

LINOCRAFT

東駿控股有限公司
HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8383

SHARE OFFER

Sponsor

AmCap

Ample Capital Limited
豐盛融資有限公司

Sole Global Coordinator,
Bookrunner and Lead Manager

AmCap

Ample Orient Capital Limited
豐盛東方資本有限公司

IMPORTANT

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

Linocraft Holdings Limited

東駿控股有限公司

(Incorporated in the Cayman Islands 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 Offer Size Adjustment Option)
Number of Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.40 per Offer Share and expected to be not less than HK\$0.25 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 8383

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豐盛東方資本有限公司

Co-lead managers

Co-manager



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 section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date which is expected to be on or around Thursday, 7 September 2017 or such later date as may be agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Monday, 11 September 2017, the Share Offer will not become unconditional and will lapse immediately.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.linocraftprinters.com not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus.

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

The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — 2. Underwriting Arrangements and Expenses — 2.1 Public Offer — Grounds for termination" in this prospectus.

31 August 2017

CHARACTERISTICS OF GEM

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 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 Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, our Company will issue an announcement to be posted on the websites of the Stock Exchange at www.hkexnews.hk and of our Company at www.linocraftprinters.com.

2017⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽²⁾	11:30 a.m. on Wednesday, 6 September
Application lists of the Public Offer open ⁽³⁾	11:45 a.m. on Wednesday, 6 September
Latest time to lodge WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, 6 September
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 6 September
Application lists of the Public Offer close ⁽³⁾	12:00 noon on Wednesday, 6 September
Expected Price Determination Date ⁽⁵⁾	Thursday, 7 September
Announcement of the Offer Price, the indication of levels of interest in the Placing, the level of applications in the Public Offer, the basis of allotment of the Public Offer Shares, and the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published (a) on the website of our Company at www.linocraftprinters.com ⁽⁶⁾ ; and (b) on the website of the Stock Exchange at www.hkexnews.hk on or before	Thursday, 14 September
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	Thursday, 14 September
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 ⁽⁷⁾	Thursday, 14 September

EXPECTED TIMETABLE

2017⁽¹⁾

Despatch/collection of **HK eIPO White Form** e-Auto Refund
payment instructions/refund cheques in respect of wholly or
partially successful applications if the Offer Price is less than
the price payable on application (if applicable) or wholly or
partially unsuccessful applications pursuant to
the Public Offer on or before⁽⁸⁾ Thursday, 14 September

Dealings in Shares on GEM to commence at 9:00 a.m. on Friday, 15 September

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and of our Company at www.linocraftprinters.com.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 September 2017, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for Public Offer Shares” in this prospectus. If the application lists do not open and close on Wednesday, 6 September 2017, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Public Offer Shares” in this prospectus.
5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Thursday, 7 September 2017 and in any event, not later than Monday, 11 September 2017. If, for any reason, the Offer Price is not agreed by Monday, 11 September 2017 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Share Offer (including the Public Offer) will not proceed and will lapse.
6. None of the information contained on any website forms part of this prospectus.
7. Applicants who apply for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms and have provided all information required by their Application Forms may collect share certificates (if applicable) and refund cheques (if applicable) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Thursday, 14 September 2017 or any other date as notified by us.

Applicants being individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Applicants being corporations which opt for personal collection must attend by sending their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

EXPECTED TIMETABLE

Applicants who apply for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all required information may collect their refund cheques, if any, in person but may not elect to collect their share certificates personally, which will be deposited into CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates and refund cheques, if any, will be despatched by ordinary post to the addresses specified in the relevant Application Form at the applicants' own risk. Further information is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

Share certificates are expected to be issued on Thursday, 14 September 2017 but will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

Applicants who apply through **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

CONTENTS

You should rely only on the information contained in this prospectus to make your investment decision.

Our Company, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager 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 Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Underwriters, and any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer.

The contents on the website at www.linocraftprinters.com which is the official website of our Company do not form part of this prospectus.

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SUMMARY

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 investment in companies listed on GEM. 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.

1. BUSINESS OVERVIEW

Founded in Malaysia, our Group is a well-established offset printing and packaging solutions provider with 45 years of history. According to the Ipsos Report, our Group was the third largest paper packaging printer, with a market share of 2.3% in terms of reported revenue in the paper printing and packaging industry in Malaysia in 2016. A majority of our revenue is currently generated in Malaysia, and less than 10% is from Singapore. Going forward, we expect the revenue contribution from our operations in the Philippines to increase. We have around 500 staff to support our operations in Malaysia and the Philippines. Our Group invests in technology to improve in productivity and product quality. Therefore, our Directors believe that we have the experience and expertise in providing high quality products. Our Group’s revenue by types of products is presented as follows:

Types of products	Year ended 31 August 2015			Year ended 31 August 2016			Nine months ended 31 May 2017		
	RM’ million	HK\$ million ⁽¹⁾	%	RM’ million	HK\$ million ⁽¹⁾	%	RM’ million	HK\$ million ⁽¹⁾	%
Packaging	59.8	107.7	67.7	60.0	108.0	59.4	54.1	97.3	59.5
Instruction manuals	14.1	25.4	16.0	21.9	39.4	21.6	19.6	35.4	21.6
Inserts	13.5	24.3	15.2	18.3	32.9	18.1	16.6	29.9	18.3
Labels	1.0	1.8	1.1	0.9	1.7	0.9	0.6	1.1	0.6
Total	88.4	159.2	100.0	101.1	182.0	100.0	90.9	163.7	100.0

Note 1: The figures represented in HK\$ are based on exchange rate of RM1.00 = HK\$1.80.

Our Group acquired the first KBA Rapida 185 offset printing press in Southeast Asia that is capable of printing VLF/VVLF packaging of high quality within a short turnaround time. With such ability, our Group targets the niche market segment, namely VLF/VVLF printing. According to the Ipsos Report, our Group is among a few suppliers in Malaysia to offer VLF/VVLF printing for customers.

The targeted customers which require our Group’s high quality products are mainly international brand owners including Company D, a UK-based technology group and Customer 5, a US-based audio technology company.

Our product development team designs packaging that are suitable for our customers’ products. We have invested in an industrial cutting machine that can create a prototype for customers to visualise how the end product would look like. From the development of packaging design to mass production until the delivery of finished goods, we work closely with our customers in order to understand their requirements and provide them with efficient value-added services that best suit their needs.

SUMMARY

During the Track Record Period, our Group's average selling price, quantity sold, gross profit margin, and profit contribution by product types are presented as follows:

For the year ended 31 August 2015

<u>Types of products</u>	<u>Average selling price</u>	<u>Quantity sold (pieces)</u>	<u>Turnover</u>	<u>Gross profit margin</u>	<u>Gross profit</u>	<u>Gross profit contribution</u>
	RM	Million	RM'million	%	RM'million	%
Packaging	1.58	37.9	59.8	11.9	7.1	58.1
Instruction manuals	0.63	22.6	14.1	18.2	2.6	21.1
Inserts	0.48	28.1	13.5	16.9	2.2	18.6
Labels	0.04	22.9	1.0	26.6	0.3	2.2
Total	0.79	111.5	88.4	13.8	12.2	100.0

For the year ended 31 August 2016

<u>Types of products</u>	<u>Average selling price</u>	<u>Quantity sold (pieces)</u>	<u>Turnover</u>	<u>Gross profit margin</u>	<u>Gross profit</u>	<u>Gross profit contribution</u>
	RM	Million	RM'million	%	RM'million	%
Packaging	1.94	31.0	60.0	18.8	11.3	50.6
Instruction manuals	0.73	30.0	21.9	28.3	6.2	27.9
Inserts	0.54	33.7	18.3	24.8	4.5	20.4
Labels	0.06	15.4	0.9	25.0	0.2	1.1
Total	0.92	110.1	101.1	22.0	22.2	100.0

For the nine months ended 31 May 2017

<u>Types of products</u>	<u>Average selling price</u>	<u>Quantity sold (pieces)</u>	<u>Turnover</u>	<u>Gross profit margin</u>	<u>Gross profit</u>	<u>Gross profit contribution</u>
	RM	Million	RM'million	%	RM'million	%
Packaging	2.37	22.8	54.1	9.1	4.9	34.0
Instruction manuals	0.68	26.4	19.6	24.1	4.7	32.8
Inserts	0.45	37.2	16.6	28.2	4.7	32.6
Labels	0.07	9.1	0.6	13.9	0.1	0.6
Total	0.93	95.5	90.9	15.9	14.4	100.0

2. COMPETITIVE STRENGTHS

Our Directors believe that the key competitive strengths of our Group are:

- (i) we offer a wide range of offset printing and packaging products, enabling us to be a partner of choice for customers with packaging needs;
- (ii) we emphasise on quality and reliable services, and have built up an established reputation in the industry;
- (iii) we invest in and deploy new technology to achieve efficiency; and
- (iv) our strategic location allows for shortest possible delivery lead time to our customers.

Please refer to paragraph 2 of the section headed "Business" in this prospectus for more details.

SUMMARY

3. BUSINESS STRATEGIES

Our Group aims to strengthen our position as an integrated offset printing and packaging solutions provider in Southeast Asia. To achieve this, our Group intends to focus on the following strategies:

- (i) diversified customer industry — continue to expand business in other industries such as FMCG, medical and cosmetics, and food and beverage;
- (ii) product line expansion — develop new products/services to increase revenue stream; and
- (iii) geographical expansion — gain access to new markets.

Please refer to paragraph 3 of the section headed “Business” in this prospectus for more details.

4. RELIANCE ON COMPANY D

During the Track Record Period, approximately 74% to 81% of our Group’s revenue was attributable to contract manufacturers of our largest end customer, Company D. Company D is a UK-based technology group that owns, designs and sells premium, iconic and innovative consumer electrical appliances. We service Company D indirectly through providing packaging products to its contract manufacturers since 2004. Apart from the business relationship through its contract manufacturers, our Group does not have any other business dealings with Company D.

Our Group’s revenue attributable to the contract manufacturers of Company D in aggregate was approximately RM65.7 million, RM81.9 million, RM73.5 million respectively for the two years ended 31 August 2016 and the nine months ended 31 May 2017. Our Directors estimate that the forecasted revenue attributable to Company D for the two years ending 31 August 2018 will be approximately RM103.0 million and RM120.0 million respectively. The forecasted revenue for the year ending 31 August 2018 is based on (i) the estimated revenue indicated in the MOU with an estimated increase of 18% based on the actual turnover attributable to Company D in the six months ended 30 June 2017 compared to the pro-rated amount as stated in the MOU; and (ii) the estimated revenue based on the minimum order quantity stated in the Philippine MOU. Our gross profit attributable to the contract manufacturers of Company D in aggregate was approximately RM9.1 million, RM18.3 million and RM11.7 million for the two years ended 31 August 2016 and the nine months ended 31 May 2017, respectively. The gross profit margins of our Group’s products sold to Company D were comparable to those sold to other customers.

To become Company D’s strategic partner for packaging products, a supplier is required to go through Company D’s stringent evaluation process which includes fulfilling prescribed audit requirements pertaining to various aspects of print-production. Our Directors believe that the stable relationship with Company D is mainly due to our Group’s reputation in the printing and packaging industry, our range of products offered, cost saving solutions and our ability to meet their stringent requirements as well as our service quality. To the best knowledge of our Directors after due and careful enquiries, it is estimated that our Group accounted for approximately 80% of Company D’s total spending on packaging in 2015 and 2016.

According to the MOU signed between Company D and our Group for our Malaysia operations, Company D has agreed on a yearly procurement commitment from 2016 to 2018. In addition, we have signed another MOU, the Philippine MOU, for our Philippine operations with Company D, where a yearly minimum order quantity was agreed from 2017 to 2019. Company D will offer to appoint our Group as an exclusive supplier for a period of two years from 1 March 2018 for its requirements in the Philippines upon a satisfactory review and evaluation of Production Plant 2 by Company D. Please refer to paragraph 3.3 of the section headed “Business” in this prospectus for more details.

SUMMARY

Apart from the business from Company D, our Group has adopted a diversification strategy to expand our customer base into different industries such as food and beverage, medical and cosmetics, electronic and electrical, and FMCG. Our Group also diversifies through geographical and product expansion to reach out to new customers for business. Please refer to paragraphs 3.1 to 3.3, and paragraph 7.5 of the section headed “Business” in this prospectus for more details.

