
	8,402	-	8,402	8,402

At 28 July 2016:

	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000
Accruals and other payables	7,848	-	7,848	7,848

c) Interest rate risk

Super Noble's interest rate risk arises primarily from cash at banks and bank loans. Cash at banks and bank loans issued at variable rates exposes Super Noble to cash flow interest rate risk. The interest rates and maturity information of Super Noble's bank loans are disclosed in Note 14 of this Section. Super Noble considers the interest rate risk as at 31 December 2014 and 2015 and 28 July 2016 is not significant.

d) Fair value of financial assets and liabilities carried at other than fair value

The director of Super Noble considers that the carrying amounts of Super Noble's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2014 and 2015 and 28 July 2016.

17. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 December 2014 and 2015 and 28 July 2016 not provided for in the financial statements were as follows:

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Contracted for:			
- capital expenditure for property, plant and equipment	-	-	506

18. MATERIAL RELATED PARTY TRANSACTIONS

During the Pre-Acquisition Period, transactions with the following parties are considered to be related party transactions:

Name of related party	*Relationship with Super Noble*
Mr. Lam Sam Ming ("**Mr. Lam**")	A director and shareholder of Super Noble
Ms. Yung Yuk Wah	An ex-shareholder of Super Noble (she disposed all her equity interest at 3 May 2016)
Ms. Lam Po Kam	An ex-shareholder of Super Noble (she disposed all her equity interest at 14 July 2016)
Great Wall Printing Company Limited	Controlled by Mr. Lam (and became fellow subsidiary at 29 July 2016)
Prosperous Printing Company Limited	Controlled by Mr. Lam (and became holding company at 29 July 2016)
Printplus Limited	Controlled by Mr. Lam (and became fellow subsidiary at 29 July 2016)
Century Sight Limited	Controlled by Mr. Lam (and became fellow subsidiary at 29 July 2016)
Tactful Hero Limited	Controlled by Mr. Lam (and became fellow subsidiary at 29 July 2016)

In addition to the related party information disclosed elsewhere in the Pre-Acquisition Financial Information of Super Noble, particulars of significant transactions between Super Noble and the above related parties during the Pre-Acquisition Period are as follows:

a) Transactions with key management personnel

The key management personnel is the director of Super Noble, and the remuneration for him is disclosed in Note 6 of this Section.

The director of Super Noble has given his personal guarantee to financial institutions in respect of the banking facilities granted to Super Noble and its related companies. Details of which are set out in Note 14 of this Section.

b) Financing arrangements with related parties

As at 31 December 2014 and 2015 and 28 July 2016, Super Noble has the following balances with related parties:

	Note	At 31 December 2014	At 31 December 2015	At 28 July 2016
		HK$'000	HK$'000	HK$'000
Amounts due to shareholders/ ex-shareholders				
- Lam Po Kam	(i)	(1,019)	(1,019)	-
- Yung Yuk Wah	(i)	(1,819)	(1,819)	-
- Lam Sam Ming	(i)	(2,392)	(2,392)	(7,595)
		(5,230)	(5,230)	(7,595)
Amounts due from related companies				
- Great Wall Printing Company Limited	(i), (ii), (iii)	30	-	-
- Prosperous Printing Company Limited	(i), (ii), (iii)	1,073	1,073	-
		1,103	1,073	-
Amounts due to related companies				
- Printplus Limited	(i)	(100)	(100)	-
- Tactful Hero Limited	(i)	(2,150)	(2,250)	-
- Century Sight Limited	(i)	(57)	(57)	-
- Great Wall Printing Company Limited	(i)	-	(461)	-
- Prosperous Printing Company Limited	(i)	-	-	(248)
		(2,307)	(2,868)	(248)

Notes:

i) The amounts due from/(to) shareholders/ex-shareholders and related companies are unsecured, interest-free and repayable on demand.

During the period ended 28 July 2016, the following transfers between the related parties were made:

- Amount due to Lam Po Kam of HK$1,019,000 and amount due to Yung Yuk Wah of HK$1,819,000, ex-shareholders of Super Noble, were assigned and transferred to Mr. Lam.
- Prosperous Printing Company Limited and Tactful Hero Limited assigned and transferred the amounts of HK$115,000 and HK$2,250,000 to Mr. Lam, respectively.
- The amounts due to Printplus Limited, Century Sight Limited and Great Wall Printing Company Limited of HK$100,000, HK$57,000 and HK$461,000, respectively, were assigned and transferred to Prosperous Printing Company Limited.

ii) No provisions for bad and doubtful debts have been made in respect of the amount due from the related company as at 31 December 2014 and 2015 and 28 July 2016.

iii) The maximum outstanding amounts due from related parties during the years ended 31 December 2014 and 2015 and the period ended 28 July 2016 were as follows:

	At 1 January	Maximum balance outstanding during the year/period ended		
		31 December		28 July
	2014	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due from related companies				
- Great Wall Printing Company Limited	860	860	29	-
- Prosperous Printing Company Limited	1,073	1,073	1,073	1,073

c) Other related party transactions

During the Pre-Acquisition Period, Super Noble entered into the leases for the period of 1 to 3 years in respect of leasehold properties to Prosperous Printing Company Limited for its office, factory and warehouse. The amount of rent received under the leases was determined with reference to amounts charged to this related company by third parties. The amount of rental receivable in the years ended 31 December 2014 and 2015 and the period from 1 January 2016 to 28 July 2016 were HK$1,920,000, HK$1,560,000 and HK$910,000, respectively. The amounts outstanding as at 31 December 2015 and 28 July 2016 are disclosed in Note 18(b).

19. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 28 July 2016, the director considers the immediate parent and ultimate holding company of Super Noble to be Mr. Classic Inc., which is incorporated in the British Virgin Islands with limited liability. This entity does not produce financial statement available for public use.

The director regards ultimate controlling party of Super Noble to be Mr. Lam Sam Ming.

IV. PRE-ACQUISITION FINANCIAL INFORMATION OF TACTFUL HERO LIMITED

Tactful Hero Limited ("**Tactful Hero**") was incorporated in Hong Kong on 10 March 2008 as a limited liability company. The principal activity of Tactful Hero is property investment.

The pre-acquisition financial information of Tactful Hero (the "**Pre-Acquisition Financial Information of Tactful Hero**") for the pre-acquisition period (the "**Pre-Acquisition Period**") has been prepared in accordance with the accounting policies set out in Note 1 of Section II in this report. The Pre-Acquisition Financial Information of Tactful Hero includes applicable disclosure required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The pre-acquisition Financial Statements of Tactful Hero (the "**Pre-Acquisition Underlying Financial Statements of Tactful Hero**") are prepared in accordance with HKFRSs. The Pre-Acquisition Financial Information of Tactful Hero includes statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of Tactful Hero for the Pre-Acquisition Period and the statements of financial position of Tactful Hero as at 31 December 2014 and 2015 and 28 July 2016, together with the notes thereto. The Pre-Acquisition Financial Information of Tactful Hero has been prepared from the Pre-Acquisition Underlying Financial Statements with no adjustments for incorporation into this report.

A. STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December		Period from 1 January 2016 to 28 July
		2014	2015	2016
		HK$'000	HK$'000	HK$'000
Revenue	3	2,442	2,052	1,197
Valuation gain/(loss) on investment properties	9	5,770	2,590	(300)
General and administrative expenses		(395)	(520)	(330)
Profit from operations		7,817	4,122	567
Finance costs	4(a)	(175)	(99)	(10)
Profit before taxation	4	7,642	4,023	557
Income tax	5	(226)	(156)	(67)
Profit for the year/period		7,416	3,867	490
Other comprehensive income		-	-	-
Total comprehensive income for the year/period		7,416	3,867	490

B. STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December 2014 HK$'000	At 31 December 2015 HK$'000	At 28 July 2016 HK$'000
Non-current assets				
Investment properties	9	67,610	70,200	69,900
Plant and equipment	10	376	481	425
Deposit for acquisition of property, plant and equipment		-	286	1,286
		67,986	70,967	71,611
Current assets				
Deposits and other receivables	11	2,357	2,457	207
Cash and cash equivalents	12	673	122	84
Tax recoverable		224	511	415
		3,254	3,090	706
Current liabilities				
Accruals and other payables	13	9,118	13,032	10,994
Bank loans	14	5,764	800	608
		14,882	13,832	11,602
Net current liabilities		(11,628)	(10,742)	(10,896)
NET ASSETS		56,358	60,225	60,715
CAPITAL AND RESERVES				
Share capital	15(a)	1	1	1
Retained profits		56,357	60,224	60,714
TOTAL EQUITY		56,358	60,225	60,715

C. STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained profits	Total equity
	HK$'000	HK$'000	HK$'000
At 1 January 2014	1	48,941	48,942
Changes in equity for the year ended 31 December 2014:			
Profit for the year	-	7,416	7,416
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	7,416	7,416
At 31 December 2014	1	56,357	56,358
At 1 January 2015	1	56,357	56,358
Changes in equity for the year ended 31 December 2015:			
Profit for the year	-	3,867	3,867
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	3,867	3,867
At 31 December 2015	1	60,224	60,225
At 1 January 2016	1	60,224	60,225
Changes in equity for period:			
Profit for the period	-	490	490
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	490	490
At 28 July 2016	1	60,714	60,715

D. STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2014	Year ended 31 December 2015	Period from 1 January 2016 to 28 July 2016
		HK$'000	HK$'000	HK$'000
Operating activities				
Cash generated from operations	12(b)	2,561	5,433	1,135
Hong Kong Profits Tax refunded		-	-	29
Hong Kong Profits Tax paid		(450)	(443)	-
Net cash generated from operating activities		**2,111**	**4,990**	**1,164**
Investing activities				
Payment for purchase of plant and equipment		-	(192)	-
Payment for acquisition of property, plant and equipment		-	(286)	(1,000)
Net cash used in investing activities		**-**	**(478)**	**(1,000)**
Financing activities				
Repayment of bank loans		(1,848)	(4,964)	(192)
Interest paid		(175)	(99)	(10)
Net cash used in financing activities		**(2,023)**	**(5,063)**	**(202)**
Net decrease in cash and cash equivalents		**88**	**(551)**	**(38)**
Cash and cash equivalents at the beginning of the reporting period		**585**	**673**	**122**
Cash and cash equivalents at the end of the reporting period	12(a)	**673**	**122**	**84**

E. NOTES TO PRE-ACQUISITION FINANCIAL INFORMATION OF TACTFUL HERO LIMITED

1. BASIS OF PREPARATION AND PRESENTATION

The Pre-Acquisition Financial Information of Tactful Hero has been prepared assuming Tactful Hero will continue as a going concern notwithstanding the net current liabilities of Tactful Hero at 28 July 2016. The directors of Tactful Hero considers this basis of preparation is appropriate having regard to the continuing financial support from a related company, Prosperous Printing Company Limited. Prosperous Printing Company Limited will and is able to provide such financial and other support to Tactful Hero as is necessary to enable Tactful Hero to meet its liabilities as and when they fall due and to maintain Tactful Hero in existence as a going concern for foreseeable future.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Pre-Acquisition Financial Information of Tactful Hero in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the accounting policies set out in Note 1 of Section II in this report, which 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 following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Pre-Acquisition Financial Information of Tactful Hero.

In the process of applying the accounting policies set out in Note 1 of Section II in this report, management has made the following accounting judgements:

The director of Tactful Hero has given careful consideration to the future liquidity of Tactful Hero in light of the Tactful Hero's net current liabilities of approximately HK$10,896,000 as at 28 July 2016.

The director consider that it is appropriate to prepare the Pre-Acquisition Financial Information of Tactful Hero using a going concern basis. Further details are set out in Note 1 of this Section above.

Should Tactful Hero be unable to continue as a going concern, all of the Tactful Hero's assets and liabilities would have to be stated at net realisable value. In particular, the non-current assets and non-current liabilities would have to be reclassified as current assets and current liabilities respectively.

Note 16 of this Section contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

a) Fair value of investment properties

At the end of the reporting period, Tactful Hero's investment properties are stated at fair value based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuer has applied a market value basis which involves, inter-alia, certain estimates, including appropriate capitalisation rates and reversionary income potential and redevelopment potential taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions.

b) Income tax and deferred taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Tactful Hero carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

Revenue represents the rental income from property leasing during the reporting period.

b) Segment reporting

Tactful Hero is a property investment company engaged in a single business of leasing investment properties located in Hong Kong, its place of domicile. Its non-current assets are all located in Hong Kong . The rental income from investment properties as a whole is reviewed by the director of Tactful Hero (the chief operating decision maker) for the purposes of assessment of performance and resource allocation. Accordingly, this business as a whole constitutes one operating segment for purpose of segment information presentation under HKFRS 8.

Tactful Hero considered that there is only one reportable operating segment with the segment revenue, segment results, segment assets and segment liabilities are the same as the revenue, profit for the reporting period, total assets and total liabilities respectively as reported in the Pre-Acquisition Financial Information of Tactful Hero.

i) Information about major customers

Tactful Hero's revenues is derived from a related company, and the details of which are set out in Note 18(c) of this Section. Further details of concentrations of credit risk arising from this customer are set out in Note 16(a) of this Section.

ii) Information about geographical areas

No analysis of Tactful Hero's revenue from external customers and non-current assets by geographical location has been presented as Tactful Hero's operating activities are carried out in Hong Kong.

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December		Period from 1 January 2016 to 28 July 2016
	2014	2015	
	HK$'000	HK$'000	HK$'000
a) Finance costs			
Interest on bank loans	175	99	10
b) Other items			
Auditors' remuneration - audit services	12	12	19
Depreciation of plant and equipment	94	87	56
Rental receivable from investment properties less direct outgoings of HK$282,000, HK$365,000 and HK$250,000 for the years ended 31 December 2014 and 2015 and the period ended 28 July 2016, respectively	(2,160)	(1,687)	(947)

5. INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

a) Income tax in the statement of profit or loss and other comprehensive income represents:

	Year ended 31 December		Period from 1 January 2016 to
	2014	2015	28 July 2016
	HK$'000	HK$'000	HK$'000
Current tax - Hong Kong Profits Tax			
Provision for the year/period	226	156	67

The provision for Hong Kong Profits Tax of Tactful Hero is calculated at 16.5% of the estimated assessable profits for each reporting period.

b) Reconciliation between tax expense charged to profit or loss and accounting profit at applicable tax rate:

	Year ended 31 December		Period from 1 January 2016 to
	2014	2015	28 July 2016
	HK$'000	HK$'000	HK$'000
Profit before taxation	7,642	4,023	557
Notional tax on profit before taxation, calculated at the statutory tax rate of 16.5%	1,261	664	92
Tax effect of non-deductible expenses	-	5	49
Tax effect of non-taxable income	(952)	(427)	-
Statutory tax concession	(20)	(20)	(20)
Others	(63)	(66)	(54)
Actual tax expense	226	156	67

c) Deferred tax assets and liabilities not recognised

Tactful Hero had no significant deferred tax assets and liabilities for the reporting period and at the end of each reporting period.

6. DIRECTOR'S AND CHIEF EXECUTIVE'S EMOLUMENTS

The director, Mr. Lam Sam Ming, did not receive any fee or emoluments in respect of his services to Tactful Hero during the Pre-Acquisition Period.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

No individuals with the highest emoluments is disclosed since Tactful Hero did not employ any staff (other than the director) during the Pre-Acquisition Periods.

8. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Pre-Acquisition Financial Information of Tactful Hero, is not considered meaningful.

9. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2014	61,840
Fair value adjustment	5,770
At 31 December 2014	67,610
At 1 January 2015	67,610
Fair value adjustment	2,590
At 31 December 2015	70,200
At 1 January 2016	70,200
Fair value adjustment	(300)
At 28 July 2016	69,900

a) Tactful Hero's investment properties are held in Hong Kong and pledged to secure banking facilities as set out in Note 14 below.

b) Fair value adjustment of investment properties is recognised in the line item "valuation gain/(loss) on investment properties" on the face of the statement of profit or loss and other comprehensive income.

c) Tactful Hero leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are negotiated. None of the leases includes contingent rentals.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

As lessor

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within 1 year	306	1,950	1,593
After 1 year but within 5 years	-	-	2,040
	306	1,950	3,633

d) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 December 2014:

	Fair value	Level 1	Level 2	Level 3
		Fair value measurements categorised into		
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Investment properties	67,610	-	-	67,610

At 31 December 2015:

	Fair value	Level 1	Level 2	Level 3
		Fair value measurements categorised into		
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Investment properties	70,200	-	-	70,200

At 28 July 2016:

	Fair value	Level 1	Level 2	Level 3
		Fair value measurements categorised into		
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement				
Investment properties	69,900	-	-	69,900

During the years ended 31 December 2014 and 2015 and the period ended 28 July 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

The investment properties were revalued as at 31 December 2014 and 2015 and 28 July 2016. The valuations were carried out by independent firm of surveyors, Greater China Appraisal Limited, who have their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The director of Tactful Hero has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

(ii) Information about Level 3 fair value measurements

Investment properties	Valuation technique	Unobservable input	Rate
			At 31 December 2014 and 2015 and 28 July 2016
Industrial - Hong Kong	Investment method	Term yield rate	2.5%
		Reversion yield rate	3.0%

The fair value of investment properties located in Hong Kong is determined by using the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancies. The fair value measurement is negatively correlated to the yield rates.

10. PLANT AND EQUIPMENT

	Total
	HK$'000
Cost:	
At 1 January 2014, 31 December 2014 and 1 January 2015	1,500
Additions	192
At 31 December 2015, 1 January 2016 and 28 July 2016	**1,692**
Accumulated depreciation:	
At 1 January 2014	1,030
Charge for the year	94
At 31 December 2014	**1,124**
At 1 January 2015	1,124
Charge for the year	87
At 31 December 2015	**1,211**
At 1 January 2016	1,211
Charge for the period	56
At 28 July 2016	**1,267**
Carrying amount:	
At 31 December 2014	**376**
At 31 December 2015	**481**
At 28 July 2016	**425**

11. DEPOSITS AND OTHER RECEIVABLES

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Amount due from a related company (Note 18(b))	2,150	2,250	-
Utility deposits	207	207	207
	2,357	2,457	207

The amounts of utility deposits expected to be recovered or recognised as expense after more than one year are HK$207,000, HK$207,000 and HK$207,000 as at 31 December 2014 and 2015 and 28 July 2016, respectively. All of the other deposits and other receivables (including amount due from a related company) are expected to be recovered or recognised as expense within one year.

12. CASH AND CASH EQUIVALENTS

a) Cash and cash equivalents comprise:

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Cash at banks and on hand	673	122	84

b) Reconciliation of profit before taxation to cash generated from operations:

	Year ended 31 December		Period from 1 January 2016 to 28 July 2016
	2014	2015	
	HK$'000	HK$'000	HK$'000
Operating activities			
Profit before taxation	7,642	4,023	557
Adjustments for:			
Depreciation of plant and equipment	94	87	56
Finance costs	175	99	10
Valuation (gain)/loss on investment properties	(5,770)	(2,590)	300
Operating profit before changes in working capital	2,141	1,619	923
(Increase)/decrease in deposits and other receivables	(382)	(100)	2,250
Increase/(decrease) in accruals and other payables	802	3,914	(2,038)
Cash generated from operations	2,561	5,433	1,135

13. ACCRUALS AND OTHER PAYABLES

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Accrued expenses	-	-	5
Amounts due to shareholders/ex-shareholders (Note 18(b))	8,245	8,245	10,945
Amounts due to related companies (Note 18(b))	873	4,787	44
	9,118	13,032	10,994

14. BANK LOANS

The analysis of the carrying amount of secured bank loans is as follows:

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within 1 year or on demand	5,764	800	608

The range of effective interest rates on Tactful Hero's bank loans are as follows:

	At 31 December		At 28 July
	2014	2015	2016
Effective interest rates:			
Bank loans	1.48% - 2.77% per annum	1.73% - 2.47% per annum	2.47% per annum

a) All of the bank loans are carried at amortised costs.

b) At 31 December 2014 and 2015 and 28 July 2016, the banking facilities for Tactful Hero and its related companies including Great Wall Printing Company Limited, Printplus Limited, Super Noble Limited and Prosperous Printing Company Limited ("**Prosperous Printing**")(collectively, the "**Related Companies**") were secured by Tactful Hero's properties with an aggregate carrying amounts of HK$67,610,000, HK$70,200,000 and HK$69,900,000, respectively, with the assignment of rental proceeds of the aforementioned properties.

The properties held by Super Noble Limited with the assignment of rental proceeds of the aforementioned properties were also pledged for these banking facilities.

These banking facilities were also secured guaranteed by personal guarantees provided by Mr. Lam, the director of Tactful Hero, and Mr. Li Mun Kun, the ex-director of Prosperous Printing, and the corporate guarantees provided by the Related Companies to the extent of unlimited amount.

At the end of each reporting period, the director of Tactful Hero does not consider it probable that a claim will be made against Tactful Hero under this guarantee given by Tactful Hero, no liability is provided for in the Pre-Acquisition Financial Informational of Tactful Hero.

Tactful Hero has not recognised any deferred income in respect of the financial guarantee given by Tactful Hero as its fair value is insignificant.

c) These banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Related Companies and Tactful Hero and its related companies were to breach the covenants, the drawn down facilities would become payable on demand. Tactful Hero and its Related Companies regularly monitor its compliance with these covenants. Further details of Tactful Hero's management of liquidity risk are set out in Note 16(b) of this Section. None of the covenants relating to drawn down facilities had been breached.

d) The agreement for bank loans contains a clause which gives the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether Tactful Hero and its Related Companies have complied with the covenants and met the scheduled repayment obligations.

15. CAPITAL AND RESERVES

a) Share capital

	At 31 December				At 28 July	
	2014		2015		2016	
	Number of shares	HK$	Number of shares	HK$	Number of shares	HK$
Ordinary shares, issued and fully paid:						
At the beginning of the reporting period	3	3	3	3	3	3
Allotment and issuance of shares	-	-	-	-	997	997
At the end of the reporting period	3	3	3	3	1,000	1,000

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

During the period ended 28 July 2016, Tactful Hero allotted and issued 997 new ordinary shares at the cash consideration of HK$997 for cash as its additional working capital.

The holders of ordinary share are entitled to receive dividends declared from time to time and are entitled to one vote per share at meetings of Tactful Hero. All ordinary shares rank equally with regard to Tactful Hero's residual assets.

b) Capital management

Tactful Hero's primary objectives when managing capital are to safeguard Tactful Hero's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Tactful Hero actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Tactful Hero monitors its capital structure on the basis of a net debt to equity ratio. For this purpose, net debt is defined as total debt (which includes bank loans, amounts due to shareholders and related companies) less cash and cash equivalents. Equity comprises all of components of equity.

Tactful Hero's overall strategy remains unchanged throughout the Pre-Acquisition Period. Tactful Hero's strategy was to maintain the net debt to equity ratio in a balanced position. In order to maintain or adjust the ratio, Tactful Hero may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratios as at 31 December 2014 and 2015 and 28 July 2016 were as follows:

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Current liabilities			
Accruals and other payables	9,118	13,032	10,989
Bank loans	5,764	800	608
Total borrowing	14,882	13,832	11,597
Less: Cash and cash equivalents	(673)	(122)	(84)
Net debt	14,209	13,710	11,513
Total equity	56,358	60,225	60,715
Net debt to equity ratio	25%	23%	19%

Except for the banking facilities which required the fulfilment of covenants relating to banking facilities as disclosed in Note 14 of this Section above, Tactful Hero are not subject to externally imposed capital requirements.

16. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Tactful Hero's financial instruments include deposits and other receivables, cash and cash equivalents, accruals and other payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of Tactful Hero manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) Credit risk

Tactful Hero's credit risk is primarily attributable to an amount due from a related company and cash at banks . Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

i) Amount due from a related company

In respect of the amount due from a related company, Tactful Hero reviews the recoverable amount of this balance at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the management considers that Tactful Hero's credit risk is significantly reduced.

At the end of each reporting period, Tactful Hero has the concentration of credit risk on the amount due from the related company.

ii) Cash at banks

Tactful Hero's cash is deposited with banks with sound credit ratings and Tactful Hero have exposure limit to any single bank. Given their high credit ratings, management does not expect any of these banks will fail to meet their obligations.

Except for the financial guarantee given by Tactful Hero in respect of banking facilities as disclosed in Note 14(b) of this Section, Tactful Hero does not provide any other guarantees which would expose Tactful Hero to credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

b) Liquidity risk

Tactful Hero is responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. Tactful Hero's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or related companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of Tactful Hero's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date Tactful Hero can be required to pay.

For bank loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

At 31 December 2014:

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans	2,017	1,638	2,373	6,028	5,764
Accruals and other payables	9,118	-	-	9,118	9,118
	11,135	1,638	2,373	15,146	14,882
Adjustments to present cash flow on bank loans based on lender's right on demand	3,747	(1,638)	(2,373)	(264)	-
	14,882	-	-	14,882	14,882

At 31 December 2015:

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Bank loans	607	286	228	1,121	800
Accruals and other payables	13,032	-	-	13,032	13,032
	13,639	286	228	14,153	13,832
Adjustments to present cash flow on bank loans based on lender's right on demand ...	193	(286)	(228)	(321)	-
	13,832	-	-	13,832	13,832

At 28 July 2016:

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Bank loans	282	276	68	626	608
Accruals and other payables	10,994	-	-	10,994	10,994
	11,276	276	68	11,620	11,602
Adjustments to present cash flow on bank loans based on lender's right on demand ...	326	(276)	(68)	(18)	-
	11,602	-	-	11,602	11,602

c) Interest rate risk

Tactful Hero's interest rate risk arises primarily from cash at banks and bank loans. Cash at banks and bank loans issued at variable rates exposes Tactful Hero to cash flow interest rate risk. Tactful Hero's interest rate profiles as monitored by the management is set out in note (i) below.

i) Interest rate profile

The following table details the interest rate profile of Tactful Hero's borrowings for each of the end of the reporting period:

	At 31 December				At 28 July	
	2014		2015		2016	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		HK$'000		HK$'000		HK$'000
Variable rate borrowing:						
Bank loans	1.48%-2.77%	5,764	1.73%-2.47%	800	2.47%	608

ii) Sensitivity analysis

At 31 December 2014 and 2015 and 28 July 2016, it is estimated that a general increase/decrease of 100 basis points in interest-rates, with all other variables held constant, would have decreased/increased Tactful Hero's results after tax and retained profits by approximately HK$48,000, HK$7,000 and HK$5,000, respectively.