5. PRODUCTS

(i) Packaging

Packaging accounts for our largest business segment during the Track Record Period. Packaging includes the manufacturing of packaging boxes and rigid boxes. Our packaging boxes and rigid boxes are produced with multi-colour sheetfed offset printed materials and manufactured using technologically advanced machines and colour management system of international standards such as Ugra/Fogra Media Wedge CMYK V3.0 to match the requirements of our customers. Our Group also provides product development services to customers who require packaging design for their products.

(ii) Instruction manuals

The production of instruction manuals is the second largest segment of our Group’s business. Our Group also provides kitting services by packing related printed materials to be grouped together with instruction manuals into a package. This service provides convenience to our customers by enabling them to liaise with one single party for their packaging needs.

(iii) Inserts

The production of inserts is our third largest business segment. Inserts are protective packaging used inside boxes to partition and protect products from damage. It is used to keep the products and accessories in position so that they will be neatly presented to the end consumers. Our Group is involved in designing and die-cutting of corrugated boards into desired shapes to fit and protect the customers’ products in the packaging boxes.

(iv) Labels

The production of paper-based labels is a small segment of our Group’s business, primarily for food and beverage sector. Such labels are mainly used for branding of canned/ bottled products. The printing of labels has become a smaller business segment of our Group due to our Group’s expansion into other business segments.

6. PRODUCTION

Our production plant located in Johor, Malaysia is ISO certified. The 217,800 square feet facility houses multiple production lines for our different types of products.

We have our own production machines including printing presses, die-cutting machines, bindery equipment, laminators, gluing and nailing machines as well as rigid box machines with an aggregate total cost and net book value of approximately RM63.8 million and RM26.3 million, respectively as at 31 May 2017.

Depending on complexity of the design, order quantity and customers’ special requirements, the time required for production and to deliver our products to our customers may vary. Therefore, the time span required for the entire production process ranges from few days to few months.

SUMMARY

The table below sets out information about the estimated average utilisation rate of our major printing presses during the Track Record Period:

	<u>Year ended 31 August 2015⁽¹⁾</u>	<u>Year ended 31 August 2016⁽¹⁾</u>	<u>Nine months ended 31 May 2017⁽¹⁾</u>
6-colour printing presses	66.4%	78.0%	80.6%
5-colour printing presses	63.5%	82.3%	74.0%
1 to 2-colour printing presses	45.4%	58.2%	66.5%

Note 1: It is for illustration only. Calculation of the estimated average utilisation rate is based on the actual bulk printing time of the relevant period divided by the maximum machine operation hours of the relevant period.

The maximum machine operation hours is the maximum working hours less machine service time and make ready time such as time required for changing, mounting and adjusting the printing plates on the printing presses, and for colour adjustment, before bulk printing. The maximum working hours calculated by “maximum working hours per day” x “production days per period”. We assume the maximum working hours is 21 hours per day. Production days are 365 days for each of the two years ended 31 August 2016 and 273 days for the nine months ended 31 May 2017 which include Saturday, Sunday and public holiday.

Please refer to paragraph 5 of the section headed “Business” in this prospectus for more details.

7. CUSTOMERS

Our Group’s customers comprise clienteles from various industries ranging from electronic and electrical, medical, FMCG, and food and beverage. Our top five customers for the Track Record Period are contract manufacturers of Company D and Customer 5, a US-based audio technology company. For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our Group’s five largest customers accounted for approximately RM69.5 million, RM83.0 million and RM67.7 million representing 78.6%, 82.1% and 74.4% of our revenue, respectively. The largest customer accounted for approximately RM21.9 million, RM27.3 million and RM17.3 million representing 24.7%, 27.0% and 19.0% of our revenue, respectively.

8. PRICING POLICY AND PRICE RANGE

Our Group prices our products on a cost-plus basis and takes into account various factors when negotiating with our customers. The prices are determined based on estimated costs plus a reasonable margin.

The approximate price ranges for our Group’s products during the Track Record Period are indicated in the following table:

<u>Types of products</u>	<u>Unit Price (RM)</u>
Packaging	0.004 ⁽¹⁾ to 420.00
Instruction manuals	0.01 to 62.00
Labels	0.01 to 2.00
Inserts	0.05 to 14.00

Note 1: Includes accessories that are part of a packaging box.

9. SUPPLIERS

Our Group’s suppliers are mainly suppliers of raw materials such as paper, facer, glue, chemical and printing plate, as well as foreign worker providers and logistics companies.

SUMMARY

For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our Group's top five suppliers were suppliers of raw materials, with total purchases from these top five suppliers accounting for approximately 46.5%, 47.5% and 49.3% of the total cost of sales, respectively. For the same periods, our Group's total purchase from our largest supplier accounted for approximately 17.9%, 20.2% and 22.7% of the total cost of sales, respectively.

10. MARKET AND COMPETITION

According to the Ipsos Report, the market for the printing industry in Malaysia is large, fragmented and is serviced by many different players from across the country, although mostly dominated by commercial and publishing printers. The industry is relatively competitive, with no particular player dominating market share. Although the market is fragmented, the industry is structured in a way whereby printers will remain in their respective segments based on expertise and products for a long-term, as different printing segments (i.e. commercial, publishing or packaging printing) require specific levels of quality, print sizes, technology, processes and types of machinery.

Over the years, there has been a growing demand for premium packaging used for products such as cosmetics and household items, particularly from leading developed nations like the US and Japan. The increasing demand for premium packaging indicates there is a growing need for high-quality packaging for premium brands and other high tier products. Thus, printers in Malaysia will need to adapt to different and costly technologies, colours, and packaging techniques to fulfil the demand for premium packing.

11. SUMMARY OF FINANCIAL INFORMATION

Selected items in combined statement of comprehensive income

	Year ended 31 August				Nine months ended 31 May			
	2015		2016		2016		2017	
	RM'000	HK\$'000 ⁽¹⁾	RM'000	HK\$'000 ⁽¹⁾	RM'000	HK\$'000 ⁽¹⁾	RM'000	HK\$'000 ⁽¹⁾
					(Unaudited)			
Revenue	88,448	159,206	101,120	182,016	73,737	132,725	90,926	163,667
Gross Profit	12,209	21,976	22,222	40,000	15,572	28,030	14,422	25,960
Gross Profit Margin	13.8%	13.8%	22.0%	22.0%	21.1%	21.1%	15.9%	15.9%
Profit before tax	4,396	7,913	11,282	20,308	7,516	13,529	1,930 ⁽²⁾	3,474
Profit/(loss) after tax	2,627	4,729	8,462	15,232	5,603	10,085	(54)	(97)
Profit/(loss) attributable to shareholders	2,627	4,729	8,462	15,232	5,603	10,085	(54)	(97)

Note 1: The figures represented in HK\$ are based on exchange rate of RM1.00 = HK\$1.80.

Note 2: The decrease in profit before tax was mainly due to one-off listing expenditure and loss incurred in the start-up operation of our Philippine subsidiary.

SUMMARY

The following table sets forth the breakdown of our Group's revenue and cost of sales settled in different major foreign currencies, in RM and HKD equivalent, and the percentage of our Group's revenue and cost of sales denominated in the respective foreign currencies during the Track Record Period:

	For the year ended 31 August						For the nine months ended		
	2015			2016			31 May		
	RM'000	HK\$'000 ⁽¹⁾	%	RM'000	HK\$'000 ⁽¹⁾	%	RM'000	HK\$'000 ⁽¹⁾	%
Revenue⁽²⁾									
USD	10,865	19,557	12.3	9,985	17,973	9.9	14,438	25,988	15.9
SGD	6,748	12,146	7.6	3,596	6,473	3.6	1,651	2,972	1.8
Cost of sales									
USD	22,885	41,193	30.0	26,334	47,401	33.4	25,531	45,956	33.4
SGD	8	14	—	—	—	—	—	—	—

Note 1: The figures represented in HK\$ are based on exchange rate of RM1.00 = HK\$1.80.

Note 2: A portion of our revenue was billed in USD and SGD as some of our customers are companies headquartered in the US and Singapore, who prefer to use their local currencies to settle payment.

The following table sets forth the aggregate amount of foreign currencies forward contracts entered with the banks, in RM and HKD equivalent, and the percentage of our Group's revenue and cost of sales denominated in the respective foreign currencies that have been entered into trade related forward contracts to hedge our currency exposure during the Track Record Period:

	For the year ended 31 August						For the nine months ended		
	2015			2016			31 May		
	RM'000	HK\$'000 ⁽¹⁾	%	RM'000	HK\$'000 ⁽¹⁾	%	RM'000	HK\$'000 ⁽¹⁾	%
Bank buy									
USD	6,240	11,232	57.4	397	715	4.0	—	—	—
SGD	—	—	—	1,107	1,993	30.8	—	—	—
Bank sell									
USD	792	1,426	3.5	1,890	3,402	7.2	—	—	—
SGD	—	—	—	—	—	—	—	—	—

Note 1: The figures represented in HK\$ are based on exchange rate of RM1.00 = HK\$1.80.

Revenue

Our revenue for the year ended 31 August 2016 increased by approximately 14.3% or approximately RM12.7 million as compared to that of the previous year. It was mainly due to the increase in sales of instruction manuals and inserts. The sales of instruction manuals and inserts increased by 54.7% and 36.0%, respectively, as compared to that of the previous year and the increase is largely contributed by our top four customers, contract manufacturers of Company D.

Our revenue for the nine months ended 31 May 2017 increased by approximately 23.3% or approximately RM17.2 million as compared to that of the previous year. The increase in revenue was mainly due to increase in demand derived from Customer 5 for packaging products and the growth in volume from the contract manufacturers of Company D in Malaysia and a new contract manufacturer in the Philippines.

SUMMARY

Gross profit and gross profit margin

Our gross profit increased about 82.0% from RM12.2 million for the year ended 31 August 2015 to RM22.2 million for the year ended 31 August 2016. Our overall gross profit margin increased from approximately 13.8% for the year ended 31 August 2015 to approximately 22.0% for the year ended 31 August 2016. The increase in gross profit margin was mainly due to cost reduction from (i) increase in production volume, which led to decrease in unit cost; and (ii) investment in automation, which reduces the involvement of manpower.

Our gross profit decreased about 7.4% from RM15.6 million for the nine months ended 31 May 2016 to RM14.4 million for the nine months ended 31 May 2017. Our overall gross profit margin decreased from approximately 21.1% for the nine months ended 31 May 2016 to approximately 15.9% for the nine months ended 31 May 2017. The decrease was mainly attributable to (i) increase in the cost of raw materials and the appreciation of USD against RM; (ii) increase in subcontracting works such as die-cutting and coating to Independent Third Parties; and (iii) increase in number of foreign workers supplied by third party agents engaged by us.

Profit before tax

Our Group's profit before tax increased about 156.6% from RM4.4 million for the year ended 31 August 2015 to RM11.3 million for the year ended 31 August 2016. The Directors believe that the increase in profit before tax was mainly attributable to (i) increase in turnover as a result of increase demand from the contract manufacturers; and (ii) improved gross profit margin of our products.

Our Group's profit before tax decreased about 74.3% from RM7.5 million for the nine months ended 31 May 2016 to RM1.9 million for the nine months ended 31 May 2017. The decrease was mainly due to (i) decrease in our gross profit and gross profit margin; (ii) one-off listing expenditure of approximately RM2.5 million; (iii) loss of approximately RM0.8 million was incurred in the start-up operation of our Philippine subsidiary; and (iv) increase in distribution cost due to transportation of products to fulfil orders of the contract manufacturer of Company D in the Philippines.

Selected items in combined statement of financial position

	As at 31 August				As at 31 May	
	2015		2016		2017	
	RM'000	HK\$'000 ⁽⁴⁾	RM'000	HK\$'000 ⁽⁴⁾	RM'000	HK\$'000 ⁽⁴⁾
Non-current asset	46,414	83,545	53,804	96,847	58,589	105,460
Current asset	47,904	86,227	52,304	94,147	70,545	126,981
Current liability	57,952	104,314	66,860	120,348	77,078	138,740
Net current liabilities ⁽¹⁾	10,048	18,086	14,556	26,201	6,533	11,759
Non-current liabilities	11,338	20,408	7,263	13,073	13,440	24,192
Net assets	25,028	45,050	31,985	57,573	38,616	69,509

Selected items in combined statement of cash flow

	Year ended 31 August				Nine months ended	
	2015		2016		31 May	
	RM'000	HK\$'000 ⁽⁴⁾	RM'000	HK\$'000 ⁽⁴⁾	RM'000	HK\$'000 ⁽⁴⁾
Operating cash flows before changes in working capital	9,586	17,255	17,263	31,073	6,550	11,790

SUMMARY

Key Financial Ratios

	Year ended 31 August		Nine months ended 31 May
	2015	2016	2017
Revenue growth	N/A	14.3%	23.3%
Current ratio ⁽²⁾	0.8	0.8	0.9
Gearing ratio ⁽³⁾	73%	69%	68%

Notes:

- (1) Please refer to paragraph 8 of the section headed “Financial Information” in this prospectus for more details.
- (2) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.
- (3) Gearing ratio equals net debts divided by the adjusted capital plus net debts as at respective year/period end.
- (4) The figures represented in HK\$ are based on exchange rate of RM1.00 = HK\$1.80.

Current Ratio

Our Group’s current ratio remained stable during the Track Record Period, which was approximately 0.8 times, 0.8 times and 0.9 times as at 31 August 2015, 31 August 2016 and 31 May 2017, respectively. The low current ratio was mainly due to the non-trade amount of related companies loans of about RM13.1 million in aggregate as at 31 May 2017, which have no fixed repayment term and were classified as current liabilities. These loans will be fully repaid before listing. Our Directors believes that the current ratio will be improved upon full settlement of the related party loans.

Gearing Ratio

Our gearing ratio was at the level of around 70% during the Track Record Period. This was mainly due to (i) bank borrowings of approximately RM47.9 million as at 31 May 2017; and (ii) high capital investment needed to establish a proper setup for the printing business, especially in the niche segment of VLF/VVLF printing. We invested in our own factories and warehouse premises in Johor, Malaysia, which had an aggregate carrying value of approximately RM25.8 million as at 31 May 2017. As we regularly upgrade our machinery, our plant and machinery has increased to an aggregate carrying value of approximately RM26.3 million as at 31 May 2017. We normally obtain bank financing for the acquisition of properties and machinery; therefore, we are quite heavily leveraged. However, our Directors believe that our gearing ratio will be lowered upon listing when our equity base expands.

12. NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 May 2017, being the date of the last audited financial statement as set out in Appendix I in this prospectus, up to the date of this prospectus.

13. LISTING EXPENSES

It is expected that the total listing expenses, which are non-recurring in nature, will amount to approximately RM10.4 million (approximately HK\$18.7 million), assuming an Offer Price of HK\$0.325 per Share, being the mid-point of the Offer Price range, of which approximately RM2.6 million is directly attributable to the issue of new Shares in the Listing and to be accounted for as a deduction from equity upon completion of Share Offer. Approximately RM2.5 million has been recognised and charged to the combined statement of comprehensive income during the nine months ended 31 May 2017. The remaining estimated listing expenses of approximately RM5.3 million will be charged to the combined statement of comprehensive income upon Listing.

SUMMARY

14. USE OF PROCEEDS

We intend to apply the net proceeds from the Share Offer, after deducting related underwriting fees and estimated expenses borne by our Group in connection with the Share Offer and assuming that the Offer Size Adjustment Option is not exercised at all and an Offer Price of HK\$0.325 per Share, being the mid-point of the Offer Price range, of approximately HK\$46.3 million as follows:

	For the six months ending				Total HK\$ million	Percentage %
	28 February 2018	31 August 2018	28 February 2019	31 August 2019		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million		
Diversified customer industry						
— expansion into other industries	2.0	1.8	—	0.9	4.7	10.1
Product line expansion	—	1.8	9.0	—	10.8	23.3
Geographical expansion	17.6	3.6	—	—	21.2	45.8
Repayment of bank loan	5.4	—	—	—	5.4	11.7
General working capital	4.2	—	—	—	4.2	9.1
	<u>29.2</u>	<u>7.2</u>	<u>9.0</u>	<u>0.9</u>	<u>46.3</u>	<u>100.0</u>

15. REASONS FOR LISTING

Our Directors believe that the net proceeds from the Listing will assist the implementation of our Group's business strategies as stated in this prospectus. In addition, the increase in equity interest through the Share Offer will lower our Group's gearing ratio and strengthen our Group's financial position.

Our Directors believe that a public listing status on GEM could attract potential investors and customers and can enhance our Group's credibility with the public and potential business partners. Furthermore, the Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist our Group's future business development and serves as a platform for regional expansion. A public listing status on GEM may offer our Company a broader shareholder base which will provide liquidity in the trading of the Shares.

16. RECENT DEVELOPMENT

Our Group continues to focus on strengthening our market position in the offset printing and packaging industry. Currently, we are negotiating with a number of reputable international brands from different industries to grow our business in Malaysia and the Philippines. We have successfully clinched a deal with a major new customer specialising in audio products and secured a new project from an existing customer in the computing hardware and peripherals business which offers a higher profit margin.

Our Production Plant 1 in the Philippines is expected to commence production around October 2017. As at the Latest Practicable Date, the orders from the contract manufacturer of Company D in the Philippines are fulfilled by our production plant in Malaysia and a local printing and packaging subcontractor engaged by our Group. We plan to acquire more equipment and machinery to set up full production facilities by 2018. Please refer to paragraph 3.3 of the section headed "Business" in this prospectus for more details.

17. SHAREHOLDERS

(i) Controlling Shareholders

Immediately upon completion of the Share Offer and the Capitalisation Issue, Mr. Ong and Mrs. Ong will, via Charlecote Sdn. Bhd. and Linocraft Investment, indirectly and beneficially own in total approximately 60% of the issued Shares.

SUMMARY

(ii) Pre-IPO Investor

On 27 February 2017, Linocraft International, Mr. Ong, Mr. Andrew Tan and Stan Cam, entered into a subscription agreement as supplemented by a supplemental agreement dated 21 April 2017, pursuant to which Stan Cam agreed to subscribe for 20% of the issued share capital of Linocraft International at a consideration of HK\$12 million which was determined after arm's length negotiation among the parties based on the net asset value of Linocraft Malaysia, Linocraft Singapore and Linocraft Philippines as at 31 August 2015 amounting to HK\$60 million and an agreed multiple of their profit after tax for the year ended 31 August 2016. The consideration of HK\$12 million was fully settled on 9 March 2017.

18. SHARE OFFER STATISTICS

Market capitalisation at Listing	HK\$200 million to HK\$320 million
Shares to be in issue following completion of the Share Offer and the Capitalisation Issue	800,000,000 Shares
Offer size	200,000,000 Shares
Unaudited pro forma adjusted net tangible assets per Share	RM0.07–RM0.09 (HK\$0.13–HK\$0.17)

19. DIVIDEND

No dividend has been paid or declared by our Company since its incorporation. For the purpose of the financial statements, the final dividends for the year ended 31 August 2015 amounting to RM1,500,000 represented final dividends declared by certain group entities to our then shareholders.

Distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that our Board may consider relevant, and is subject to our Board's discretion. Our Group currently does not have a dividend policy. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

20. RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk Factors" in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include:

- (i) We rely on Company D, whose contract manufacturers are our Group's top four customers during the Track Record Period. If Company D ceases the business relationship with our Group or reduces its volume, our Group's business, financial condition and results of operations could be adversely affected.
- (ii) The operation of our production facilities may breakdown or be disrupted which would adversely affect our operations and financial condition.
- (iii) We may face shortage in supply of raw materials which may materially and adversely affect our business and results of operations.
- (iv) We recorded net current liabilities and negative cash and cash equivalents during the Track Record Period and may record net current liabilities in the future.

21. LITIGATION AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group has systemic non-compliance incidents with the Factories and Machinery Act 1967 and Occupational Safety and Health Act 1994. Save as the two systemic non-compliance incidents, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no other non-compliance of our Group which is considered as material impact non-compliance or systemic non-compliance. For details of such instances of non-compliance, please refer to paragraph 19 of the section headed "Business" in this prospectus.

DEFINITIONS

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

“Ample Capital” or “Sponsor”	Ample Capital Limited, a licensed corporation to carry on types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, and the sponsor to the Listing
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 25 August 2017 with effect from the Listing Date 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 ascribed to it in the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 599,999,955 Shares to be made upon capitalisation of an amount of HK\$5,999,999.55 standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — A. Further Information about our Group — 3. Resolutions in writing of our Shareholders passed on 25 August 2017” in Appendix V to this prospectus
“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

DEFINITIONS

“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 Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“close associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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”	Linocraft Holdings Limited (東駿控股有限公司), a company incorporated in the Cayman Islands on 13 April 2017 as an exempted company with limited liability
“Company D”	a UK-based technology group that owns, designs and sells premium, iconic and innovative consumer electrical appliances, and our Group’s largest end customer during the Track Record Period
“connected person(s)”	has the same meaning ascribed to it in the GEM Listing Rules

DEFINITIONS

“Controlling Shareholders”	the controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) of our Company, and in the context of this prospectus means Mr. Ong, Mrs. Ong, Charlecote Sdn. Bhd. and Linocraft Investment
“Deed of Indemnity”	the deed of indemnity dated 28 August 2017 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its present subsidiaries), in respect of, among other things, certain indemnities including taxation, further particulars of which are set out in the section headed “Statutory and General Information — D. Other Information — 1. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 28 August 2017 and executed by our Controlling Shareholders in favour of our Company (for itself and on behalf of its subsidiaries), the principal terms of which are summarised in the section headed “Relationship with our Controlling Shareholders — 3. Non-competition Undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Eden Grace”	Eden Grace Hong Kong Limited, a company incorporated in Hong Kong on 12 October 2016 with limited liability and an indirect wholly-owned subsidiary of our Group upon completion of the Reorganisation
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM (as amended from time to time)
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Grace Key”	Grace Key Limited, a company incorporated in the BVI on 16 August 2016 with limited liability and an indirect wholly-owned subsidiary of our Group upon completion of the Reorganisation
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company

DEFINITIONS

“Group” or “our Group” or “we” or “us”	our Company together with its subsidiaries and in respect of the period before our Company became the holding company of its present subsidiaries, the companies which carried out the business of our Group at the relevant time
“HK eIPO White Form”	the application process for Public Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of the HK eIPO White Form Service Provider at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK\$” or “HK dollar(s)” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Independent Third Party(ies)”	individual(s) or company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is or are not a connected person(s) of our Company within the meaning of the GEM Listing Rules
“Ipsos”	Ipsos Sdn. Bhd., a market research and consulting company, an Independent Third Party
“Ipsos Report”	the industry report prepared by Ipsos, details of which are set out in the section headed “Industry Overview” in this prospectus
“Latest Practicable Date”	22 August 2017, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus

DEFINITIONS

“Linocraft Group”	Linocraft Group Limited, a company incorporated in the BVI on 14 February 2017 with limited liability and an indirect wholly-owned subsidiary of our Group upon completion of the Reorganisation
“Linocraft International”	Linocraft International Limited, a company incorporated in the BVI on 26 January 2017 with limited liability and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Linocraft Investment”	Linocraft Investment Pte Limited, a company incorporated in the BVI on 14 February 2017 with limited liability and one of our Controlling Shareholders
“Linocraft Malaysia”	Linocraft Printers Sdn. Bhd., a company incorporated in Malaysia on 28 June 1972 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Linocraft Philippines”	Linocraft Printers Philippines Inc., a company incorporated in the Philippines on 9 June 2016 with limited liability and an indirect subsidiary of our Company upon completion of the Reorganisation
“Linocraft Printers (SG)”	Linocraft Printers (Singapore) Pte. Ltd., a company incorporated in Singapore on 21 June 2001 with limited liability
“Linocraft Singapore”	Linocraft Singapore Pte. Ltd., a company incorporated in Singapore on 26 March 2010 with limited liability which is indirectly held as to 50% by our Company and a joint venture of our Group
“Linocraft Zhuhai”	珠海市東駿彩盒包裝有限公司 (Linocraft Packaging Zhuhai Co., Ltd.*), a company established in the PRC on 26 February 2010 with limited liability
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is currently expected to be on Friday, 15 September 2017
“Listing Division”	the listing division of the Stock Exchange