The sensitivity analysis above indicates the annualised impact on Tactful Hero's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose Tactful Hero to cash flow interest rate risk at that date. The analysis is performed on the same basis for the Pre-Acquisition Period.

d) Fair value of financial assets and liabilities carried at other than fair value

The director of Tactful Hero consider that the carrying amounts of Tactful Hero's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2014 and 2015 and 28 July 2016.

17. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 December 2014 and 2015 and 28 July 2016 not provided for in the financial statements were as follows:

	At 31 December		At 28 July
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Contracted for:			
- capital expenditure for property, plant and equipment	-	-	572

18. MATERIAL RELATED PARTY TRANSACTIONS

During the Pre-Acquisition Period, transactions with the following parties are considered to be related party transactions:

Name of related party	*Relationship with Tactful Hero*
Mr. Lam Sam Ming ("**Mr. Lam**")	A director and the shareholder of Tactful Hero
Ms. Yung Yuk Wah	An ex-shareholder of Tactful Hero (she disposed all her equity interest at 3 May 2016)
Ms. Lam Po Kam	An ex-shareholder of Tactful Hero (she disposed all her equity interest at 14 July 2016)
Great Wall Printing Company Limited	Controlled by Mr. Lam (and became fellow subsidiary at 29 July 2016)
Prosperous Printing Company Limited	Controlled by Mr. Lam (and became holding company at 29 July 2016)
Printplus Limited	Controlled by Mr. Lam (and became fellow subsidiary at 29 July 2016)
Century Sight Limited	Controlled by Mr. Lam (and became fellow subsidiary at 29 July 2016)
Super Noble Limited	Controlled by Mr. Lam (and became fellow subsidiary at 29 July 2016)

In addition to the related party information disclosed elsewhere in the Pre-Acquisition Financial Information of Tactful Hero, particulars of significant transactions between Tactful Hero and the above related parties during the Pre-Acquisition Period are as follows:

a) Transactions with key management personnel

The key management personnel is the director of Tactful Hero, and the remuneration for him is disclosed in Note 6 of this Section.

The director of Tactful Hero has given his personal guarantee to financial institutions in respect of the banking facilities granted to Tactful Hero and its related companies. Details of which are set out in Note 14 of this Section.

b) Financing arrangements with related parties

As at 31 December 2014 and 2015 and 28 July 2016, Tactful Hero has the following balances with related parties:

	Note	At 31 December 2014	At 31 December 2015	At 28 July 2016
		HK$'000	HK$'000	HK$'000
Amounts due to shareholders/ex-shareholders				
- Yung Yuk Wah	(i)	(3,965)	(3,965)	-
- Lam Po Kam	(i)	(2,365)	(2,365)	-
- Lam Sam Ming	(i)	(1,915)	(1,915)	(10,945)
		(8,245)	(8,245)	(10,945)
Amount due from a related company				
- Super Noble Limited	(i), (ii), (iii)	2,150	2,250	-
Amounts due to related companies				
- Century Sight Limited	(i)	(71)	(71)	-
- Prosperous Printing Company Limited	(i)	(802)	(4,716)	(44)
		(873)	(4,787)	(44)

Notes:

i) The amounts due from/(to) shareholders/ex-shareholders and related companies are unsecured, interest-free and repayable on demand.

During the period ended 28 July 2016, the following transfers between the related parties were made:

- Amount due to Century Sight Limited of HK$71,000 was assigned and transferred to Prosperous Printing Co., Limited.
- Amounts due to Lam Po Kam of HK$2,365,000 and Yung Yuk Wah of HK$3,965,000 and Prosperous Printing Company Limited of HK$5,002,000 and amounts due from Super Noble Limited of HK$2,250,000 were assigned and transferred to Mr. Lam.

ii) No provisions for bad and doubtful debts have been made in respect of the amount due from the related company as at 31 December 2014 and 2015 and 28 July 2016.

iii) The maximum outstanding amount due from a related party during the year ended 31 December 2014 and 2015 and the period ended 28 July 2016 were as follows:

	At 1 January 2014	Maximum balance outstanding during the year/period ended 31 December 2014	31 December 2015	28 July 2016
	HK$'000	HK$'000	HK$'000	HK$'000
Amount due from a related company				
- Super Noble Limited	1,550	2,150	2,250	2,250

c) Other related party transactions

During the Pre-Acquisition Period, Tactful Hero entered into the leases for the period of 1 to 3 years in respect of leasehold properties to Prosperous Printing Company Limited for its office, factory and warehouse. The amount of rent received under the leases was determined with reference to amounts charged to this related company by third parties. The amount of rental receivable in the year ended 31 December 2014 and 2015 and the period from 1 January 2016 to 28 July 2016 were HK$2,442,000, HK$2,052,000 and HK$1,197,000, respectively. The amounts outstanding as at 31 December 2014 and 2015 and 28 July 2016 are disclosed in Note 18(b).

19. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 28 July 2016, the director considers the immediate parent and ultimate holding company of Tactful Hero to be Great China Gains Inc., which is incorporated in the British Virgin Islands with limited liability. This entity does not produce financial statements available for public use.

The director regards ultimate controlling party of Tactful Hero to be Mr. Lam.

V. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 May 2017.

Pursuant to written resolutions passed by all the shareholders of the Company on 15 November 2017, the share capital of the Company was increased from HK$27.5 million to HK$42.5 million without issuing any shares by way of a capital contribution of HK$15,000,000 made by Mr. Lam on behalf of First Tech Inc. in cash.

VI. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 May 2017.

The information set forth in this appendix does not form part of the Accountants' Report prepared by Crowe Horwath (HK) CPA 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 ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Placing on our consolidated net tangible assets as at 31 May 2017 as if the Share Offer had taken place on 31 May 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as at 31 May 2017 or any future date following the Share Offer. It is prepared based on our consolidated net tangible assets attributable to the equity owners of our Company as at 31 May 2017 as derived from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to equity shareholders of our Company as at 31 May 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share
	HK$'000 (Note 1)	HK$'000 (Note 2)	HK$'000 (Note 3)	HK$ (Note 4)
Based on an Offer Price of HK$0.25 per Share	182,123	32,794	214,917	0.2686
Based on an Offer Price of HK$0.35 per Share	182,123	51,394	233,517	0.2919

Notes:

1. The consolidated net tangible assets attributable to equity shareholders of our Company as at 31 May 2017 is based on the Group's consolidated net assets of HK$183,062,000 less intangible assets of HK$939,000 as at that date, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on 200,000,000 Shares at the Offer Price of HK$0.25 per Share or HK$0.35 per Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and other listing-related expenses by our Group of approximately HK$17,206,000 or HK$18,606,000 based on the Offer Price of HK$0.25 per Offer Share or HK$0.35 per Offer Share respectively (excluding listing-related expenses of approximately HK$10,651,000 which have been accounted for in the profit or loss prior to 31 May 2017).

3. No adjustment has been made to reflect the capital contribution of HK$15 million made by Mr. Lam Sam Ming to the Company on behalf of First Tech Inc. without allotment of share which has been completed on 15 November 2017 (the "Capital Contribution"), any trading results or other transactions of the Group entered into

subsequent to 31 May 2017. If adjustments had been made to reflect the Capital Contribution, the unaudited proforma adjusted consolidated net tangible assets would have been adjusted to approximately HK$229,917,000 or HK$248,517,000, and the unaudited pro forma adjusted consolidated net tangible assets per Share would have been adjusted to approximately HK$0.2874 or HK$0.3106, based on the Offer Price of HK$0.25 per Offer Share or HK$0.35 per Offer Share respectively.

4. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares were in issue immediately following the completion of the Share Offer. It does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and to buy back Shares.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong.

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO DIRECTORS OF PROSPEROUS PRINTING COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "**Pro Forma Financial Information**") of Prosperous Printing Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The Pro Forma Financial Information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 May 2017 and related notes as set out in Part A of Appendix II of the prospectus issued by the Company dated 29 November 2017 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed share offer of the Company's new ordinary shares on the Group's financial position as at 31 May 2017 as if the share offer of the Company's new ordinary shares had taken place at 31 May 2017. As part of this process, information about the Group's financial position as at 31 May 2017 has been extracted by the Directors from the Group's historical financial information included in the accountants' report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

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

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 May 2017 would have been as presented.

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

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

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future plans and use of proceeds" in the Prospectus.

OPINION

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled by the Directors 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 Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Rules.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong
29 November 2017

Yau Hok Hung
Practising Certificate Number P04911

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 30 September 2017 of the real property interests of Prosperous Printing Company Limited and its subsidiaries.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 2703, 27th Floor,
Shui On Centre,
6-8 Harbour Road,
Wanchai, Hong Kong

29 November 2017

The Board of Directors
Prosperous Printing Company Limited
3/F, Yip Cheung Centre
10 Fung Yip Street
Chai Wan
Hong Kong

Dear Sir,

In accordance with the instructions from Prosperous Printing Company Limited (the "Company") to value certain real property interests held by and leased to the Company and/or its subsidiaries (together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out 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 value of the real property interests as at 30 September 2017 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real properties and the limiting conditions.

I. BASIS OF VALUATION

The valuation of the real property interests is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

We have valued the real property interests in Group I by using the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalized at an appropriate capitalization rate with due allowance for the reversionary interests after expiry of the tenancies.

In valuing the real property interests in Group II and III, which are leased to the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent, they have no commercial value.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interests on the open market in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the real property interests.

For the real properties which are held under long term government leases / land use rights, we have assumed that the owner of the real properties has free and uninterrupted rights to use, transfer or lease the real properties for the whole of the unexpired term of the respective government leases / land use rights. In our valuation, we have assumed that these real properties can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

Other specific assumptions of the real properties, if any, have been stated out in the footnotes of the valuation certificates.

IV. TITLESHIP INVESTIGATION

We have caused searches made at the Land Registry in Hong Kong in respect of the real property interests in Groups I and II which are located in Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

For the real property interests in Group III which are located in the PRC, we have been provided with copies of legal documents regarding the real properties. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liability attached to the real properties.

In the course of our valuation of the real properties located in the PRC, we have relied upon the legal opinion given by the Company's PRC legal advisers — GFE Law Office (廣東恒益律師事務所) in relation to the legal title to the real properties. All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real properties set out in this report.

V. LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the real properties. However, no structural survey has been made and we are therefore unable to report as to whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas of the real properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by it on such matters as, as relevant, planning approvals, statutory notices, easements, tenure, occupation, lettings, rentals and floor areas and in the identification of the real properties. We have had no reason to doubt the truth and accuracy of the information provided by the Company. We were also advised by the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the real properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since certain real properties are located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the real properties depending upon the assumptions made. While we have exercised our professional judgment in arriving at the values, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

VI. OPINION OF VALUE

Our opinion of the market value of the real property interests is set out in the attached summary of values and valuation certificates.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Site inspections of the real properties were conducted in between July and August 2016 while re-inspection of Hong Kong real properties in November 2017 by Candice Y. Q. Li, who holds Bachelor of Science (Honours) in Property Management. The real properties were maintained in a reasonable condition commensurate with their respective ages and uses and equipped with normal building services.

For the real property interests in Hong Kong and the PRC, the monetary amounts herein are denominated in the currency of Hong Kong Dollars (refer to as "HK$") and Renminbi (referred to as "RMB") respectively.

We enclose herewith the summary of values and the valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FRICS, FHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 29 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

SUMMARY OF VALUES

Group I — Real properties held and occupied by the Group in Hong Kong

No.	Real Property	Market Value in existing state as at 30 September 2017
		(HK$)
1.	Factory Units A - F on 3/F Yip Cheung Centre No. 10 Fung Yip Street, Hong Kong	60,100,000
2.	Factory Units F - H with Flat Roofs on 4/F Yip Cheung Centre No. 10 Fung Yip Street, Hong Kong	14,400,000
3	Factory Units A-F on 2/F Lorry Parking Space Nos. L5 and L6 Car Parking Space Nos. P13 to P16 on Basement Yip Cheung Centre No. 10 Fung Yip Street, Hong Kong	66,600,000
	Sub-total:	141,100,000

Group II — Real property leased and occupied by the Group in Hong Kong

No.	Real Property	Market Value in existing state as at 30 September 2017
		(HK$)
4.	Lorry Parking Space No. L1 on Basement, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong	No commercial value
	Sub-total:	Nil

Group III — Real properties leased and occupied by the Group in the PRC

No.	Real Property	Market Value in existing state as at 30 September 2017
		(RMB)
5.	Factory block Nos.1 and 2, and a dormitory, Hong Mian Fourth Road, Henggang, Longgang District, Shenzhen, the PRC	No commercial value
6.	Factory block Nos.5, 9 and 10 in 228 Industrial Area, Henggang, Longgang District, Shenzhen, the PRC	No commercial value
	Sub-total:	Nil
	Total:	HK$141,100,000

VALUATION CERTIFICATE

Group I — Real properties held and occupied by the Group in Hong Kong

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 September 2017
1.	Factory Units A-F on 3/F, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong 127/1450th shares of and in Chai Wan Inland Lot No. 99 (the "Lot")	The real property comprises 6 industrial units on the 3rd floor within a 15-storey (plus basement) industrial building with car-parking facilities. The building was completed in about 1985. The real property is located at the well-established industrial area of Chai Wan which mainly comprises of medium to high-rise industrial buildings. Developments nearby also comprise public housing estates, private housing developments and certain commercial buildings. Public transportations, including bus terminus, are easily available in the locality and the MTR-Chai Wan Station is located at about 5 minutes driving distance. The saleable area of the real property is approximately 12,760 square feet. The Lot is held under Conditions of Sale No. 11343 for a term of 75 years renewable for 75 years from 21 August 1979. The government rent payable for the Lot is HK$1,000 per annum.	According to the information provided by the Company, the real property is leased to the Company commencing from 1 January 2016 and expiring on 31 December 2018 at a monthly rent of HK$120,000. The real property is occupied for industrial use.	HK$60,100,000 (Hong Kong Dollar Sixty Million and One Hundred Thousand)

Notes:

(i) The registered owner of the real property is Tactful Hero Limited (an indirect wholly-owned subsidiary of the Company) vide memorial no. 08061701540103 dated 28 May 2008 at a consideration of HK$14,478,000 (pt.).

(ii) The real property is subject to a mortgage, a second legal charge and a third legal charge in favour of Bank of China (Hong Kong) Limited to the extent of all moneys (pt.) vide memorial nos. 15082402070029, 15082402070038 and 17052201740050 dated 31 July 2015 and 28 April 2017 respectively.

(iii) As per our on-site inspection, the partition walls between units A to F, a storeroom and three toilets within the units have been removed and the corridor has been occupied. In the course of our valuation, we have not taken these alteration works into consideration and valued the real properties on the basis that the real properties are at their original permitted status.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 September 2017
2.	Factory Units F-H with Flat Roofs on 4/F, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong 30/1450th shares of and in Chai Wan Inland Lot No. 99 (the "Lot")	The real property comprises 3 industrial units with flat roofs on the 4th floor within a 15-storey (plus basement) industrial building with car-parking facilities. The building was completed in about 1985. The real property is located at the well-established industrial area of Chai Wan which mainly comprises of medium to high-rise industrial buildings. Developments nearby also comprise public housing estates, private housing developments and certain commercial buildings. Public transportations, including bus terminus, are easily available in the locality and the MTR-Chai Wan Station is located at about 5 minutes driving distance. The saleable area of the real property is approximately 2,740 square feet and a total flat roof area of approximately 930 square feet. The Lot is held under Conditions of Sale No. 11343 for a term of 75 years renewable for 75 years from 21 August 1979. The government rent payable for the Lot is HK$1,000 per annum.	According to the information provided by the Company, the real property is leased to Great Wall Printing Company Limited (an indirect wholly-owned subsidiary of the Company) commencing from 1 August 2016 and expiring on 31 December 2018 at a monthly rent of HK$51,000. The real property is occupied for industrial use.	HK$14,400,000 (Hong Kong Dollar Fourteen Million and Four Hundred Thousand)

Notes:

(i) The registered owner of Unit F is Tactful Hero Limited vide memorial no. 10123000870060 dated 15 December 2010 at a consideration of HK$1,940,000.

(ii) The registered owner of Unit H is Tactful Hero Limited vide memorial no. 11031102060038 dated 21 February 2011 at a consideration of HK$1,977,600.

(iii) The registered owner of Unit G is Tactful Hero Limited vide memorial no. 13102800320049 dated 15 October 2013 at a consideration of HK$3,380,000.

(iv) Unit F is subject to a mortgage to secure all moneys in favour of Bank of China (Hong Kong) Limited vide memorial no. 17102500340092 dated 28 September 2017.

(v) Unit H is subject to a mortgage to the extent of all moneys in favour of Bank of China (Hong Kong) Limited vide memorial no. 17102500340148 dated 28 September 2017.

(vi) Unit G is subject to a mortgage to the extent of all moneys in favour of Bank of China (Hong Kong) Limited vide memorial no. 17102500340117 dated 28 September 2017.

(vii) As per our on-site inspection, the partition walls between units F to H and three toilets within the units have been removed. In the course of our valuation, we have not taken these alteration works into consideration and valued the real properties on the basis that the real properties are at their original permitted status.

No.	Real Property	Descriptions and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 September 2017
3.	Factory Units A-F on 2/F, Lorry Parking Space Nos. L5 and L6, Car Parking Space Nos. P13 to P16 on Basement, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong 144/1450th shares of and in Chai Wan Inland Lot No. 99 (the "Lot")	The real property comprises 6 industrial units on the 2nd floor, 2 lorry and 4 private car parking spaces on basement within a 15-storey (plus basement) industrial building with car-parking facilities. The building was completed in about 1985. The real property is located at the well-established industrial area of Chai Wan which mainly comprises of medium to high-rise industrial buildings. Developments nearby also comprise public housing estates, private housing developments and certain commercial buildings. Public transportations, including bus terminus, are easily available in the locality and the MTR-Chai Wan Station is located at about 5 minutes driving distance. The saleable area of the real property is approximately 12,441 square feet (excluding car parking spaces). The Lot is held under Conditions of Sale No. 11343 for a term of 75 years renewable for 75 years from 21 August 1979. The government rent payable for the Lot is HK$1,000 per annum.	According to the information provided by the Company, the real property is leased to Great Wall Printing Company Limited (an indirect wholly-owned subsidiary of the Company) commencing from 1 April 2016 and expiring on 31 December 2018 at a monthly rent of HK$130,000. The real property is occupied for industrial use.	HK$66,600,000 (Hong Kong Dollar Sixty Six Million and Six Hundred Thousand)

Notes:

(i) The registered owner of Units A, B, E and F, Lorry Parking Space Nos. L5 and L6, and Car Parking Space Nos. P13 to P16 is Super Noble Limited (an indirect wholly-owned subsidiary of the Company) vide memorial no. 08061701540110 dated 28 May 2008 at a consideration of HK$13,010,000 (pt.).

(ii) The registered owner of Units C and D is Super Noble Limited vide memorial no. 11032402440043 dated 28 February 2011 at a consideration of HK$6,080,000 (pt.).

(iii) Units A, B, E and F, Lorry Parking Space Nos. L5 and L6, and Car Parking Space Nos. P13 to P16 are subject to a mortgage in favour of Bank of China (Hong Kong) Limited to the extent of all moneys (pt.) vide memorial no. 17102500340036 dated 28 September 2017.

(iv) Units C and D are subject to a mortgage in favour of Bank of China (Hong Kong) Limited to the extent of all moneys (pt.) vide memorial no. 17102500340061 dated 28 September 2017.

(v) As per our on-site inspection, the partition walls between units A to F and four toilets within the units have been removed and the corridor has been occupied. In the course of our valuation, we have not taken these alteration works into consideration and valued the real properties on the basis that the real properties are at their original permitted status.

Group II — Real property leased and occupied by the Group in Hong Kong

No.	Real Property	Descriptions and Tenure	Market Value in existing state as at 30 September 2017
4.	Lorry Parking Space No. L1 on Basement, Yip Cheung Centre, No. 10 Fung Yip Street, Hong Kong 3/1450th shares of and in Chai Wan Inland Lot No. 99 (the "Lot")	The real property comprises a lorry car parking space on basement within a 15-storey (plus basement) industrial building with car-parking facilities. The building was completed in about 1985. The Lot is held under Conditions of Sale No. 11343 for a term of 75 years renewable for 75 years from 21 August 1979. The government rent payable for the Lot is HK$1,000 per annum. Upon our site inspection, the real property is currently occupied for car park.	No commercial value

Notes:

(i) The registered owner of the real property is Chan Tang Wing vide memorial no. UB7007568 dated 15 March 1997.

(ii) Pursuant to a tenancy agreement, the real property is leased to Great Wall Printing Company Limited (an indirect wholly-owned subsidiary of the Company) from an independent third party for a term commencing from 1 April 2017 and expiring on 31 March 2018 at a monthly rent of HK$4,200 for car parking purpose.

Group III — Real properties leased and occupied by the Group in the PRC

No.	Real Property	Descriptions and Tenure	Market Value in existing state as at 30 September 2017
5.	Factory block Nos.1 and 2, and a dormitory, Hong Mian Fourth Road, Henggang, Longgang District, Shenzhen, the PRC	The real property comprises a block of 4-storey factory building, a block of 6-storey factory building and a 5-storey dormitory building, which were completed in about 1999. The total floor area of the real property is approximately 32,549.57 square metres. Detail breakdown is as follow:	No commercial value

Building	No. of Blocks	No. of Storeys	Floor Area (sq.m.)
Factory block No.1	1	4	15,967.84
Factory block No. 2	1	6	12,469.00
Dormitory	1	5	4,112.73
		Total:	32,549.57

According to the information provided by the Company, the real property is leased to Prosperous Printing (Shenzhen) Co., Ltd. ("Prosperous (SZ)") (a wholly-owned subsidiary of the Company) from an independent third party for a term of three years commencing from 1 June 2014 and extended for a further term of three years commencing from 1 June 2017.

Upon our site inspection, the real property is currently occupied by the Group for manufacturing and dormitory uses.

Notes:

(i) Pursuant to two tenancy agreements, both dated 1 June 2014, the real property with a total floor area of approximately 32,549.57 square metres is leased to Prosperous (SZ) for a term of three years commencing from 1 June 2014 at a total monthly rent of RMB409,344. Pursuant to two supplementary lease agreements, both dated 8 December 2016, the tenancy of the real property is renewed for a term of three years commencing from 1 June 2017 at a total monthly rent of RMB488,243.

(ii) We have been provided with a legal opinion regarding the real property interest, by the Company's PRC legal advisers, which contains, inter alia, the following:

Factory block No.1 and dormitory:

(a) 深圳市龍崗區橫崗股份合作公司 (translated as "Heng Gang Share Cooperation Company of Longgang District Shenzhen City") legally owns the building ownership of Factory block No.1 and the dormitory. The tenancy agreement is valid and binding on the lessor and lessee legally. Prosperous (SZ) is entitled to occupy and use the subject property according to the tenancy agreement.

(b) According to the PRC laws, the lessor and the lessee should enter into a written tenancy agreement and register the tenancy agreement at relevant construction (real estate) management department. The registration of the subject tenancy agreement and the supplementary lease agreement have already been completed.

Factory block No.2:

(a) Since the relevant title certificate or construction working planning permit of the Factory block No.2 cannot be provided, the validity of the tenancy agreement cannot be commented. The lessor's fail to provide relevant title certificate or construction working planning permit will not lead the lessee to be subjected to administrative penalties. However, if the lessor had not obtained legal ownership nor legal rights of use of the property, the lease agreement might be invalid. As a result, Prosperous (SZ) might be not able to continue using the property.

Part of the term of the lease agreement of Factory block No. 2 and the supplementary lease agreement are not registered under the housing rental registration requirements. According to the PRC Laws, whether the lease agreement is registered will not affect the validity of the lease, thus the lease will not be invalid because of no registration. In addition, no-registration of the lease will not lead the lessee to be unable to occupy nor use the property.

(b) According to the PRC laws, the lessor and the lessee should enter into a written tenancy agreement and register the tenancy agreement at relevant construction (real estate) management department. If the tenancy agreement is failed to be registered, the above department will issue order of rectification within a period. If the order is failing to be rectified within the solid period, a fine of RMB1,000 to RMB10,000 will be charged. 深圳市龍崗區橫崗股份合作公司 (translated as "Heng Gang Share Cooperation Company of Longgang District Shenzhen City") and Prosperous (SZ) have already completed the registration and filling procedures for the tenancy agreement (the registered lease term is up to 10 March 2017). However, according to the confirmation from Prosperous (SZ), part of the term of the lease agreement and the supplementary lease agreement have not been registered. If Prosperous (SZ) received a rectification order from relevant construction (real estate) management department and rectified by registering the lease according to the housing rental registration requirements within the required period, the possibility for Prosperous (SZ) to receive the above administrative penalties is low.

(c) The possibility of the subject building being requested to demolish is low and the risk of the government requesting to cease operation on the subject building is remote. The risk of the lessor being penalized for the landlord's non-possession of valid title documents is remote.

No.	Real Property	Descriptions and Tenure	Market Value in existing state as at 30 September 2017
6.	Factory block Nos.5, 9 and 10 in 228 Industrial Area, Henggang, Longgang District, Shenzhen, the PRC	The real property comprises three blocks of 4-storey industrial building, which were completed in about 1999.	No commercial value

The total floor area of the real property is approximately 15,409.25 square metres. Detail breakdown is as follow:

Building	No. of Blocks	No. of Storeys	Floor Area (sq.m.)
Factory block No. 5	1	4	4,909.25
Factory block No. 9	1	4	5,000.00
Factory block No. 10	1	4	5,500.00
		Total:	15,409.25

According to the information provided by the Company, Factory block No.5 and No.10 of the real property are leased to Prosperous (SZ) from an independent third party for a term of three years commencing from 1 June 2014 and extended for a further term of three years commencing from 1 June 2017. Factory block No. 9 of the real property is leased to Prosperous (SZ) from an independent third party for a term of three years commencing from 1 September 2015 and extended for a further term from 1 September 2018 to 31 May 2020.

Upon our site inspection, the real property is currently occupied by the Group for storage uses.

Notes:

(i) Pursuant to two tenancy agreements, both dated 1 June 2014, Factory block No. 5 and No. 10 of the real property with a total floor area of approximately 10,409.25 square metres are leased to Prosperous (SZ) for a term of three years commencing from 1 June 2014 at a total monthly rent of RMB126,000. Pursuant to two supplementary lease agreements, both dated 8 December 2016, the tenancy of Factory block No.5 and No.10 is renewed for a term of three years commencing from 1 June 2017 at a total monthly rent of RMB156,138.

Pursuant to a tenancy agreement, dated 28 August 2015, Factory block No.9 of the real property with a floor area of approximately 5,000 square metres is leased to Prosperous (SZ) for a term of three years commencing from 1 September 2015 at a monthly rent of RMB70,000. Pursuant to a supplementary lease agreement, dated 8 December 2016, the tenancy of Factory block No.9 is renewed for a term from 1 September 2018 to 31 May 2020 at a monthly rent of RMB75,000.