* For identification purpose only

DEFINITIONS

“Malaysia Legal Advisers”	Jeff Leong, Poon & Wong, the legal advisers to our Company as to the laws of Malaysia
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 25 August 2017 and as amended from time to time
“MOU”	the memorandum of understanding signed between Company D and Linocraft Malaysia
“Mr. Andrew Tan”	Mr. Tan Woon Chay, an executive Director and the chief executive officer of our Company
“Mr. Gan”	Mr. Gan Ker Wei
“Mr. Ong”	Mr. Ong Yoong Nyock, an executive Director and one of our Controlling Shareholders and the spouse of Mrs. Ong
“Mrs. Ong”	Ms. Yong Kwee Lian, one of our Controlling Shareholders and the spouse of Mr. Ong
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer” in the prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator or its agent (for itself and on behalf of the Placing Underwriters), to require our Company to allot and issue up to an additional 30,000,000 Placing Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer at the Offer Price, details of which are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Pentino”	Pentino Sdn Bhd, a company incorporated in Malaysia on 30 December 1972 with limited liability
“Placing”	the conditional placing by the Placing Underwriters on behalf of our Company of the Placing Shares at the Offer Price, as further described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	180,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation and the Offer Size Adjustment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“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 placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Sponsor and the Placing Underwriters
“Philippine MOU”	the memorandum of understanding signed between Company D and Linocraft Philippines
“PHP”	Philippine Peso, the lawful currency of the Philippines
“Pre-IPO Investment”	the investment made by Stan Cam in our Group pursuant to the Subscription Agreement
“Pre-IPO Investor”	Stan Cam
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Sole Global Coordinator (for itself 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, expected to be on or around Thursday, 7 September 2017 or such later date as may be agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but no later than Monday, 11 September 2017, on which the Offer Price is to be fixed for the purpose of the Share Offer

DEFINITIONS

“Production Plant 1”	our Group’s existing production plant located at Carmelray Industrial Park II, Calamba, Laguna, the Philippines
“Production Plant 2”	our Group’s new production plant located at Light Industry & Science Park III, Sto. Tomas, Batangas, the Philippines
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 20,000,000 Shares being initially offered by our Company for subscription pursuant to the Public Offer, subject to reallocation 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 section headed “Underwriting — 1. Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 30 August 2017 relating to the Public Offer entered into by, among others, our Company, the Sponsor and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting — 2. Underwriting Arrangements and Expenses — 2.1 Public Offer” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for Listing as more particularly described in the section headed “History, Development and Corporate Structure” in this prospectus
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGD”	Singapore dollar(s), the lawful currency of Singapore

DEFINITIONS

“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Sole Global Coordinator” or “Bookrunner” or “Lead Manager”	Ample Orient Capital Limited
“sq.m.”	square meters
“Stan Cam”	Stan Cam Holdings Limited, a company incorporated in the BVI on 8 August 2016 with limited liability and our pre-IPO investor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	has the meaning ascribed to it in the section headed “History, Development and Corporate Structure — 4. Pre-IPO Investment” in this prospectus
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise required
“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the two years ended 31 August 2016, and the nine months ended 31 May 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US” or “United States”	the United States of America
“US\$” or “US dollar(s)” or “USD”	United States dollar(s), the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time and the rules and regulations promulgated thereunder

DEFINITIONS

“ 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 applicants’ own name
“ 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
“%”	percent

Unless the context requires otherwise, the following exchange rates have been used for translation for the purpose of illustration only:

RM1.00 = HKD1.80

SGD1.00 = HKD5.57

PHP1.00 = HKD0.16

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains certain terms used in this prospectus as they relate to our Group and as they are used in this prospectus in connection with our Group's business or our Group. Some of these definitions may not correspond to standard industry definitions.

“bindery”	the post-press department, which performs operations on the printed product after it has been printed. The operations include cutting, punching, folding, trimming, gathering (collating), stitching, pasting, inserting, rigid box forming and case binding
“CAGR”	compound annual growth rate
“CMS”	colour management system — a set of computer programs used to accurately translate colour calibration. It ensures consistent colour from pre-press to print production by calibrating the colour gamut between scanners, monitors, imagesetters, proofing machines, offset printing machines and other devices in the workflow process
“CMYK”	abbreviation for colour processing based on the four process printing colours; cyan, magenta, yellow and black (where K distinguishes black from blue). The process allows for reproduction of a wide range of colours, for reproduction of items such as color photographs, illustrations, etc
“colour proofing”	an image, created by using coloured inks (process and pantone), pigments or dyes, showing how the final printed sheet will appear
“colour separation”	separating full colour into four process colours (CMYK) by means of scanning or of filters, resulting in four image plates to be used for printing. This process can be accomplished by photographic or electronic means
“computer-to-plate”	imaging a printing plate directly from the computer instead of having to use film positives to expose the image on the printing plate
“desktop publishing”	the use of personal computers, or workstations, to design and produce digital documents that are output to paper, film or plates

GLOSSARY OF TECHNICAL TERMS

“die-cutting”	the main method or standard means of die-cutting involves the use of metal dies to give paper or substrate products specific shapes or designs that cannot be accomplished by a straight cut on a web press or a guillotine cutter
“finishing”	post-press processes that happen to a document after it has left the press or printer. The finishing operations could include bindery work, such as folding, trimming, binding, die-cutting, inserting or any post press process that must be completed
“FMCG”	fast moving consumer goods
“GDP”	gross domestic product
“GMG”	a leading developer and global supplier of high-end colour management software solutions
“grammage”	the basis weight of paper based on weight in grams per square meter of paper, abbreviated as g/m ² or gsm
“ISO 9001”	the standards set by International Organization for Standardization for quality management system where an organisation needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements and aims to enhance customer satisfaction
“ISO 14001”	the standards set by International Organization for Standardization for environment management system to help an organisation improve its environmental performance through more efficient use of resources and reduction of waste
“IT”	information technology
“KBA”	Koenig & Bauer Group, a public listed company at the Frankfurt and Munich stock exchanges
“KBA Rapida 105”	offset printing press produced by KBA, which is able to print LF sheet sizes up to 720mm by 1,050mm
“KBA Rapida 164”	offset printing press produced by KBA, which is able to print VLF/VVLF sheet sizes up to 1,205mm by 1,640mm
“KBA Rapida 185”	offset printing press produced by KBA, which is able to print VLF/VVLF sheet sizes up to 1,300mm by 1,850mm

GLOSSARY OF TECHNICAL TERMS

“LF”	large format (from 1050 to 1420mm)
“make-ready”	the process of setting up and adjusting a printing press for a particular ink, paper and specifications prior to printing. This includes adjusting the infeed, grippers and guides, adjusting ink for proper coverage, registering copy, and matching the printed piece with the proof to ensure alignment with required specifications. An extra amount of paper is used to make all the necessary adjustments before printing the actual run
“manufacturing resource planning”	integrates functions such as production planning and scheduling, capacity requirement planning, financial management and forecasting and processing of orders
“perfect binding”	a type of binding where the book or magazine’s binding edge is ground down and coated with a fast-drying glue to hold pages together and then are affixed to a cover with a flexible adhesive. This creates a squared off back
“post-press”	the final stages in the printing process in which printed sheets are transformed into saleable products, including binding, die-cutting and folding
“printing plate”	an aluminium light-sensitive sheet that holds an image that has been photographically produced. During the printing process, the image area picks up ink, which is then transferred to a blanket and then to paper
“printing press(es)”	a machine for printing text or pictures from type or plates
“pre-press”	all of the functions, such as composition, camera work, colour separating, stripping, platemaking and any other function required to prepare for the actual printing of the order
“press”	refers to the actual printing operations
“raster image processing”	either a program or a piece of hardware that converts a file in a page description language, usually postscript and possibly containing vector graphics, to a raster or bit image for output on a page printer or imagesetter or on a screen
“rigid box(es)”	made of stiffer paper board, glued together with paper skins that can be printed or coloured

GLOSSARY OF TECHNICAL TERMS

“saddle stitching”	the method of binding the pages of a section where the folded pages are stitched through the fold from the outside, using a wire staple
“SF”	standard format (up to 1050mm)
“stitching”	a binding process that uses a roll of wire on a machine that creates a staple to bind several sheets together. Stitching allows for a larger quantity of sheets to be bound than traditional stapling
“Ugra/Fogra Media Wedge CMYK V3.0”	the Fogra Media Wedge CMYK is recognised globally as the control medium for the digital contract proof and has been used worldwide in its different versions since 1997. In accordance to Media Standard Print any proof that is designated as a contract proof must contain an Fogra Media Wedge CMYK V2 or V3. Its colour values must correspond to the reference values of the printing conditions, as specified in the standardization series ISO 12647, and the tolerances for the proofing process for digital data, as specified in ISO 12647-2
“VLF”	very large format (from 1420 to 1620mm)
“VVLF”	very very large format (more than 1620mm)

FORWARD-LOOKING STATEMENTS

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled “Summary”, “Risk Factors”, “Industry Overview”, “Business”, and “Financial Information”, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and plan of operations;
- its capital expenditure and funding plans;
- general economic conditions;
- the trends of industry and technology;
- our Group’s financial condition;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the printing and packaging industry in general; and
- other statements in this prospectus that are not historical facts.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to those discussed under the section headed “Risk Factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. Our Company undertakes no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the control of our Company. Our Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, 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 these cautionary statements.

RISK FACTORS

You should carefully consider all the information set out in this prospectus including the risks and uncertainties described below before making an investment in our Company. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment.

1. RISKS RELATING TO OUR BUSINESS

1.1 We rely on Company D, whose contract manufacturers are our Group's top four customers during the Track Record Period

During the Track Record Period, our Group's top four customers are contract manufacturers of Company D. Our Group's revenue attributable to the contract manufacturers in aggregate was approximately 74.3%, 81.0% and 80.9%, respectively for the two years ended 31 August 2016, and the nine months ended 31 May 2017. For details of Company D, please refer to paragraph 7 of the section headed "Business" in this prospectus.

We cannot assure you that we will successfully diversify our customer portfolio. If Company D ceases its business relationship with our Group or reduces its business volume, our Group's business, financial condition and results of operations could be materially and adversely affected.

1.2 The operation of our production facilities may breakdown or be disrupted which would adversely affect our operations and financial condition

Our revenue is dependent on the smooth and continuous operations of our production facilities. Our production is subject to risks including, among other things, the breakdown, failure or sub-standard performance of machines and equipment, natural disasters, and the need to comply with all applicable laws, regulations, and standards such as environmental compliance in Malaysia and the Philippines. The occurrence of any material operational problems at our production facilities in the future may result in a penalty payable to the influenced customer and have a material adverse effect on our business, financial condition and operating results.

1.3 We may face shortage in supply of raw materials which may materially and adversely affect our business and results of operations

We must obtain raw materials on a timely basis in order to deliver speedy printing and packaging services for customers as well as to meet their expectation. However, we generally do not enter into any long-term supply agreement with our suppliers for the supply of principal raw materials. There is no assurance that we will continue to be able to secure a stable supply of major raw materials at competitive prices in a timely manner or at all in the future. In the event that we are unable to do so or we experience shortage of principal raw materials we need, our production and delivery may be delayed or disrupted, thereby materially and adversely affecting our business, results of operations and reputation.

RISK FACTORS

1.4 We recorded net current liabilities and negative cash and cash equivalents during the Track Record Period and may record net current liabilities in the future

As of 31 August 2015, 31 August 2016 and 31 May 2017, we recorded bank borrowings that are repayable on demand or within one year of RM19.7 million, RM29.4 million and RM37.0 million, respectively, which contributed to the corresponding periods' net current liabilities of RM10.0 million, RM14.6 million and RM6.5 million, respectively. Further, as of 31 August 2015 and 31 May 2017, we recorded negative cash and cash equivalents of RM0.6 million and RM1.3 million, respectively. For additional information on our net current liabilities and negative cash and cash equivalents position, please refer to paragraph 8 and paragraph 6 of the section headed "Financial Information" in this prospectus.

Our future liquidity and the repayment of our outstanding debt obligations when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate external financing. We cannot assure you that we will not experience net current liabilities in the future. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. We cannot assure you that we will be able to successfully renew our bank facilities or obtain replacement on comparable terms in a timely manner, or at all. If adequate funds are not available, whether on satisfactory terms or at all, we may need to delay, reduce the scale of or abandon our expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

1.5 We may not be able to continuously maintain an effective quality assurance system at our production facilities, and any failure or deterioration of our quality assurance system would adversely affect our operations and financial condition

The quality of our printing services is critical to the success of our business. Our product quality depends significantly on the effectiveness of our quality control system, which, in return, depends on a number of factors, including the effective implementation of our quality control policies and guidelines by our quality assurance department. Any significant failure or deterioration of our quality control systems could seriously damage our product quality and have a material adverse effect on our reputation in the market among current or prospective customers, which could in turn lead to fewer purchase orders in the future, and harm our financial condition and operating results.