(ii) We have been provided with a legal opinion regarding the real property interest, by the Company's PRC legal advisers, which contains, inter alia, the following:

Factory block No. 5:

(a) 深圳市龍崗區橫崗股份合作公司 (translated as "Heng Gang Share Cooperation Company of Longgang District Shenzhen City") legally owns the building ownership of Factory block No.5. The tenancy agreement is valid and binding on the lessor and lessee legally. Prosperous (SZ) is entitled to occupy and use the subject property according to the tenancy agreement.

(b) According to the PRC laws, the lessor and the lessee should enter into a written tenancy agreement and register the tenancy agreement at relevant construction (real estate) management department. The registration of the subject tenancy agreement and supplementary lease agreement have already been completed.

Factory block No. 9:

(a) Since the relevant title certificate or construction working planning permit of Factory block No.9 cannot be provided, the validity of the tenancy agreement cannot be commented. The lessor's fail to provide relevant title certificate or construction working planning permit will not lead the lessee to be subjected to administrative penalties. However, if the lessor had not obtained legal ownership nor legal rights of use of the property, the lease agreement might be invalid. As a result, Prosperous (SZ) might be not able to continue using the property.

The lease agreement is not registered under the housing rental registration requirements. According to the PRC Laws, whether the lease agreement is registered will not affect the validity of the lease, thus the lease will not be invalid because of no registration. In addition, no-registration of the lease will not lead the lessee to be unable to occupy nor use the property.

(b) According to the PRC laws, the lessor and the lessee should enter into a written tenancy agreement and register the tenancy agreement at relevant construction (real estate) management department. If the tenancy agreement is failed to be registered, the above department will issue order for rectification within a period. If the order is failing to be rectified within the solid period, a fine of RMB1,000 to RMB10,000 will be charged. According to the confirmation from Prosperous (SZ), the subject tenancy agreement and the supplementary lease agreement have not been registered. If Prosperous (SZ) received a rectification order from relevant construction (real estate) management department and rectified by registering the lease according to the housing rental registration requirements within the required period, the possibility for Prosperous (SZ) to receive the above administrative penalties is low.

(c) The possibility of the subject building being requested to demolish is low and the risk of the government requesting to cease operation on the subject building is remote. The risk of the lessor being penalized for the landlord's non-possession of valid title documents is remote.

Factory block No. 10:

(a) Since the relevant title certificate or construction working planning permit of Factory block No.10 cannot be provided, the validity of the tenancy agreement cannot be commented. The lessor's fail to provide relevant title certificate or construction working planning permit will not lead the lessee to be subjected to administrative penalties. However, if the lessor had not obtained legal ownership nor legal rights of use of the property, the lease agreement might be invalid. As a result, Prosperous (SZ) might be not able to continue using the property.

The lease agreement is not registered under the housing rental registration requirements. According to the PRC Laws, whether the lease agreement is registered will not affect the validity of the lease, thus the lease will not be invalid because of no registration. In addition, no-registration of the lease will not lead the lessee to be unable to occupy nor use the property.

(b) According to the PRC laws, the lessor and the lessee should enter into a written tenancy agreement and register the tenancy agreement at relevant construction (real estate) management department. If the tenancy agreement is failed to be registered, the above department will issue order of rectification within a period. If the order is failing to be rectified within the solid period, a fine of RMB1,000 to RMB10,000 will be charged. According to the confirmation from Prosperous (SZ), the subject tenancy agreement and the supplementary lease agreement have not been registered. If Prosperous (SZ) received a rectification order from relevant construction (real estate) management department and rectified by registering the lease according to the housing rental registration requirements within the required period, the possibility for Prosperous (SZ) to receive the above administrative penalties is low.

(c) The possibility of the subject building being requested to demolish is low and the risk of the government requesting to cease operation on the subject building is remote. The risk of the lessor being penalized for the landlord's non-possession of valid title documents is remote.

The existing Articles of Association of our Company were adopted on 15 November 2017, with effect from 28 November 2017. The following is a summary of certain provisions of the Articles of Association.

ALTERATION OF CAPITAL

According to Article 68, our Company may from time to time alter its capital in any one or more of the ways permitted by the Companies Ordinance and every other ordinance (including subsidiary legislation, regulations or orders made thereunder) for the time being in force and applying or affecting our Company (together, the "**Statutes**"). Anything done in pursuance of Article 68 shall be done in any manner provided, and subject to any conditions imposed, by the Statutes, so far as they shall be applicable, and, so far as they shall not be applicable, in accordance with the terms of the resolution authorising the same, and, so far as such resolution shall not be applicable, in such manner as our Directors deem most expedient.

The general meeting at which any resolution on the creation of any new shares is put may direct that the same or any of them shall be offered in the first instance to all the holders for the time being of any class of shares in the capital of our Company, in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in the absence of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of our Directors, and Article 7 shall apply.

Our Company may by special resolution reduce its share capital or any other undistributable reserves in any manner subject to the provisions of the Statutes and the Articles and the GEM Listing Rules.

Subject always to the provisions of the Statues, the GEM Listing Rules and the Articles, the Board may issue any Shares on terms that is to be redeemed or is liable to be redeemed at the option of our Company or its holder, and the Board may determine the terms, conditions and manner of redemption of the Shares, and our Company may purchase its own Shares of any class in the capital of our Company, including any redeemable shares or warrants or other securities carrying a right to subscribe for or purchase Shares of our Company issued by our Company and, should our Company acquire its own Shares or warrants or other such securities, neither our Company nor our Directors shall be required to select the shares or warrants to be acquired rateably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares or warrants, provided that in the case of purchase of redeemable shares, (a) purchases not made through market or by tender shall be limited to a maximum price and (b) if purchases are by tender, tenders shall be available to all Shareholders holding redeemable Shares of our Company alike.

VARIATION OF CLASS RIGHTS

If at any time the share capital of our Company is divided into different classes of Shares, all or any of the special rights or privileges attaching to any class of Shares (unless otherwise provided by the terms of issue of the Shares of that class) may, subject to the provisions of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued Shares representing at least 75% of the total voting rights of holders of Shares in that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of the relevant class (but not otherwise). Subject to the Statutes and the GEM Listing Rules, at every such separate general meeting all the provisions of the Articles of Association relating to general meetings of our Company or to the proceedings thereat shall apply, *mutatis mutandis*, except that:

(a) the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons present in person or by proxy together holding at least one-third of the total voting rights of holders of Shares in that class;

(b) at an adjourned meeting the necessary quorum shall be one person holding Shares of the class or his proxy;

(c) the holders of Shares of the class shall, on a poll, have one vote in respect of every Share of the class held by them respectively; and

(d) any one holder of Shares of the class whether present in person or by proxy may demand a poll.

TRANSFER OF SHARES

Subject to the Statues and the restrictions in the Articles, all transfers of Shares shall be effected by an instrument of transfer and in any standard form prescribed by the Stock Exchange or in any other form which our Directors may approve and shall be executed under hand or, if the transferor or transferee is a clearing house (or its nominees(s)), the instrument of transfer shall be executed by hand or by machine imprinted signature or in 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 which it thinks fit in its discretion to do so. Without prejudice to the above, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the Shares concerned until the name of the transferee is entered into our Company's register of members in respect thereof. Nothing in the Articles shall preclude our Directors from recognising a renunciation of the allotment or provisional allotment of any Share by the allottee in favour of some other person.

The Board may, subject to section 151 of the Companies Ordinance, in its absolute discretion decline to register any transfer of Shares (not being a fully paid up Share) to any person provided that it shall register any transfer of Shares for the purpose of enforcing a security interest over such Shares. The Board shall not register a transfer to a person who is known to them to be an infant or a person who is mentally incapacitated or under other legal disability but the Board shall not be bound to enquire into the age or soundness of mind of any transferee. In the case of a transfer to joint holders, the Board may also decline to register the transfer unless the number of transferees does not exceed four. The Board may also decline to register any transfer unless:

(a) a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to our Company in respect thereof;

(b) the instrument of transfer is accompanied by the certificate of the Shares to which it relates, and such other evidence as our Directors may reasonably require to show the right of the transferor to make the transfer and is delivered to the registered office of our Company;

(c) such other conditions as the Board may from time to time impose for the purpose of guarding against losses arising from forgery are satisfied;

(d) the instrument of transfer is in respect of only one (1) class of Shares;

(e) the Shares concerned are free of any lien in favour of our Company; and

(f) if applicable, the instrument of transfer is duly and properly stamped.

Every instrument of transfer shall be left at the registered office of our Company for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate of the Shares to be transferred and such other evidence as the Board may require to prove the title of the transferor or his right to transfer the Shares. If the Board refuses to register a transfer it shall within two (2) months after the date on which the transfer was lodged with our Company send to the transferor and the transferee notice of the refusal. Upon request by the transferor or transferee, our Directors must, within twenty-eight (28) days after receiving such request, send to the transferor or transferee (as the case may be) a statement of the reasons for the refusal. All instruments of transfer which are registered may be retained by our Company but any instrument of transfer which the Board may decline to register shall (except in the case of fraud or suspected fraud) be returned to the person depositing the same together with the share certificate within two (2) months after the date on which the transfer was lodged with our Company.

SHARE CERTIFICATES

Subject to the Companies Ordinance and the GEM Listing Rules, every certificate for Shares or warrants or debentures or representing any other form of securities of our Company may be issued under the common seal of our Company, and the provisions of Articles 161 to 164 concerning the sealing or execution of certificates shall be complied with whenever such certificates are issued. A share certificate shall specify the number and class of Shares and, if required, the distinctive numbers thereof, to which it relates, and the amount paid up thereon and may otherwise be in such form as the Board may from time to time determine. If at any time the share capital of our Company is divided into different classes of shares, every share certificate issued at that time shall comply with section 179 of the Companies Ordinance, and no certificate shall be issued in respect of more than one class of Shares. Subject to sections 162 to 169 of the Companies Ordinance, if a certificate for Shares or warrants is defaced, lost or destroyed, it may be replaced on payment of a fee, if any, not exceeding the maximum amount as the Stock Exchange may from time to time permit and on such terms, if any, as the Board thinks fit as to evidence and indemnity. The Board can also require the Shareholders to pay the out-of-pocket expenses of our Company incurred in investigating any evidence and in preparing the form of indemnity as the Board thinks fit.

VOTES OF MEMBERS

A resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by our Company to its Shareholders; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Shareholders a reasonable opportunity to express their views. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least three (3) Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy having the right to vote on the resolution; or

(c) any Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy representing in aggregate at least 5% of the total voting rights of all the Shareholders having the right to attend and vote at the meeting.

Any instrument appointing a proxy may be in any usual or common form or in any other form which the Board may approve.

Subject to the provision of the Articles of Association and the Statutes and to any special rights or restrictions as to voting for the time being attached to any class or classes of Shares, on a show of hands every Shareholder present in person or by proxy or representative duly authorised under section 606 or 607 of the Companies Ordinance shall have one (1) vote, and on a poll every Shareholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy at any general meeting shall have one (1) vote for each fully paid up Share of which he is the holder. A person entitled to cast more than one (1) vote upon a poll need not use all his votes or cast all the votes he uses in the same way.

Any corporation which is a Shareholder may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of our Company or of any class of Shareholders, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder.

Without prejudice to the generality of Article 108, if a clearing house recognised under the SFO or any other ordinance substituted therefor (a "**Clearing House**") (or its nominee(s)) is a Shareholder of our Company, it (or, as the case may be, its nominee) may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any general meeting of our Company or at any meeting of any class of Shareholders of our Company provided that, if more than one (1) person is so authorised, the authorisation or proxy form shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised under the provisions of the Articles of Association shall be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) which he represents as that Clearing House (or its nominee(s)) could exercise as if such person were an individual Shareholder of our Company.

Where our Company has knowledge that any Shareholder is required under the GEM Listing Rules to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any vote(s) cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

BORROWING POWERS

The Board may exercise all powers of our Company to borrow money for the purposes of our Company, without limit and upon such terms as they may think fit, and to mortgage or charge its undertaking, property (both present and future) and uncalled capital, or any part thereof, and (subject, to the extent applicable, to the provisions of the Statutes) to issue bonds, debentures, debenture stock, guarantees and other securities, whether outright or as a security for any debt, liability or obligation of our Company or of any third party.

QUALIFICATION OF DIRECTORS

Unless otherwise determined by ordinary resolution of the Shareholders of our Company, the number of Directors shall not be less than the minimum required by the Companies Ordinance and there shall not be a maximum number of Directors. A Director need not be a Shareholder of our Company and shall not be required to hold any Shares by way of qualification, but shall be entitled to receive notice of and to attend and speak at all general meetings of our Company and at all separate meetings of the holders of any class of Shares of our Company.

DIRECTORS' APPOINTMENT, REMOVAL AND RETIREMENT

At each annual general meeting of our Company, one-third of our Directors for the time being shall retire from office by rotation but shall be eligible for re-election. Where the number of Directors is not three (3) or a number divisible by three (3), the number of Directors to retire will be the number which is nearest to but not less than one-third of the total number of Directors. If there are less than three (3) Directors, they shall all retire. The Directors to retire by rotation will be those Directors who have been Directors longest in office since they were last elected, or appointed by the Shareholders (as the case may be). If there are Directors who were last elected, or appointed by the Shareholders (as the case may be), on the same date, they can agree on who is to retire. If they do not agree, they must draw lots to decide. Every retiring Director shall be eligible for re-election. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Board may appoint any person as an additional Director or to fill a casual vacancy, provided that any person so appointed shall hold office only until the conclusion of the next following general meeting of our Company (in the case of filling a casual vacancy) or until the next following annual general meeting of our Company (in the case of an addition to the Board), and shall then be eligible for re-election. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office.

DIRECTORS' REMUNERATION

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Directors may agree or, failing agreement, equally, except that if any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office.

Any Director who holds any executive office or who serves on any committee, or who otherwise performs services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

The Board may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Board or of any committee of the Board or general meetings or otherwise in or about the business of our Company.

DIRECTORS' INTERESTS

A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or in which our Company may be interested as vendor, shareholder or otherwise and, subject to the Companies Ordinance, no such Director shall be accountable to our Company for any remuneration or benefits received by him as a director or officer of, or from his interest in, such other company unless our Company otherwise directs.

A Director may hold other office or place of profit under our Company (other than the office of auditor) in conjunction with his office of Director for such period (subject to the Statutes) and on such terms as to remuneration (whether by way of salary, commission, participation in profits or otherwise) and otherwise as the Board may determine. Subject to the Statutes, no Director or intending Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any such office or place of profit or as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company in which any Director is in any way, whether directly or indirectly, interested (whether or not such contract or arrangement is with any person, company or partnership of or in which any Director shall be a Shareholder) be liable to be avoided on that account nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall forthwith declare the nature of his interest in any contract or arrangement in which he is interested as required by and subject to the provisions of the Companies Ordinance and the Articles of Association.

Subject to the Companies Ordinance, if a Director or any of his close associates or an entity connected with the Director is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with our Company that is significant in relation to our Company's business and the Director's interest or his close associate's interest or the interest of the entity connected with the Director is material, the Director shall declare the nature and extent of his interest or the interest of any of his close associates or entities connected with him in accordance with sections 536 to 538 of the Companies Ordinance and the Articles. A declaration of interest by a Director under Article 135(a) in a transaction, arrangement or contract that has been entered into must be made as soon as reasonably practicable and a declaration of interest by a Director under Article 135(a) in a proposed transaction, arrangement or contract must be made before our Company enters into the transaction, arrangement or contract.

Save as otherwise provided by the Articles of Association, a Director and his close associates shall not vote on any resolution of the Board nor be counted in the quorum in respect of any transaction, contract, arrangement or any other proposals or matters in which he or any of his close associates or any entity connected with him, is/are, to his knowledge materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply in respect of the following matters:

(a) any contract or arrangement for the giving by our Company of any security or indemnity either:

   (i) to the Director or his close associate(s) or any entity connected with him in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

   (ii) to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) or any entity connected with him has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(b) any contract, arrangement or proposal concerning an offer of Shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) or any entity connected with him is/are or is/ are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(c) any contract, arrangement or proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his close associates is derived) or of the voting rights;

(d) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including:

(i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over Shares or other securities, or the conditional right to obtain Shares or other securities, by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which the Director or his close associate(s) or any entity connected with him may benefit; or

(ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates, any entity connected with them and employees of our Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) or any entity connected with him, as such any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; and

(e) any contract or arrangement in which the Director or his close associate(s) or any entity connected with him is/are interested in the same manner as other holders of Shares or debentures or other securities of our Company by virtue only of his/their interest in Shares or debentures or other securities of our Company.

DIVIDENDS

Our Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

Subject to the rights of persons, if any, entitled to Shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a Share in advance of calls shall be treated for the purposes of the Articles of Association as paid on the Share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid; but if any Share is issued on terms providing that it shall rank for dividend as from a particular date such Share shall rank for dividend accordingly.

All dividends or bonuses unclaimed for one (1) year after having become payable may be invested or otherwise made use of by the Board for the benefit of our Company until claimed. Any dividends or bonuses unclaimed after a period of six (6) years after having become payable shall be forfeited and shall revert to our Company. The payment by our Company of any unclaimed dividend or other sum payable on or in respect of a Share into a separate account shall not constitute our Company a trustee in respect thereof for any person.

UNTRACEABLE MEMBERS

Without prejudice to the rights of our Company, our Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered.

Our Company may sell any Shares if:

(i) during the relevant period at least three dividends or other distributions in respect of the Shares in question have become payable and no dividend or distribution during that period has been claimed;

(ii) our Company has given notice of its intention to sell the Shares by way of an advertisement published in the newspapers in accordance with the requirements of the GEM Listing Rules and has notified the Stock Exchange and a period of three (3) months or such shorter period as may be allowed by the Stock Exchange has elapsed since the date of such advertisement; and

(iii) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the Shareholder or of any person who is entitled to such Shares by death, bankruptcy or operation of law.

For the purpose of the foregoing, the "relevant period" means the period commencing twelve (12) years before the date of publication of advertisement in paragraph (ii) above and ending at the expiry of the period referred to in that paragraph.

ACCOUNTS

The Board shall cause proper books of account to be kept in accordance with the Companies Ordinance and the books of account shall be kept at the registered office of our Company or, subject to Section 374 of the Companies Ordinance, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director.

Subject to the requirements of the Statutes and to Article 190, a copy of the relevant reporting documents or the summary financial report shall, not less than twenty-one (21) days before the meeting, be delivered or sent by post to the registered address of every Shareholder and debenture holder of our Company, or in the case of a joint holding to that Shareholder or debenture holder (as the case may be) whose name stands first in the appropriate register of members in respect of the joint holding.

NOTICES

Subject to the Statutes and the GEM Listing Rules and except where otherwise expressly stated, any notice, document or other information to be given to or by any person pursuant to the Articles shall be in writing. A notice calling a meeting of the Board need not be in writing. Any notice, document or other information in writing may, in accordance with the Articles and subject to the Statutes and the GEM Listing Rules, be given in hard copy form, in electronic form or by electronic means, or made available on our Company's website.

Subject to the Statutes and the GEM Listing Rules, a notice, document or any other information may be served on, delivered or made available to, any Shareholder by our Company either personally or by sending it by mail, postage prepaid (and, in any case where the registered address of a Shareholder is outside Hong Kong, by prepaid airmail), addressed to such Shareholder at his registered address or by leaving it at that address addressed to the Shareholder or by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating in Hong Kong.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation

Our Company was incorporated in Hong Kong under the Predecessor Companies Ordinance as a private company with limited liability on 23 December 1992. Our Company's registered office is located at 3/F, Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong. A summary of certain provisions of the Articles of Association is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

Save for the alterations described in the section headed "*History, Reorganisation and Corporate Structure*" in this prospectus, there has been no other change to the share capital of our Company within the two years immediately prior to the date of this prospectus.

Immediately following the Share Offer becoming unconditional and the issue of Shares as mentioned herein being made, but taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, the share capital of our Company will comprise 800,000,000 Shares, all fully paid or credited as fully paid. Other than pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme and the exercise of the general unconditional mandate to issue Shares referred to in the sub-section headed "*A. Further information about our Company and its subsidiaries — 3. Written resolutions of all our Shareholders passed on 15 November 2017*" of this section, there is no present intention to issue Shares which would effectively alter the control of our Company without the prior approval of members in a general meeting.

Save as aforesaid and in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of all our Shareholders passed on 15 November 2017

Pursuant to the written resolutions of all our Shareholders passed on 15 November 2017:

(a) our Company approved and adopted the Articles of Association as its new articles of association with effect from 28 November 2017, and henceforth our Company was converted into a public company limited by shares;

(b) conditional on the same conditions as stated in the section headed "*Structure and conditions of the Share Offer — Conditions of the Share Offer*" in this prospectus:

   (i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option; and

   (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;

(c) a general unconditional mandate (the "**Issue Mandate**") was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of a dividend on Shares in accordance with the Articles or pursuant to the exercise of the subscription rights attaching to any warrants which may be issued by our Company from time to time or upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or similar arrangements regulated by Chapter 23 of the GEM Listing Rules or any specific authority granted by our Shareholders in general meetings, unissued Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Share Offer, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of Hong Kong to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first;

(d) a general unconditional mandate (the "**Buy-back Mandate**") was given to our Directors authorising them to exercise all powers of our Company to buy back Shares on GEM or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate number not exceeding 10% of the total number of our Shares in issue immediately following completion of the Share Offer (excluding any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of Hong Kong to be held, or the revocation, variation and renewal by an ordinary resolution of our Shareholders in a general meeting, whichever is earlier; and

(e) the extension of the Issue Mandate by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to the Issue Mandate of an amount representing the aggregate number of Shares bought back by our Company pursuant to the Buy-back Mandate.

4. Reorganisation

In preparation for the Listing, we undertook the Reorganisation to rationalise the business and structure of our Group, details of which are set out in the section headed "*History, Reorganisation and Corporate Structure — Reorganisation*" in this prospectus.

5. Changes in share capital of our subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save for the alterations described in the section headed "*History, Reorganisation and Corporate Structure*" in this prospectus, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

6. Buy-back by our Company of its own securities

As mentioned in the sub-section headed "*A. Further information about our Company and its subsidiaries — 3. Written resolutions of all our Shareholders passed on 15 November 2017*" of this section, the Buy-back Mandate was granted to our Directors to exercise all powers of our Company to buy back Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit a company with a primary listing on the Stock Exchange to buy back its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed buy-backs of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Buy-backs must be funded out of funds legally available for the purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of Hong Kong.

A listed company may not buy back 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 as amended from time to time. Subject to the foregoing, any buy-back by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-back.

(iii) Trading restrictions

The total number of shares which a listed company may buy back on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of Shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a buy-back (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such buy-back) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from buying back its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The GEM Listing Rules also prohibit a listed company from buying back its securities if the buy-back would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a buy-back of securities shall disclose to the Stock Exchange such information with respect to the buy-back as the Stock Exchange may require.

(iv) Status of bought-back securities

All bought-back securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of buy-backs

A listed company may not make any buy-back of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not buy back its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a buy-back of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) Reporting requirements

Certain information relating to buy-backs of securities on the Stock Exchange or otherwise must be submitted to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report and accounts are required to disclose details regarding buy-backs of securities made during the year, including a monthly analysis of the number of securities bought back, the purchase price per share or the highest and lowest price paid for all such buy-backs, where relevant, and the aggregate prices paid.

(vii) Connected persons

A listed company is prohibited from knowingly buying back securities on the Stock Exchange from a core connected person and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for buy-backs

Our Directors believe that the ability to buy back Shares is in the interests of our Company and our Shareholders. Buy-backs may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of the Buy-back Mandate to give our Company the flexibility to do so if and when appropriate. The number of Shares to be bought back on any occasion and the price and other terms upon which the same are bought back will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Buy-backs of Shares will only be made when our Directors believe that such buy-backs will benefit our Company and our Shareholders.

(c) Funding of buy-backs

In buying back Shares, our Company may only apply funds lawfully available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws of Hong Kong. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Buy-back Mandate were to be carried out in full at any time during the share buy-back period. However, our Directors do not propose to exercise the Buy-back Mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Buy-back Mandate, on the basis of 800,000,000 Shares in issue immediately following the completion of the Share Offer (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 80,000,000 Shares being bought back by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the expiry of the period within which we are required by any applicable laws or the Articles to hold our next annual general meeting; or

(iii) the date on which the Buy-back Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the GEM Listing Rules and the applicable laws of Hong Kong.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buy-back Mandate is exercised.

If, as a result of any buy-back of Shares pursuant to the Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed above, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-back Mandate.