1.6 Our business is susceptible to fluctuations of purchase costs for raw materials and consumables, and such fluctuations may materially and adversely affect our profitability and results of operations

Our profitability depends on our ability to anticipate and react to changes in the purchase costs of our principal raw materials. Our total cost of raw materials and consumables accounted for approximately 65%, 66% and 66% of our cost of sales for the two years ended 31 August 2016, and the nine months ended 31 May 2017, respectively. During the Track Record Period, we have experienced increase in price of paper and facer, which affected our raw material cost and cost of

RISK FACTORS

sales. Prices of raw materials may be subject to fluctuation from time to time and increase in the cost of raw material may adversely affect our gross profit and gross profit margin. For instance, our gross profit and gross profit margin for the nine months ended 31 May 2017 decreased to RM14.4 million and 15.9% respectively from RM15.5 million and 21.1% in the same period in 2016, which was partly due to the increase in cost of raw materials. Please refer to paragraph 5.3 of the section headed “Financial Information” in this prospectus for more details.

The availability of our principal raw materials may fluctuate and is subject to factors beyond our control such as natural disasters, general economic conditions and government regulations, and our suppliers may be affected by factors such as rising labour costs and other expenses which may be passed onto their customers resulting in higher costs for goods and services supplied to us. There is no assurance that we will be able to accurately anticipate and react to the changes in the supply and demand and hence the prices of our principal raw materials, or that we will be able to pass the increased purchase costs of our raw materials to our customers. Should we fail to do so, our business, results of operations, financial performance and prospects would be materially and adversely affected.

1.7 We are exposed to currency risk and we may not be sufficiently protected or covered by the “currency escalator” clause with Company D

In September 2015, our Group entered into an agreement with our largest end customer, Company D, which included a “currency escalator” clause to allow both parties to agree on the revision of the prices if the calendar monthly average USD/RM exchange rate varies by more than 6% versus the reference exchange rate stated in the agreement. For details of the “currency escalator” clause, please refer to paragraph 6.2 of the section headed “Business” in this prospectus.

Our Group may not be sufficiently protected or covered by the “currency escalator” clause with Company D. For instance, if the USD/RM exchange rate increases by less than 6%, the “currency escalator” will not be triggered and we will not be able to transfer the increase in materials cost to our customers, which may adversely affect our profit margin and results of operations.

1.8 We need additional capital to fund the expansion plan and growth in the future, which we may not be able to obtain on acceptable terms, or at all

We may need additional capital to fund our capital expenditure associated with our expansion plan such as the proposed acquisition of new production machineries. There is no assurance that we will generate sufficient cash flow from our operating activities for our intended expansion plans. In the event we do not have such operating cash flow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the printing business;

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- conditions in the capital and financial markets in which we may seek to raise funds;
- our future cash flows, financial condition and results of operations; and
- economic, political and other conditions in Hong Kong, Malaysia, Singapore, the Philippines and the rest of the world.

We may be required to scale back our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategies. If we raise additional funding, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of our Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial condition, results of operations and prospects.

1.9 We recorded overdue trade receivables during the Track Record Period and we are exposed to payment delays and/or default by our customers which would adversely affect our operations and financial condition

We generally grant our customers a credit period of 0–90 days from the invoice date. Trade receivables turnover days for the two years ended 31 August 2016 and the nine months ended 31 May 2017 were 94, 93 and 89 days respectively. Trade receivables turnover days roughly equal to our Group's maximum credit period of 90 days as our Group had experienced delayed settlement from certain top customers. For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our Group has recorded overdue trade receivables of approximately RM10.1 million, RM7.4 million and RM15.3 million, respectively.

There is no assurance that in the future our customers will be able to meet their payment obligations on time or in full or that our average trade receivables turnover days will not increase. Any inability on the part of our customers to settle or settle promptly the amount due to us may adversely affect our financial performance and operating cash flow.

1.10 We may fail to protect the confidential information of our customers, which may expose us to claims, litigation or other legal proceedings brought by our customers

We receive and maintain certain confidential information of our customers when they place purchase orders with us. If our security network is breached and such information is as a result stolen or obtained by unauthorised persons, we may then be subject to claims, litigation or other legal proceedings brought by our customers or negative press coverage. Should any of such events take place, our reputation and brand image may be negatively affected and our management may be distracted from the running of our business and incur unforeseen losses and expenses which may arise from such claims, litigation or other legal proceedings.

RISK FACTORS

1.11 Our insurance coverage may not adequately protect us against compensations in connection with industrial accidents at our production facilities and other kind of accidents

Due to the nature of our operations, we are subject to risks of our employees being exposed to industrial-related accidents at our production facilities and risks of fire and flood.

There can be no assurance that accidents, whether due to malfunction of machines or other reasons, will not occur at our production site in the future and that any compensation to be paid by us will be fully covered by our insurance policy. If we are found to be liable and a substantial amount of damages was awarded by the court against us or a substantial amount of penalty is imposed by the governmental authority on us while the insurance coverage maintained by us is not able to cover such payment, we may have to pay out from our own resources for any uninsured loss, damages and liabilities. Our business, financial condition results of operation and reputation may therefore be adversely affected.

1.12 We may lose, or may not be able to attract or retain our key management personnel

Our current management personnel possess in-depth know-how in their respective areas of expertise, and have made contribution to our Group's business development. Details of our current management personnel, including their relevant areas of expertise, are set forth in the section headed "Directors and Senior Management" in this prospectus. In particular, we depend on the services of our executive Director, Mr. Andrew Tan, who has over 13 years of experience in the printing and packaging solutions industry, to provide the overall direction to our Group. We also depend on the services of our executive Director, Mr. Ong, who has about 20 years of experience in the printing and packaging solutions industry, to provide strategic advice for the business development of our Group. The expertise, industry experience and contributions of Mr. Tan, Mr. Ong and our other senior management team members are crucial to our success. Our continued success is dependent, to a large extent, on the ability to attract and retain the services of our key management personnel. Accordingly, if we lose or are unable to attract or retain any of our key personnel and thereby losing their services without suitable and timely replacements, there may then be disruption to our operations as well as loss of important business relations, which may materially and adversely affect our results of operations and prospects.

1.13 Our business operations may be adversely affected by difficulties in recruiting, motivating and retaining skilled labour, the increasing labour costs and foreign worker minimum wage policies

We believe that hiring, motivating and retaining suitable employees continue to be an integral part of our success as a printing company. Highly service-oriented and skilled individuals are in short supply and competition for such employees is always intense. If we are unable to recruit, motivate and retain a sufficient number of skilled employees at commercial reasonable costs, our printing process may be delayed and service quality may be deteriorated, which may materially and adversely affect our business and results of operations.

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Our business and results of operations may also be adversely affected by the increasing labour costs in our countries of operation. For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our Group's staff costs, including Director's emoluments, were approximately RM13.6 million, RM14.8 million and RM12.2 million, respectively. The current foreign worker minimum wage policy in Malaysia is based on the Minimum Wages Order 2016, which was made pursuant to Section 23 of the National Wages Consultative Council Act 2011. The Minimum Wages Order 2016 provides that all local and foreign employees of private sector (save for domestic servants) shall be paid an average minimum wage of (i) RM1,000.0 per month in Peninsular Malaysia; and (ii) RM920.0 per month in Sabah, Sarawak and the Federal Territory of Labuan. As at the Latest Practicable Date, Singapore does not have a minimum wage policy set by law. The current foreign worker minimum wage policy in the Philippines is based on the Regional Daily Minimum Wage Rates fixed by the Regional Tripartite Wages and Productivity Board, which is under the National Wages and Productivity Commission by the Department of Labor and Employment. The current daily minimum wage for non-agriculture workers in the Philippines ranges from PHP235.0 to PHP491.0 depending on the region. There is no assurance that the governments will not further increase the statutory minimum wage in the future. In the future, staff costs may continue to increase significantly due to intense competition for skilled labour, foreign worker minimum wage policies and additional legislation which may be enacted by the Malaysia, Singapore or Philippine government to set out or increase the minimum wages or to increase the employers' obligations to pay for employee benefits and welfare. Any significant increases in labour costs and our failure to pass on the increased cost burden to our customers could have a material adverse effect on our business, financial condition and results of operations.

1.14 We are subject to the risk of system failure caused by unexpected power cut, network interruptions, security breaches, and business interruption due to natural or man-made disasters

Our business operation depends significantly on the reliability of power generation system, and our information technology infrastructure. There is no assurance that we will successfully maintain the satisfactory and stable performance, reliability, security and availability of our information technology infrastructure. Such failure may be caused by unexpected power cut, network interruptions, security breaches, attacked by hackers or computer virus.

Further, our operations may also be interrupted if any of our offices, production sites or information technology infrastructure suspends operations due to the occurrence of events such as fires, floods, hardware and software failures, power loss, telecommunication failure, terrorist attacks or other natural or man-made disasters.

If any of the events mentioned above occurs, our business operation may be disrupted for an indefinite period of time, thereby damaging our reputation and materially and adversely affecting our business.

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1.15 We recorded net cash used in operating activities for the nine months ended 31 May 2017

Our Group recorded net cash used in operating activities of approximately RM6.4 million for the nine months ended 31 May 2017, primarily as a result of operating cash flows of approximately RM6.6 million before net negative changes in working capital of approximately RM11.0 million, interest payment of approximately RM1.9 million and income tax payment of approximately RM0.1 million. Please refer to paragraph 6.1 of the section headed “Financial Information” in this prospectus for details explanation of net cash used in operating activities. We cannot assure that we will not record negative operating cash flows in the future. If we record net operating cash outflows in the future, our business and results of operations may be materially and adversely affected.

1.16 We recorded low subsequent sales of inventories as of 31 May 2017 and we are exposed to risks of obsolete or slow-moving inventory which may adversely impact our cash flow and liquidity

As at 30 June 2017, approximately 41.6% of the inventories as at 31 May 2017 was subsequently sold and we are exposed to risks of obsolete or slow-moving inventory. The demand for our packaging products is dependent on customers’ preferences, which are beyond our control. The allowances for obsolete inventories were approximately RM1.1 million, RM1.8 million and RM1.5 million for the two years ended 31 August 2016 and nine months ended 31 May 2017 respectively. There is no assurance that we will not have obsolete or slow-moving inventory in the future, and any increase in inventory may adversely affect our working capital and results of operations. If we cannot manage our inventory level efficiently in the future, the volume of obsolete or slow-moving inventory may increase, and our liquidity and cash flow may also be adversely affected.

1.17 We may face an increase in depreciation and operating expenses as a result of the completion of the production facilities in the Philippines after Listing

Our Group is setting up a production plant in the Philippines, which includes three production lines, an office, warehouse, and storage and assembly space. Our Directors expect that the total amount of capital expenditure for the expansion of production facilities in the Philippines will be approximately RM17.6 million or HK\$31.7 million, out of which, approximately RM9.4 million or HK\$16.8 million will be financed by proceeds from the Listing. For additional information on the expansion of production facilities in the Philippines, please refer to paragraph 3 of the section headed “Business” in this prospectus.

We depreciate our property, plant and equipment on a straight-line basis over cost or valuation net of expected residual value over their estimated useful lives, for detail of which, please refer to the Accountant’s Report as set out in the Appendix I to this prospectus. Upon the commencement of operation and completion of our expansion plan in the Philippines, it is expected that additional operating expenses and depreciation expenses will be charged, which may adversely affect our profitability, results of operations and financial conditions.

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2. RISKS RELATING TO THE INDUSTRY

2.1 We may face intense competition in the printing and packaging industry and we may not be able to respond to such competition strategically

With the support of the Ipsos Report, our Directors consider that our main competitors in Malaysia printing industry are those commercial and publishing printers with established operating history and production capacity and who strive for high quality printing services, and the competition is intense. Intense competition may exert pressure on the price and profitability of our printing services and there can be no assurance that we will be able to continue to effectively compete against such competitors in terms of service offering, quality, pricing, delivery schedule, scale, and production capacity. Should we fail to respond strategically and compete successfully in the future, our business and results of operations may be materially and adversely affected.