Any buy-back of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the Buy-back Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the GEM Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) a convertible loan agreement dated 20 September 2014 (as supplemented by a supplemental convertible loan agreement dated 25 July 2016) and made among our Company, Fine Time and Mr. Lam pursuant to which, our Company agreed to obtain from Fine Time a convertible loan in the aggregate principal amount of HK$22,000,000, the principal terms of which are set out in the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment — Principal terms of the Convertible Loan*" in this prospectus;

(b) an application for shares dated 29 July 2016 signed by Great China Gains in relation to the allotment and issue of 997 shares in Tactful Hero at the cash consideration of HK$997;

(c) an instrument of transfer together with the bought and sold notes both dated 29 July 2016 signed by Mr. Lam as the transferor and Great China Gains as the transferee in relation to the transfer of 3 shares in Tactful Hero from Mr. Lam to Great China Gains at the cash consideration of HK$3;

(d) a deed of assignment dated 29 July 2016 made among Mr. Lam, Great China Gains and Tactful Hero whereby, in consideration of Great China Gains acknowledging to Mr. Lam indebtedness in the sum of HK$10,944,501.95, which shall be interest free, unsecured and without a fixed term of repayment, Mr. Lam assigned, and Great China Gains accepted an assignment of, the shareholder's loan in the sum of HK$10,944,501.95 due and owing by Tactful Hero to Mr. Lam, with the consent of Tactful Hero;

(e) an application for shares dated 29 July 2016 signed by Mr. Classic in relation to the allotment and issue of 9,900 shares in Super Noble at the cash consideration of HK$9,900;

(f) an instrument of transfer together with the bought and sold notes both dated 29 July 2016 signed by Mr. Lam as the transferor and Mr. Classic as the transferee in relation to the transfer of 100 shares in Super Noble from Mr. Lam to Mr. Classic at the cash consideration of HK$100;

(g) a deed of assignment dated 29 July 2016 made among Mr. Lam, Mr. Classic and Super Noble whereby, in consideration of Mr. Classic acknowledging to Mr. Lam indebtedness in the sum of HK$7,594,944.20, which shall be interest free, unsecured and without a fixed term of repayment, Mr. Lam assigned, and Mr. Classic accepted an assignment of, the shareholder's loan in the sum of HK$7,594,944.20 due and owing by Super Noble to Mr. Lam, with the consent of Super Noble;

(h) an instrument of transfer together with the bought and sold notes both dated 29 July 2016 signed by Mr. Lam as the transferor and our Company as the transferee in relation to the transfer of 31 shares in Century Sight from Mr. Lam to our Company at the cash consideration of HK$10;

(i) an instrument of transfer together with the bought and sold notes both dated 29 July 2016 signed by Mr. Lam as the transferor and our Company as the transferee in relation to the transfer of 1 share in Printplus from Mr. Lam to our Company at the cash consideration of HK$10;

(j) a sale and purchase agreement dated 29 July 2016 (as supplemented and amended by a supplemental agreement dated 25 October 2016) and made between Mr. Lam and our Company whereby, Mr. Lam agreed to sell and assign, and our Company agreed to purchase and accept an assignment of, 50,000 shares of US$1 each in the issued share capital of Mr. Classic and the shareholder's loan in the sum of HK$7,594,944.20 due from Mr. Classic to Mr. Lam at the total consideration of HK$62,177,741, which shall be deemed to be a debt of an equivalent amount due and owing by our Company to Mr. Lam on terms that it shall be interest free, unsecured and repayable in cash on demand ("**Debt A**");

(k) a sale and purchase agreement dated 29 July 2016 (as supplemented and amended by a supplemental agreement dated 25 October 2016) and made between Mr. Lam and our Company whereby, Mr. Lam agreed to sell and assign, and our Company agreed to purchase and accept an assignment of, 50,000 shares of US$1 each in the issued share capital of Great China Gains and the shareholder's loan in the sum of HK$10,944,501.95 due from Great China Gains to Mr. Lam at the total consideration of HK$71,659,711, which shall be deemed to be a debt of an equivalent amount due and owing by our Company to Mr. Lam on terms that it shall be interest free, unsecured and repayable in cash on demand ("**Debt B**", together with Debt A, the "**Debts**");

(l) a set-off agreement dated 25 October 2016 and made between Mr. Lam and our Company whereby, the parties agreed that the Debts be set-off *pro tanto* against the indebtedness in the sum of HK$75,475,497 due from Mr. Lam to our Company and after such set-off, our Company acknowledged that it was indebted to Mr. Lam in the sum of HK$58,361,955, which shall be interest free, unsecured and repayable in cash on demand and that the foregoing transactions shall be deemed to take effect on 29 July 2016;

(m) a deed dated 15 November 2017 and made between our Company and our Controlling Shareholders whereby, our Controlling Shareholders gave certain representations, warranties, undertakings and indemnity to our Company in respect of, among other things, the business and assets of our Company and its subsidiaries;

(n) the Deed of Indemnity dated 15 November 2017 executed by Mr. Lam and First Tech in favour of our Company (for itself and as trustee for each of our subsidiaries from time to time) regarding certain indemnities as more particularly set out in the sub-section headed "*E. Other Information — 1. Indemnity*" in this appendix;

(o) the Deed of Non-competition dated 15 November 2017 executed by Mr. Lam and First Tech in favour of our Company (for itself and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the section headed "Relationship with our Controlling Shareholders" in this prospectus; and

(p) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group has registered the following series of trade mark in Hong Kong under the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong):

Trade Mark	Class Numbers *(Note)*	Trademark Number	Registered Owner	Expiry Date
A B	16,35,41,42	303822372	The Company	28 June 2026

Note:

Class 16

Books; paper and paper articles, cardboard and cardboard articles; printed matter; journals; publications; book-binding material; reference books; newspapers, periodicals and magazines; photographs; stationery, adhesive materials (stationery); artists' materials; paint brushes; instructional and teaching material (other than apparatus); all included in Class 16.

Class 35

Retailing and wholesaling of paper, cardboard and goods made of these materials, printed matter, photographs, stationery, printer's materials, print brushes, books, magazines, notebooks, maps, reading lamps, globes, playing cards, games and playthings, computer programs and computer games, records, cassettes, compact discs, video cassettes, digital video discs, video compact discs, musical recordings, sheet musics, and food and beverages; all included in Class 35.

Class 41

Book publishing services, newspapers and magazine publishing services; providing of training, entertainment and cultural activities, organisation of exhibitions for educational, cultural and entertainment purposes; organising and providing competitions and contests for educational purposes; all included in Class 41.

Class 42

Computer services; computer programming services; leasing, rental and hire of computer hardware, databases, computer software and computer programs; consultation services in the field of computers, computer software, and computer programming; leasing of access time to computer databases; updating of information on computer databases; writing, design and development of computer software; consultation and advisory services relating to the aforesaid; all included in Class 42.

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain Name	Registered Owner	Expiry Date
prosperous-printing-group.com.hk	Our Company	22 September 2018
printp.com	Our Company	19 March 2018

Save as aforesaid, there are no other trademarks, patents or other intellectual or industrial property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Share Offer (but without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), our Directors will have the following interests and/or short positions in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, will be required to be notified to our Company and the Stock Exchange once the Shares are listed:

(i) Interests in our Company

Name of Director	Capacity	Number of Shares (*Note 1*)	Percentage of interest in our Company
Mr. Lam (*Note 2*)	Interest of controlled corporation	480,000,000 (L)	60%
Ms. Yao (*Note 3*)	Interest of spouse	480,000,000 (L)	60%

Notes:

1. The letter "L" denotes the person's long positions in the Shares.

2. These 480,000,000 Shares are held by First Tech, which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 480,000,000 Shares under the SFO upon the Listing.

3. Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.

Mr. Ong Chor Wei, our non-executive Director, is also a director of a Singapore listed company, Net Pacific Financial Holdings Limited. According to the annual report of Net Pacific Financial Holdings Limited dated 31 March 2017, Mr. Ong Chor Wei is deemed to be interested in the shares held by Quad Sky Limited by virtue of him owning 100% of the equity interest in Head Quator Limited which in turn owns 50% of the equity interest in Quad Sky Limited, which owns approximately 10.22% of the issued share capital of Net Pacific Financial Holdings Limited. Together with the 0.60% of the issued share capital of Net Pacific Financial Holdings Limited directly owned by him, Mr. Ong Chor Wei has an approximately 10.82% deemed interest in the issued share capital of Net Pacific Financial Holdings Limited. Net Pacific Financial Holdings Limited wholly-owns Net Pacific Finance Group Limited.

Net Pacific Finance Group Limited has subscribed for 10,000,000 class A shares in Fine Time. Holders of class A shares in Fine Time do not have voting rights at general meetings of Fine Time but all shareholders of Fine Time share the profits and risks of Fine Time according to their respective total contribution in debt and equity to Fine Time. As Net Pacific Finance Group Limited contributed HK$10,000,000 out of the total debt and equity contribution received by Fine Time of HK$22,000,000, Net Pacific Finance Group Limited holds 45.4% of the economic interest in Fine Time. However, Net Pacific Finance Group Limited does not hold any voting rights in Fine Time and accordingly, Net Pacific Finance Group Limited is not the controlling shareholder of Fine Time.

(ii) Interests in associated corporation of our Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of shareholding interest
Mr. Lam	First Tech	Beneficial owner	50,000	100%

Save as disclosed above, immediately following completion of the Share Offer (but without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), none of our Directors will have any interests and/or short position in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

(b) Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to our Directors, immediately following the completion of the Share Offer (but without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the total number of issued Shares of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name of substantial shareholder	**Capacity**	**Number of Shares** ***(Note 1)***	**Percentage of interest in our Company**
First Tech *(Note 2)*	Beneficial owner	480,000,000 (L)	60%
Fine Time *(Note 3)*	Beneficial owner	120,000,000 (L)	15%

Notes:

1. The letter "L" denotes the person's long positions in the Shares.
2. First Tech is a company incorporated in the BVI which is wholly and beneficially owned by Mr. Lam, an executive Director.
3. For information regarding the shareholding structure of Fine Time, please refer to the sub-section headed "*History, Reorganisation and Corporate Structure — Pre-IPO Investment — Information regarding Fine Time*" in this prospectus.

Save as disclosed above, so far as is known to our Directors, immediately following completion of the Share Offer (but without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), there are no other person (not being a Director or chief executive of our Company) who will have an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the voting power at general meetings or any other members of our Group.

2. Particulars of service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company for an initial fixed term of 2 years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each executive Director is entitled to an annual salary which is subject to an annual increment at the discretion of our Board provided that it shall not exceed 10% per annum of the amount of such salary paid during the previous twelve-month period. The aggregate annual salaries of our executive Directors amount to approximately HK$3.08 million. In addition, each executive Director is also entitled to a discretionary bonus of such amount based on our Group's performance and his/her individual performance. Each executive Director shall not vote and shall not be counted in the quorum in respect of any resolution of our Directors regarding the amount of the increment or discretionary bonus payable to him/her. The appointment of each executive Director is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles. Each of our Directors will also be reimbursed for all reasonable out-of-pocket expenses properly recurred by him/her in the performance of his/her duties as a Director.

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term of two years commencing from the Listing Date with an annual salary of HK$120,000 or pro-rate amount for any incomplete year. The appointment of each independent non-executive Director is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

3. Directors' remuneration

Remuneration and benefits in kind of approximately HK$3.19 million and HK$2.14 million in aggregate were paid and granted by our Group to our Directors for the year ended 31 December 2016 and the five months ended 31 May 2017.

Under the arrangements currently in force, we estimate the aggregate remuneration, including fees, salaries, retirement scheme contributions, allowances and benefits in kind but excluding the discretionary bonuses, of our Directors for the year ending 31 December 2017 to be approximately HK$3.49 million.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to our Group.

4. Directors' competing interests

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this prospectus,

(a) none of our Directors or chief executive of our Company has any interest and/or short position in the shares, underlying shares, listed or unlisted derivatives of or debentures of our Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are 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 entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, will be required to be notified to our Company and the Stock Exchange once the Shares are listed;

(b) 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 our Directors and any member of our Group;

(c) none of our Directors or the experts named in the sub-section headed "— *E. Other information — 7. Qualifications of experts*'' of this section has any direct or indirect interest in the promotion of, 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 member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors or the experts named in the sub-section headed "— *E. Other information — 7. Qualifications of experts*" of this section is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(e) and taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme and any Shares which may be taken up under the Share Offer, our Directors are not aware of any person who immediately following the completion of the Share Offer will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the total number of issued Shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group; and

(f) none of the experts named in the sub-section headed "— *E. Other information — 7. Qualifications of experts*" of this section has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group or is an officer or servant or in employment of an officer or servant of our Group.

D. SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the written resolutions of all our Shareholders passed on 15 November 2017:

1. Purpose of the Share Option Scheme

(a) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Persons (as defined below) had made or may make to our Group.

(b) The Share Option Scheme will provide the Eligible Persons with an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Persons whose contributions are or will be beneficial to the long term growth of our Group.

(c) For the purpose of the Share Option Scheme, "Eligible Person" means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis for determining eligibility

(a) Our Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or a company in which our Group holds an interest or a subsidiary of such company ("**Affiliate**"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

(b) In order for a person to satisfy our Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Person, such person shall provide all such information as our Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).

(c) Each grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved in accordance with the requirements of the GEM Listing Rules.

(d) Should our Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed.

3. Grant of options

(a) On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time on a Business Day within 10 years commencing on the effective date of the Share Option Scheme to offer the grant of an option to any Eligible Person as our Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be deemed accepted when our Company receives the letter containing the offer of the grant of an option duly signed by the grantee together with a non-refundable payment of HK$1 (or such other sum in any currency as our Board may determine).

(b) Subject to the provisions of the Share Option Scheme, the GEM Listing Rules and other applicable rules and regulations, our Board may, on a case-by-case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):

(i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where our Board resolves that the grantee fails/has failed or otherwise is or has been unable to meet the continuing eligibility criteria, any outstanding option (to the extent not already exercised) shall lapse;

(ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent not already exercised) shall lapse unless otherwise resolved to the contrary by our Board;

(iii) in the event that the Eligible Person is a corporation, that any material change of the management and/or shareholding of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;

(iv) in the event that the Eligible Person is a trust, that any material change of the beneficiary of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;

(v) in the event that the Eligible Person is a discretionary trust, that any material change of the discretionary objects of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;

(vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets;

(vii) if applicable, the satisfactory performance of certain obligations by the grantee.

(c) Our Board shall not offer the grant of an option to any Eligible Person:

(i) after inside information (as defined under the GEM Listing Rules) has come to its knowledge until it has been announced pursuant to the relevant requirements of the GEM Listing Rules; or

(ii) during the period commencing one month immediately preceding the earlier of:

(1) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and

(2) the deadline for our Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules)

and ending on the date of the results announcement.

The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(d) Any grant of options to a Director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (but excluding, for all purposes, any independent non-executive Director who is a proposed grantee). Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by the Shareholders. Our Company must send a circular to its shareholders. The proposed grantee, his/her/its associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

4. Exercise price of Shares

The exercise price for any Share under the Share Option Scheme shall be a price determined by our Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a Business Day, and (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant option. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10.

5. Maximum number of Shares

(a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under any scheme of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.

(b) The total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other share option schemes must not, in aggregate, exceed 10% of the issued share capital of our Company as at the date of listing of the Shares, being 80,000,000 Shares (assuming the Offer Size Adjustment Option is not exercised at all) (the "**Scheme Mandate Limit**") unless shareholders' approval has been obtained pursuant to sub-paragraph (d) below.