2.2 We may face difficulties seeking innovative ways to differentiate from our competitors in improving skills and technologies

In the printing industry, printers are continuously seeking ways to differentiate from each other to increase own market share, often by improving skills and technologies. Should we fail to develop new technologies and skills to compete with other printers timely, our business and results of operations may be materially and adversely affected.

2.3 General market downturn may result in reduction in demand for our printing services and intensified competition

During the periods of economic downturn, consumption spending is generally lower, which may result in a reduced demand in the products of our customers. Such fall in demand may in turn reduce the demand of our printing services by our customers. When consumer sentiment remains conservative, there can be no assurance that our customers will continue to maintain their market supply in normal volumes, resulting in a decrease in purchase orders we may obtain. Such a general market downturn could result in not only a reduction in demand for our printing services, but also intensified competition. Under such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

3. RISKS RELATING TO CONDUCTING BUSINESS IN MALAYSIA

3.1 The Malaysian ringgit may be subject to foreign exchange controls imposed by Malaysian government in the future

The Central Bank of Malaysia has, in the past, intervened in the foreign exchange market to stabilise the Malaysian ringgit, and it pegged the Malaysian ringgit to the United States dollar in September 1998. On 21 July 2005, the Central Bank of Malaysia adopted a managed float system which benchmarked the Malaysian ringgit to a currency basket to ensure that the Malaysian ringgit remains close to its fair value. Further, on 2 December 2016, the Central Bank of Malaysia issued a Supplementary Notice on Foreign Exchange Administration Rules — Measures to Promote the

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Development of Malaysian Financial Market to supplement the Notices on Foreign Exchange Administration Rules issued on 28 June 2013, and subsequently, on 2 May 2017, the Central Bank of Malaysia has issued a Supplementary Notice (No. 2) on Foreign Exchange Administration Rules and Amendment to the Definitions of the Notices on Foreign Exchange Administration Rules — Measures to Promote Development of Malaysian Financial Market. Please refer to paragraph 9 of the section headed “Regulatory Overview — Malaysian Regulatory Overview” in this prospectus for further details. We cannot assure you that the Malaysian government will not impose more restrictive or additional foreign exchange controls and whether we will be impacted in the future. Any imposition, variation or removal of foreign exchange controls may (i) lead to less independence in the Malaysian government’s conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets; and (ii) adversely affect the value, translated or converted into other currencies of our net assets, earnings or any declared dividends.

3.2 The Malaysian ringgit may be subject to exchange rate fluctuation

Fluctuations in the Malaysian ringgit’s value against other currencies will create foreign currency translation gains or losses and may have an adverse effect on our business, financial condition and results of operations. During the Track Record Period, our Group recorded (i) realised gain/(loss) on foreign exchange of approximately RM0.3 million, RM(0.8) million and RM(0.3) million; and (ii) unrealised gain/(loss) on foreign exchange of approximately RM0.4 million, RM(0.3) million and RM(0.2) million for the two years ended 31 August 2016 and the nine months ended 31 May 2017, respectively. Any fluctuations in the Malaysian ringgit may adversely affect the value, translated or converted into other currencies and we can offer no assurance that future exchange rate fluctuation between Malaysian ringgit and certain other currencies will not adversely affect our business.

3.3 Social, political, regulatory, economic and legal developments, as well as any changes in Malaysian government policies, could materially and adversely affect our business and operating results

Our business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Malaysia. Uncertainties in these areas include, but not limited to, the risks of war, regional conflicts, terrorism, extremism, nationalism, nullification of contracts, changes in interest rates, imposition of capital controls, changes in government policies or introduction of new rules or regulations concerning printing service providers, environmental regulations and methods of taxation. Any negative developments may adversely affect our business, financial condition, results of operations and prospects.

One of our primary markets is Malaysia. As Malaysia is expected to remain as one of our core markets and places of operation in the foreseeable future, negative developments in the Malaysian economy may have a material adverse effect on business. Although the overall Malaysian economic environment (in which we predominantly operate) appears to be positive, there can be no assurance that this will continue to prevail in the future.

RISK FACTORS

3.4 Our principal subsidiaries are incorporated in Malaysia and their main assets are located in Malaysia. It could be difficult to enforce a foreign judgment against the Malaysian subsidiaries, the Directors or the management in Malaysia

Our principal subsidiaries are incorporated under the laws of Malaysia. The majority of the Directors and members of management are residents of Malaysia and a substantial portion of the assets and the assets of these Directors and management are located in Malaysia. Enforceability of certain foreign judgments in Malaysia is by virtue of the Reciprocal Enforcement of Judgments Act 1958, in which a foreign judgment must be registered before it can be enforced. The registration of such foreign judgments is only possible if the judgment is given by a superior court from a country listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958, which includes United Kingdom, Hong Kong, Singapore, New Zealand, Republic of Sri Lanka, India and Brunei Darussalam. In the event the foreign judgment is not from a country listed in the First Schedule of the Reciprocal Enforcement of Judgments Act 1958, the only method of enforcement at common law, is by securing a Malaysian judgment. As a result, it could be difficult to enforce a foreign judgment against our Malaysian subsidiaries, our Directors and the management in Malaysia.

4. RISKS RELATING TO CONDUCTING BUSINESS IN THE PHILIPPINES

Our Directors confirm that, our Group was invited by our largest end customer Company D to set up production lines in the Philippines to support their development of new supply chain. In this regard, our Group has set up Production Plant 1 performing post-press processes, namely laminating and die-cutting in the Philippines, which is expected to commence production around October 2017. Our Group has also started approaching other international brand owners to obtain more customers for our Philippine office. Further, our Group plans to expand the production plant in the Philippines into a full fledged production plant similar to our Malaysia setup.

Our business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in the Philippines. Recent developments include, for example, the potential sea territorial conflict with neighbouring countries if the ruling of the Permanent Court of Arbitration on South China Sea will be enforced, the activities of terrorist groups in certain areas, the rationalisation of fiscal incentives, as well as a Tax Reform Bill. Risks associated with these negative developments include, but not limited to, the risks of war, regional conflicts, terrorism, extremism, nationalism, nullification of contracts, changes in interest rates, imposition of capital controls, changes in government policies or changes on rules or regulations concerning printing and packaging service providers, labor, foreign direct investment, importation, environmental regulations and taxation. If any of the risks associated with any negative developments materialises, it may adversely affect our business, financial condition, results of operations and prospects.

As the Philippines is expected to remain as one of our markets and places of operation in the foreseeable future, negative developments in the Philippine economy may have a material adverse effect on our business, financial condition, and results of operations.

RISK FACTORS

5. RISKS RELATING TO THE SHARE OFFER AND SHARE PERFORMANCE

5.1 There is no prior market for the Shares and the liquidity and market price of the Shares may be volatile

Prior to the Share Offer, the Shares have not been traded in any open market. The listing of, and the permission to deal in our Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Upon Listing, the transaction volume and market price of the Shares may be affected by various factors such as, among others:

- variations in our Group's operations and financial position;
- changes in our senior management;
- potential litigations or regulatory investigations, if any;
- industrial or environmental accidents suffered by our Group;
- investors' perceptions of us, our future business plans, results of operations and prospects;
- changes in the policies and developments related to the industry in which we operate; and
- economics and other general 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.

5.2 Issuance of new Shares or equity linked securities in the future may cause dilution in shareholding

Our Group may require additional funds in the future to finance the expansion of the business and operations of our Group. If additional funds are raised through the issuance of new Shares or other equity linked securities other than on a pro rata basis to existing Shareholders, the percentage of ownership of the existing Shareholders may be diluted.

5.3 Future sale of the Shares or major divestment of Shares by any major Shareholder could adversely affect the Share prices

There is no assurance that our substantial shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period. Our Group cannot predict the effect, if any, that future sales of the Shares by substantial shareholders or Controlling Shareholders may

RISK FACTORS

have on the market price of the Shares. Sale of a substantial amount of our Shares by any of them, or market perception that such sale may occur, could affect the prevailing market price of the Shares.

5.4 There can be no assurance that we will declare or distribute any dividend in the future

Any decision to declare any dividend would require the recommendation of our Board and approval of our Shareholders. Whether dividends will be distributed and the amount of dividends to be paid will depend upon, amongst other things, our profitability, financial conditions, business development requirements, working capital, future prospects and cash requirements of our Group. Any declaration, payment and amount of dividends is at the discretion of our Directors, and will be subject to, amongst other things, our constitutional documents and the Cayman Islands law in this prospectus. For further details of our future dividend policy, please refer to paragraph 20 of the section headed “Financial Information” in this prospectus.

5.5 Investors may experience difficulties in enforcing their shareholders’ rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the section headed “Summary of the Constitution of the Company and the Cayman Islands Company Law” in Appendix IV to this prospectus.

6. RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

6.1 Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics and other information in this prospectus, including those related to the industry in which we operate, the global economy and the economy in Malaysia have been derived, in part, from various government officials and other Independent Third Parties generally believed to be reliable. In addition, certain facts and information have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. However, the information has not been independently verified by our Company, our Directors, the Sponsor, nor any parties involved in the Share Offer and no representation is given as to its accuracy. Due to discrepancies between standards or levels of accuracy between published information and market practice, we make no representation as to the accuracy of the information contained in such sources. Accordingly, such industry information and statistics contained herein may not be accurate and should not be unduly relied upon.

RISK FACTORS

6.2 Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding our Group or the Share Offer

Our Group wishes to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage regarding our Group or the Share Offer, and such information that was not sourced from or authorised by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media about our business or financial information, share valuation or other information. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

6.3 Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. Such statements reflect the current views of our Directors with respect to future events which may not materialise or may change. The accuracy of these statements is subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly reminded that reliance on any forward-looking statements in this prospectus involves known and unknown risks and uncertainties. Details of these statements and their associated risks are set out in the section headed “Forward-looking Statements” in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue to carry on after the Listing certain transactions which will constitute continuing connected transactions under the GEM Listing Rules upon the Listing.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the reporting, annual review, announcement, circular and independent shareholders' approval requirements pursuant to Rule 20.103 of the GEM Listing Rules in respect of certain continuing connected transactions as disclosed in the section headed "Connected Transactions" in this prospectus. Further information is disclosed in the section headed "Connected Transactions" in this prospectus.

1. 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 to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; there are no other matters the omission of which would make any statement in this prospectus misleading; and 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.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

2. OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Share Offer. This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sponsor and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). Further information about the Underwriters and the underwriting arrangements is contained in the section headed “Underwriting” in this prospectus.

3. OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by the Price Determination Agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is currently scheduled to be on or about Thursday, 7 September 2017 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree but in any event not later than Monday, 11 September 2017. If, for whatever reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to agree on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse. For full information relating to the determination of the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

4. RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and/or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the US, except in compliance with the relevant laws and regulations of such jurisdiction.

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the related Application Forms and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective investors 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 of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

5. APPLICATION FOR LISTING 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 pursuant to the Share Offer (including the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares to be issued under the Capitalisation Issue).

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal in is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any offer of the Offer Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

expiration of three weeks from the date of 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 by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public. A total of 200,000,000 Offer Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (but without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

6. DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Friday, 15 September 2017.

Shares will be traded in board lots of 8,000 Shares each and are freely transferable.

The GEM stock code for the Shares is 8383.

Our Company will not issue any temporary document of title.

7. PROFESSIONAL TAX ADVICE RECOMMENDED

Investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

8. REGISTER OF MEMBERS AND STAMP DUTY

The principal register of members of our Company will be maintained by our Group’s principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and the Hong Kong register of members of our Company will be maintained in Hong Kong. Unless our Directors otherwise agreed, all transfer and other documents of title of Shares must be lodged for registration with, and registered by Tricor Investor Services Limited, our Company’s Hong Kong branch share registrar and transfer office and may not be lodged in the Cayman Islands.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

9. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM 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 Listing Date, or on 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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.

10. PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

11. STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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.

12. EXCHANGE RATE CONVERSION

Unless the context requires otherwise, the following exchange rates have been used for translation for the purpose of illustration only:

RM1.00 = HKD1.80

SGD1.00 = HKD5.57

PHP1.00 = HKD0.16

No representation is made that any amounts in the abovementioned currencies could have been or would be converted at the above rates or at any other rates or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

13. LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of 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.

14. ROUNDING

Any discrepancies in any table between totals and sums of the amount listed in this prospectus are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

1. DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Ong Yoong Nyock	No 47, Jalan Abdul Samad Bukit Kesenangan 80100 Johor Bahru Malaysia	Malaysian
Mr. Tan Woon Chay	Unit A 13A-03, Block A Aloha Tower Condominium Jalan Kolam Air 80100 Johor Bahru Malaysia	Malaysian
<i>Independent non-executive Directors</i>		
Mr. Choy Wing Keung David	Flat G, 19/F, Block 7 Siu Lek Yuen Road Castello The Castle Sha Tin New Territories Hong Kong	Chinese
Mr. Liew Weng Keat	22/F, Pak Tak Building 51 Jardine's Bazaar Causeway Bay Hong Kong	Malaysian
Mr. Teoh Cheng Tun	A-5-1, Nautica Condo Jalan Tasik Selatan Sunway South Quay 47500 Subang Jaya, Selangor Malaysia	Malaysian

Please refer to the section headed “Directors and Senior Management” in this prospectus for further information of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

2. PARTIES INVOLVED IN THE SHARE OFFER

Sponsor

Ample Capital Limited

Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

(A licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)

**Sole Global Coordinator,
Bookrunner and Lead Manager**

Ample Orient Capital Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)

Co-lead managers

ChaoShang Securities Limited

Rooms 4001–4002, 40/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities as defined under the SFO)

Convoy Investment Services Limited

21/F, Tesbury Centre
28 Queen's Road East
Admiralty
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities as defined under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Long Asia Securities Limited

Unit A, 23rd Floor, The Wellington
198 Wellington Street
Sheung Wan
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)

Pacific Foundation Securities Limited

11/F, New World Tower II
16–18 Queen's Road Central
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) and type 9 (asset management) regulated activities as defined under the SFO)

Co-manager

China-Hong Kong Link Securities Company Limited

19/F, 80 Gloucester Road
Wan Chai
Hong Kong

(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law:

Sidley Austin

Level 39

Two International Finance Centre

8 Finance Street

Central

Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

As to Malaysia law:

Jeff Leong, Poon & Wong

B-11-8, Level 11, Megan Avenue II

Jalan Yap Kwan Seng

50450 Kuala Lumpur

Malaysia

As to Singapore law:

Kelvin Chia Partnership

6 Temasek Boulevard

29th Floor, Suntec Tower Four

Singapore 038986

As to Philippine law:

Cruz Marcelo & Tenefrancia

9th, 10th, 11th & 12th Floors

One Orion

11th Avenue corner University Parkway

Bonifacio Global City 1634

Metro Manila, Philippines

P.O. Box 3525 Makati Central

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Sponsor and the Underwriters	<i>As to Hong Kong law:</i> Addleshaw Goddard (Hong Kong) LLP 802–804 Champion Tower 3 Garden Road Central Hong Kong
Auditor and reporting accountant	BDO Limited <i>Certified Public Accountants</i> 25 th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Property valuer	Nawawi Tie Leung Property Consultants Sdn Bhd (Formerly known as DTZ Nawawi Tie Leung Property Consultants Sdn Bhd) Suite 34.01, Level 34 Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Malaysia
Industry consultant	Ipsos Sdn. Bhd. 23/F, Centrepoint North Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Malaysia
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong
Compliance adviser	Ample Capital Limited Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	5705, The Center 99 Queen's Road Central Central Hong Kong
Headquarters and principal place of business in Malaysia	Lot 1769, Jalan Belati, Off Jalan Kempas Lama Taman Perindustrian Maju Jaya 81300 Johor Bahru Johor Darul Takzim Malaysia
Company website	<u>www.linocraftprinters.com</u> <i>(Note: The contents in the website of our Company do not form part of this prospectus)</i>
Company secretary	Mr. Lam Wing Tai (<i>HKICPA, CPA Australia</i>)
Authorised representatives	Mr. Tan Woon Chay Mr. Lam Wing Tai
Compliance officer	Mr. Tan Woon Chay
Audit Committee	Mr. Choy Wing Keung David (<i>Chairman</i>) Mr. Liew Weng Keat Mr. Teoh Cheng Tun
Remuneration Committee	Mr. Teoh Cheng Tun (<i>Chairman</i>) Mr. Choy Wing Keung David Mr. Tan Woon Chay
Nomination Committee	Mr. Liew Weng Keat (<i>Chairman</i>) Mr. Tan Woon Chay Mr. Teoh Cheng Tun

CORPORATE INFORMATION

**Principal share registrar and
transfer office in the Cayman
Islands**

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

**Hong Kong branch share registrar
and transfer office**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

AmBank (M) Bhd
Level 31, Metropolis Tower
Jalan Dato' Abdullah Tahir
80300 Johor Bahru, Johor
Malaysia

Public Bank Berhad
Taman Maluri Branch
275 & 277, Jalan Mahkota
Taman Maluri, Cheras
55100 Kuala Lumpur
Malaysia

United Overseas Bank (Malaysia) Bhd
Ground Floor, No. 8 Jalan Ponderosa 2/1
Taman Ponderosa
81100 Johor Bahru
Malaysia

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this prospectus are extracted from the Ipsos Report. The information extracted from the Report reflects estimates of market conditions based on research and analysis of Ipsos. The information extracted from the Ipsos Report should not be viewed as a basis for investments provided by Ipsos and references to the Ipsos Report should not be considered as opinion of Ipsos as to the value of any security or the advisability of investing in our Company. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics by us, neither we, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Underwriters, their respective affiliates, directors or advisers, nor any party involved in the Share Offer have independently verified such information and statistics directly or indirectly derived from official government publications, and such parties do not make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled by other parties.

THE IPSOS REPORT

Ipsos, an independent market research consulting firm, was commissioned to conduct an analysis of, and to report on, the printing and packaging industry in Malaysia at a fee of RM 127,200 (inclusive of tax). The Ipsos Report has been prepared by Ipsos independent of the company's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on the company's successful listing or on the results of the Ipsos Report. Ipsos has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,600 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The information contained in the Ipsos Report is derived using data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with leading industry participants, key stakeholders and industry experts in Malaysia. Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques.

All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Ipsos developed its estimates and forecasts on the following principal bases and assumptions: (i) it is assumed that the global economy remains a steady growth across the forecast period; and (ii) it is assumed that the social and political environments of Malaysia will remain stable during the forecast period for the sustained development of the printing and packaging industry in Malaysia.

RELIABILITY OF INFORMATION AND FUTURE FORECAST IN THE IPSOS REPORT

We are of the view that sources of information used in this section, which are extracted from the Ipsos Report, are reliable and not misleading as Ipsos is an independent reputable professional research agency with extensive experience in their profession.

We believe that the sources of information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

1. ECONOMIC OUTLOOK OF MAJOR MARKETS¹

1.1 Malaysia

From 2010 to 2015, the Malaysian GDP grew from approximately RM821.4 billion to RM1,062.6 billion at a CAGR of 5.3%, in the face of external headwinds. In 2016, growth slowed to 4.3% compared to 5.0% in 2015 year-on-year, mainly due to the slowdown in China's imports and the growth of emerging markets, thereby limiting export growth in Malaysia. Beyond 2017 however, the economy is expected to pick up steadily, with Malaysian government plans to enhance strengths in its 12 identified National Key Economic Areas (NKEA) through the Economic Transformation Programme (ETP). Malaysia's GDP is expected to reach RM1,406.9 billion by 2021, at a CAGR of 4.9% from 2017 to 2021.

1.2 Philippines

The Philippine GDP grew from approximately PHP9,003.0 billion in 2010 to PHP13,307.0 billion in 2015, at a CAGR of 8.1%. The growth of GDP in the Philippines was 8.6% in 2016, primarily driven by strong domestic demand and expending investment in the country. This pace is expected to continue and the economy is anticipated to maintain its growth rate of above 6% from 2017 onwards following continuous efforts by the Philippine government to raise revenue. By 2021, the economy is forecasted to grow at a CAGR of 6.5% to reach approximately PHP19,798.0 billion.

¹ The print and packaging industry in a country is an indicator of the country's economic strength and vice versa. Without proper packaging, products cannot be shipped from its source to manufacturers, or to retailers and consumers. Packaging must be developed and designed to suit the product being packaged, taking into consideration the shelf life, product hazards along the journey, attractiveness and correct information on these products. Packaging thus ultimately influences consumers' purchasing decision, which will contribute to the country's economy.

2. INDUSTRY SEGMENTATION AND DEFINITION

2.1 Definition²

Printing is defined as a process of reproduction of text and images onto a substrate via a medium that can later be seen or perceived visually. This can be done via ink application on plates, blocks, rollers, or the likes, to a substrate (i.e. paper or other materials) with direct pressure or indirectly offsetting an image onto an intermediate roller. Printed products generally range from newspaper, books, magazines to packaging items, and typically, the printing industry is characterized by its segments and processes.

2.2 Segmentation

The printing industry is a large and fragmented industry, which can be generally categorized based on different types of print jobs, print sizes, processes, technology and equipment used. The industry can be divided into three main printing segments mainly commercial printing, packaging printing and publication printing.

Segment	Definition
Commercial printing	The process of taking an image or design produced and transferring that art work onto an alternative surface in bulk, it is designed to complete high volume orders with a short period of time. Commercial printing produces products such as brochures, posters, booklets, stationery and business forms. It is also called “job printing” because each job is different. Commercial printing can be done by offset lithography processes, gravure or digital printing.
Publishing printing	The act or process of publishing media in print materials to communicate and distribute information to the public in high volume. Publication printing produces newspapers, books, magazines, directories and catalogues and is usually produced for specific markets. Publishing printing can be done by gravure, digital printing and offset lithography processes.
Packaging printing	The process of taking artwork and information and transferring that work onto materials intended for packaging purposes. These packaging products include packaging boxes, rigid boxes, paper-board inserts, instruction manuals, labels, bag, plastics and glass. Packaging printing can be done by flexography and offset lithography processes.

Source: Secondary research; Ipsos analysis

² Technical terms, official definition and sentence structures quoted/cited from official information portals such as Department of Statistics Malaysia (DOSM) etc. are kept to maintain the actual intent and meaning of terms defined for each category.

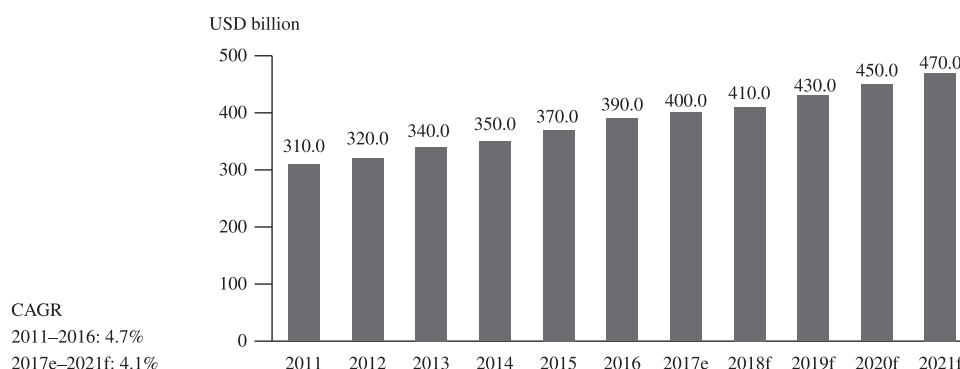
2.3 Print size categories

Print size categories varies from one segment to another, depending on its processes and end user products. The size categories ranges from standard format (SF) of up to 1,050 mm in size to very very large format (VVLf) of more than 1,620 mm in size. The printing industry in Malaysia is generally dominated by the commercial and publishing segment where prints do not necessarily require high quality on large or extra-large formats size (LF/VLF/VVLf). As such, depending on quality required for the final output of the print products, very few players in the industry actually offer extra-large format size printing with high image reproduction quality for its final product.

3. PACKAGING PRINTING INDUSTRY

The printing industry is generally segmented into 3 categories, the commercial, publishing and packaging printing. Changes in technology (i.e. the rise of digital products and social media) and increased globalisation have introduced new challenges to the industry, especially in the commercial and publishing segments. From 2011 to 2016, the global printing industry output grew from USD810.0 billion to USD890.0 billion, at a CAGR of 1.9%. This relatively slow growth is primarily due to the decreasing demand for printed commercial and published products, and this growth trend is expected to continue beyond 2016. The packaging printing segment, however, have been unfazed. For the same period, the global packaging printing segment grew from USD310.0 billion in 2011 to USD390.0 billion in 2016, at a CAGR of 4.7%. This growth trend is expected to continue and by 2021, the global packaging printing segment is expected to reach approximately USD470.0 billion, at a CAGR of 4.1% from 2017 to 2021.