(c) The Scheme Mandate Limit may be refreshed by shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so refreshed must not exceed 10% of the issued share capital of our Company as at the date of the approval of the refreshment by the shareholders of our Company. Upon any such refreshment, all options granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of our Company and exercised options) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to the shareholders of our Company containing such information from time to time required by the GEM Listing Rules in connection with the general meeting at which their approval is sought.

(d) Our Board may seek separate shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and our Company must issue a circular to the shareholders of our Company containing such information from time to time required by the GEM Listing Rules in relation to any such proposed grant to such Eligible Persons.

(e) No option may be granted to any Eligible Person which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Person under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of our Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the GEM Listing Rules.

(f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as the auditors of our Company or the independent financial adviser of our Company shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. Time of exercise of option

(a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option.

(b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, our Board may, on a case-by-case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion.

7. Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option, failing which the option (to the extent it has not already been exercised) shall lapse.

8. Rights on ceasing to be an Eligible Person

Where an option was granted subject to certain continuing conditions, restrictions or limitations on the grantee's eligibility and our Board resolves that the grantee has failed or otherwise is or has been unable to meet such continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse.

9. Rights on death/ceasing employment

(a) If the grantee (being an individual) dies before exercising the option in full, his/her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not exercised) within a period of 12 months following his/her death or such longer period as our Board may determine.

(b) Subject to sub-paragraphs (iii) and (iv), if the grantee who is an employee ceases to be an employee for any reason other than his/her death or the termination of his/her employment on one or more of the following grounds that:

(i) he/she has been guilty of serious misconduct; or

(ii) he/she becomes insolvent or is unable or has no reasonable prospects of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally; or

(iii) he/she has been convicted of any criminal offence involving his/her integrity or honesty, the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.

(c) If the grantee is an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate at the time of the grant of the relevant option(s) and his/her employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, advisor of or contractor to our Group or its Affiliate and not exercised) within 6 months following such cessation or such longer period as our Board may determine.

(d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as our Board may determine.

(e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of our Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his/her becoming a director of our Group or its Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless our Board shall determine to the contrary.

(f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate but not an employee, ceasing to be a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate (as the case may be) for any reason other than his/her death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of our Group or its Affiliate), the option(s) (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as our Board may determine.

10. Effects of alterations to capital

In the event of any alteration in the capital structure of our Company while an option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number of Shares which are the subject of unexercised options, the exercise price and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event and, unless with the prior approval of our Company's shareholders in general meeting, no such adjustments may be made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

11. Rights on a takeover

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

12. Rights on a scheme of arrangement

In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

13. Rights on a voluntary winding up

In the event notice is given by our Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two Business Days (excluding any period(s) of closure of our Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

14. Rights attaching to Shares upon exercise of an option

Shares issued and allotted upon the valid exercise of an option will rank *pari passu* in all respects with the other Shares of the same class in issue at the date of allotment.

15. Lapse of options

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

(a) the expiry of the option period;

(b) the expiry of any of periods referred to in paragraph 9;

(c) the date of commencement of the winding-up of our Company;

(d) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;

(e) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or has become insolvent or is unable or has no reasonable prospects of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty;

(f) the happening of any of the following events, unless otherwise waived by our Board:

(i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);

(ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any similar provisions under the Companies Ordinance) or otherwise become insolvent;

(iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;

(v) a bankruptcy order has been made against the grantee or any Director of the grantee (being a corporation) in any jurisdiction; or

(vi) a petition for bankruptcy has been presented against the grantee or any Director of the grantee (being a corporation) in any jurisdiction;

(g) the date on which a situation as contemplated under paragraph 7 arises;

(h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by our Board; or

(i) the date on which our Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. Cancellation of options granted

Our Board shall have the absolute discretion to cancel any options granted at any time at the request of the grantee provided where an option is cancelled and a new option can only be proposed to be granted to the same grantee if there are available unissued options (excluding all the cancelled options) within the limits referred to in paragraph 5.

17. Period of the Share Option Scheme

Options may be granted to Eligible Persons under the Share Option Scheme during the period of 10 years commencing on the effective date of the Share Option Scheme.

18. Alteration to Share Option Scheme and termination

(a) The Share Option Scheme may be altered in any respect by a resolution of our Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of our Company in general meeting.

(b) Any alteration to the terms and conditions of the Share Option Scheme which is of a material nature or any change to the terms of the options granted, must be approved by the shareholders of our Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(c) Our Company by ordinary resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

19. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (a) shareholders' approval; and (b) the Listing Division granting approval of the listing of and permission to deal in any Shares which may be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

20. Administration of the Share Option Scheme

The Share Option Scheme shall be administered by our Board whose decision (save otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no options have been granted by our Company under the Share Option Scheme.

Application has been made to the Listing Division for the listing of, and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Indemnity

The Controlling Shareholders (together, the "**Indemnifiers**") have entered into the Deed of Indemnity to provide the following indemnities in favour of our Company (for itself and as trustee for each of the subsidiaries of our Company).

Under the Deed of Indemnity, the Indemnifiers will jointly and severally indemnify each member of our Group against:

(a) taxation, together with all reasonable costs, expenses or other liabilities which any member of our Group may incur in connection with (i) the investigation, assessment, contesting or settlement of any taxation claim under the Deed of Indemnity; (ii) any legal proceeding in relation to taxation claim in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or (iii) the enforcement of any such settlement or judgment falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into or occurring on or before the date on which the conditions set out in the section headed "*Structure and Conditions of the Share Offer — Conditions of the Share Offer*" in this prospectus being fulfilled (the "**Effective Date**");

(b) any liability for Hong Kong estate duty which might be incurred by any member of our Group and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Effective Date;

(c) all damages, losses, claims, fines, penalties, charges, fees, costs, interests, expenses and any other liabilities which the Group may sustain, suffer, incur or be imposed by any regulatory authority or court in Hong Kong, the PRC or any applicable jurisdiction as a result of any violation or non-compliance by any member of the Group with any applicable law, rule or regulation on all matters subsisting prior to the Effective Date;

(d) any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by the Group in relation to those outstanding or unsettled legal and arbitration proceedings, investigations, prosecutions and/or claims including but not limited to those as more particularly described in the section headed "*Business — Legal proceedings*" in this prospectus, to the extent that such costs (including legal costs, which shall be indemnified at the time incurred), expenses, losses and/or other liabilities is/are resulting from or by reference to any event or circumstances occurred on or before the Effective Date (which, for the avoidance of doubt, including any claims which may be filed after the Effective Date) whether alone or in conjunction with any circumstances whenever occurring exceed the relevant amounts of provisions made by our Company in its audited accounts for the three years ended 31 December 2016 and the five months ended 31 May 2017 are not otherwise indemnified by any other parties under any contractual obligations; and

(e) all damages, losses, claims, fines, penalties, charges, fees costs, interests, expenses and any other liabilities which the Group may sustain, suffer and incur arising from or in connection with the title defects of the properties owned by any member of the Group or any lease entered into by any member of the Group (either due to non-registration of the lease agreements or any other reasons) in any jurisdiction which were occurred on or before the Effective Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that:

(a) allowance, provision or reserve has been made for taxation in the audited accounts of our Group for the three years ended 31 December 2016 and the five months ended 31 May 2017;

(b) taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any introduction of new legislation or any retrospective change in law or the interpretation or practice by the relevant tax authority coming into force after the Effective Date or taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect;

(c) any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business on or before the Effective Date;

(d) taxation or liability would not have arisen but for any act or omission by any member of our Group voluntarily effected without the consent of the Indemnifiers and otherwise than in the ordinary course of business on or before the Effective Date;

(e) any allowance or provision or reserve made for taxation in the audited accounts of our Group for the three years ended 31 December 2016 and the five months ended 31 May 2017, respectively, which is finally established to be an over-allowance or over-provision or an excessive reserve provided that the amount of any such allowance or provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter;

(f) taxation claim arises or is incurred as a consequence of a change in any accounting policy or practice adopted by any other member of our Group after the Effective Date; or

(g) our Company and/or any member of our Group shall have admitted liability in respect of the circumstances giving rise to the claim for taxation after the Effective Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in Hong Kong, BVI and the PRC.

2. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed "*Business — Litigation*" in this prospectus, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including any Shares that may be falling to be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme.

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sponsor will receive a fee of HK$5.1 million for acting as the sponsor for the Listing.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company will appoint Kingsway Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the date of listing of our Company and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

5. Preliminary expenses

The estimated preliminary expenses of our Company are approximately HK$3,000 and are payable by our Company.

6. Promoter

Our Company does not have any promoter.

7. Qualifications of experts

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus (the "**Experts**"):

Name	Qualification
Kingsway Capital Limited	A licensed corporation for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Crowe Horwath (HK) CPA Limited	Certified public accountants
GFE Law Office	Legal advisers on the PRC law
Greater China Appraisal Limited	Property valuer
Frost & Sullivan Limited	Independent market research consultant
Hogan Lovells	Legal advisers as to International Sanctions
Shenzhen Zhong Ziqi Certified Tax Agents (General Partnership) (深圳市中諮旗稅務師事務所（普通合夥）)	Independent adviser to advise on our Group's transfer pricing policies in the context of the relevant PRC tax laws and regulations on transfer pricing
Crowe Horwath Tax Services (HK) Limited	Independent adviser to advise on our Group's transfer pricing policies in the context of the relevant Hong Kong tax laws and regulations on transfer pricing
Kidd Rapinet LLP	Legal advisers as to English law
DibbsBarker	Legal advisers as to Australian law
Stamoulis & Weinblatt LLC	Legal advisers as to U.S. law
HLB Hodgson Impey Cheng Risk Advisory Services Limited	Internal control consultant
Osborne Clarke SELAS	Legal advisers as to French law
Kinstellar s.r.o. Bratislava	Legal advisers as to Slovakian law
Montgomery & Associados	Legal advisers as to Brazilian law
Vincent T.K. Cheung, Yap & Co.	Legal advisers as to Hong Kong law

8. Consents of Experts

The Experts have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

9. 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 (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) since 31 May 2017 (being the date on which the latest audited consolidated financial statements of the Group was made up) and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus;

(iii) none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company; and

(iv) our Company has no outstanding convertible debt securities or debentures.

(c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

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

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to in "*Appendix V — Statutory and General Information — E. Other information — 8. Consents of experts*" in this prospectus, and copies of the material contracts referred to in "*Appendix V — Statutory and General Information — B. Further information about our Business — 1. Summary of material contracts*" in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Vincent T.K. Cheung, Yap & Co. at 11th Floor, Central Building, 1-3 Pedder Street, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report on our Group dated 29 November 2017 prepared by Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the accountants' report on unaudited pro forma financial information issued by Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the three years ended 31 December 2016 and the five months ended 31 May 2017;

(e) the letter dated the date of this prospectus and valuation certificate relating to the property interests of our Group prepared by Greater China Appraisal Limited, the text of which is set out in Appendix III to this prospectus;

(f) the PRC legal opinion dated the date of this prospectus issued by our PRC Legal Advisers in respect of certain aspects of our Group and our property interests in the PRC;

(g) the service agreements and letters of appointment referred to in "*Appendix V — Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 2. Particulars of service agreements and letters of appointment*" in this prospectus;

(h) the rules of the Share Option Scheme referred to in "*Appendix V — Statutory and General Information — D. Share Option Scheme*" in this prospectus;

(i) the material contracts referred to in "*Appendix V — Statutory and General Information — B. Further information about our Business — 1. Summary of material contracts*" in this prospectus;

(j) the written consents referred to in "*Appendix V — Statutory and General Information — E. Other information — 8. Consents of experts*" in this prospectus;

(k) the Frost & Sullivan Report;

(l) the internal control review report issued by HLB Hodgson Impey Cheng Risk Advisory Services Limited;

(m) the international sanctions memorandum of advice dated the date of this prospectus issued by Hogan Lovells with respect to the sales and delivery of our Group's products to locations in Russia in the context of International Sanctions;

(n) the tax analysis reports dated the date of this prospectus issued by the PRC Transfer Pricing Adviser with respect to its review of certain of our intra-Group transactions during the Track Record Period and our Group's transfer pricing policies in the context of the relevant PRC tax laws and regulations on transfer pricing;

(o) the tax advice memo dated the date of this prospectus issued by the HK Transfer Pricing Adviser with respect to its review of our intra-Group transactions during the Track Record Period in the context of the relevant Hong Kong tax laws and regulations on transfer pricing;

(p) the legal opinion dated the date of this prospectus issued by Kidd Rapinet LLP regarding applicable laws and regulations in relation to the importation of printed products into the United Kingdom;

(q) the legal opinion dated the date of this prospectus issued by DibbsBarker regarding applicable laws and regulations in relation to the importation of printed products into Australia;

(r) the legal opinion dated the date of this prospectus issued by Stamoulis & Weinblatt LLC regarding applicable laws and regulations in relation to the importation of printed products into the United States;

(s) the written advice issued by Osborne Clarke SELAS regarding our legal proceeding in France;

(t) the written advice issued by Kinstellar s.r.o. Bratislava regarding our legal proceeding in Slovakia;

(u) the written advice issued by Montgomery & Associados regarding our legal proceeding in Brazil; and

(v) the legal opinion issued by our Hong Kong Legal advisers regarding, among other things, certain disclosures in this prospectus.

Prosperous Printing Company Limited
萬里印刷有限公司