Market size of global packaging printing industry, 2011–2021f



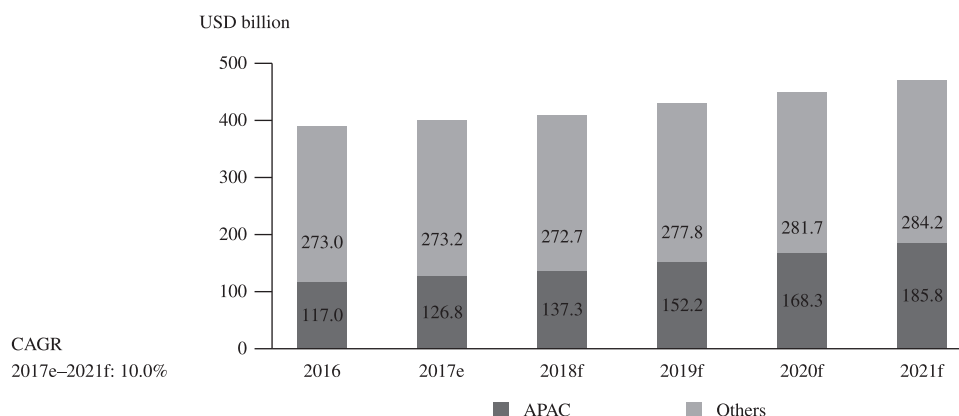
e = estimates; f = forecast

Source: Secondary research, Ipsos analysis

In 2016, the Asia-Pacific (APAC) region accounted for approximately 30.0% of the global packaging printing market, with demand driven by countries like China, India and Malaysia. The packaging printing market in the APAC region is projected to grow at a CAGR of 10.0% from 2017 to 2021, in terms of value and volume. By 2021, packaging printing is expected to reach approximately USD185.8 billion.

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Market size of packaging printing, APAC compared to global, 2016–2021f



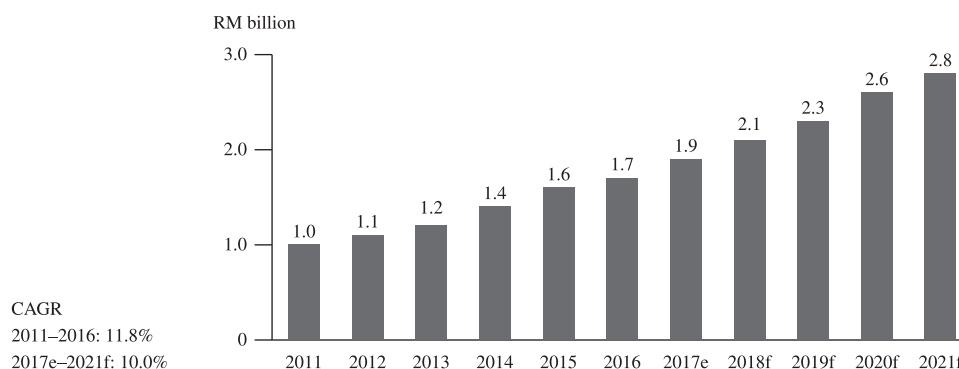
e = estimates; f = forecast

Source: Secondary research, Ipsos analysis

3.1 The packaging printing industry in Malaysia

The printing industry in Malaysia is mostly dominated by the commercial and publishing segments of the industry. In recent years however, the packaging printing segment seemed to have grown consistently, in line with the global market's progress. This segment has witnessed rapid growth from 2011 to 2016, accounted for approximately 40.0% of the printing industry in Malaysia. By 2021, the value of packaging printing in Malaysia is expected to reach approximately RM2.8 billion, growing at a CAGR of 10.0% from 2017 to 2021, driven by the increasing demand for packaging.

Market size of packaging printing in Malaysia, 2011–2021f



e = estimates; f = forecast

Source: Secondary research; Department of Statistics Malaysia (DOSM); Ipsos analysis

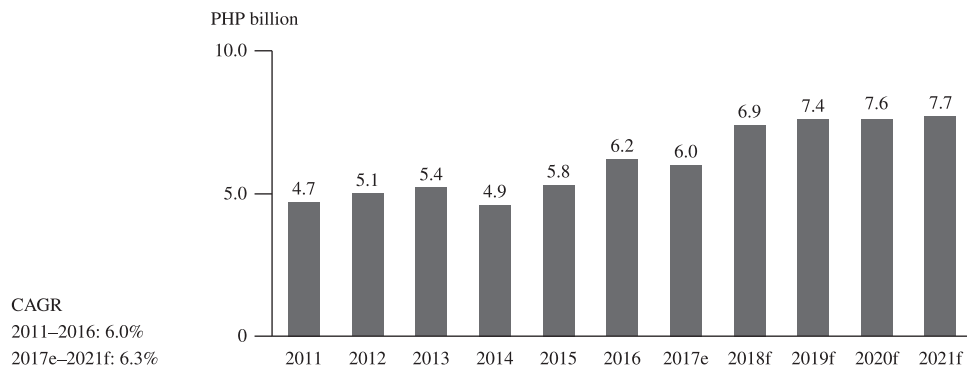
Paper packaging printing accounted for the largest part of packaging printing. In 2016, paper packaging printing was estimated to account for 59.0% of the package printing segment in Malaysia, with a market size of approximately RM1.0 billion. Paper packaging segment is expected to sustain in demand as paper continues to be one of the key packaging materials

used globally. By 2021, paper packaging printing is expected to reach RM1.7 billion, growing at a CAGR of 9.6% from 2017 to 2021, attributed by the constant demand for paper and corrugated packaging products of above RM3 billion each year.

3.2 The packaging printing industry in the Philippines

The Philippines is one of the smallest printing markets in the APAC region with less than 1.0% of the size of the APAC market in 2016. Unlike the industry in Malaysia, publishing printing segment has consistently accounted for the largest market share of approximately 70.0% in the printing industry. Commercial printing accounted for approximately 10.0% of market share, while packaging printing accounted for an average of 15.0%. The remaining 5.0% is composed of other printing segments such as industrial printing. From 2011 to 2016, total output value of the packaging printing segment in the Philippines grew from PHP4.7 billion to PHP6.2 billion, at a CAGR of 6.0%. Driven by the increase of paper and paperboard consumption in the Philippines, the market size of the packaging printing segment in the Philippines is expected to grow at a CAGR of 6.3% from 2017 to 2021, to reach an estimated PHP7.7 billion by the end of 2021.

Market size of packaging printing in the Philippines, 2011–2021f



e = estimates; f = forecast

Source: Secondary research; Philippine Statistics Authority (PSA); Ipsos analysis

Paper packaging printing accounted for an average of 40.0% of the total output of the packaging printing segment in the Philippines yearly. In 2016, market size of paper packaging printing was valued at approximately PHP2.6 billion. By 2021, paper packaging printing is expected to reach PHP3.1 billion, growing at a CAGR of 6.9% from 2017 to 2021.

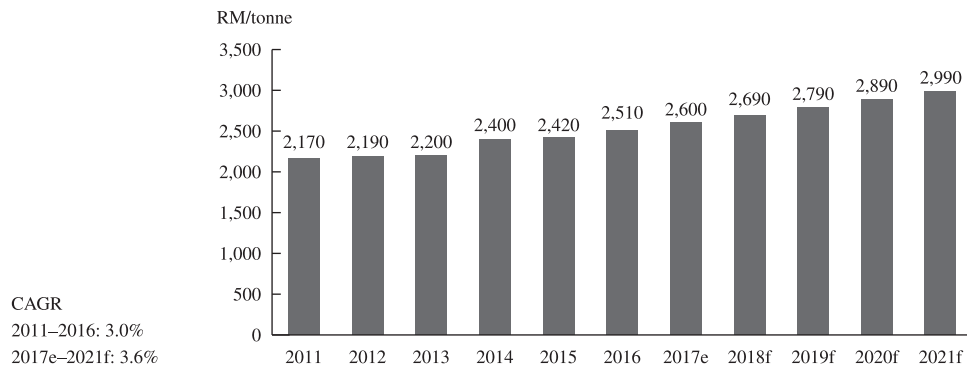
3.3 Raw materials

Paper is one of the key materials used globally in the packaging printing industry. In 2011, the price of paper in Malaysia was recorded at RM2,170/tonne. Paper price grew at a CAGR of 3.0% from 2011 to 2016 to reach RM2,510/tonne by the end of 2016, largely

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attribute by the shortage in paper supply globally. This factor is expected to remain and by the end of 2021, paper price is forecasted to reach approximately RM2,990/tonne, with a CAGR of 3.6%.

Price of paper in Malaysia, 2011–2021f



Source: Secondary research; Ipsos analysis

4. COMPETITIVE LANDSCAPE OF THE PAPER PACKAGING SEGMENT

The market for the printing industry in Malaysia is fragmented and is serviced by many different players from across the country, although mostly dominated by commercial and publishing printers. The industry is relatively competitive, with no particular player dominating market share. Although the market is fragmented, the industry is structured in a way whereby printers will remain in their respective segments based on respective expertise and products for long-term as different printing segments (i.e. commercial, publishing or packaging printing) require specific levels of quality, print sizes, technology, processes and types of machinery. Within each printing segments, printers are continuously seeking innovative ways to differentiate from each other to increase their market share, often by improving skills, technology and services provided to meet the demands to the growing industry as a whole.

4.1 Estimated market share and ranking

The business of paper packaging printers in Malaysia are generally classified under the Malaysia Standard Industrial Classification (MSIC) of which a company can either be classified as a printer or a manufacturer of paper packaging and corrugated paper products depending on the segment of business with higher revenue output. As such, in order to better represent the market as a whole to derive market size and rank, the total market size in terms of output value will include values derived from the printing segment for paper packaging products as well as the manufacture of corrugated paper and paperboard segment.

INDUSTRY OVERVIEW

By the end of 2016, the market for paper packaging printers in Malaysia was valued at approximately RM4.5 billion³. To screen and select comparable for market share and ranking purposes, a consolidation of metrics was used and these are as follow: (i) companies with similar business activities; (ii) companies with substantial focus on paper packaging printing as part of their business; and (iii) companies classified under the headings of either ‘paper packaging materials’, ‘manufacture of corrugated paper and paperboard and of containers of paper and paperboard’ or ‘packaging printers’ in Malaysia. Approximately 260 companies were identified, and later further screened for reported revenue in public domain for 2015/2016. Of these companies, less than 50 were noted to report their revenues in public domain for the year 2016. As such, based upon indicated and reported revenues for 2016, the company is ranked 3rd amongst these companies with reported revenues in the public domain in Malaysia.

Top five paper packaging printers in Malaysia based on companies with reported revenue, 2016⁴

Ranks	Printers	Revenue RM million	% of estimated market share to total paper printing and packaging industry	Products and services
1	Company i	147	3.3%	Produces gravure and offset printed materials for packaging of fast moving goods, tobacco products etc.
2	Company ii	117	2.6%	Activities include manufacturing of offset printed display boxes, poster printing services and total packaging solutions.
3	Our Group	101	2.3%	Produces sheetfed offset printed materials for household electrical products, marketing collaterals, manuals, inserts and rigid boxes.
4	Company iv	81	1.8%	Activities include manufacturing and distribution of paper bags, carton boxes etc.
5	Company v	75	1.7%	Activities include manufacturing and distribution of paper boxes, cartons etc.
Others			88.3%	

Source: Secondary research; Trade interviews; Ipsos analysis

³ In 2016, the market size of corrugated paper and paperboard products manufactured in Malaysia was approximately RM3.5 billion and the market size for paper packaging printing was approximately RM1.0 billion. In order to better represent the market as a whole to derive market size and rank, the total market size for ranking purposes is a cumulative total of values derived from paper packaging printing segment and manufacture of corrugated paper and paperboard segment, accounting for RM4.5 billion in total.

⁴ It is based on the latest information available at the time of study.

Notes:

- 1) The remaining 88.3% represents all other companies with limited revenue information available and is not limited to the companies used as comparable for market ranking purposes.
- 2) The above figures only provide an indication and are not considered directly comparable due to the following reasons: a) not all market players have the same financial year end; and b) not all companies carry out activities that are entirely similar to each other.
- 3) The above list of companies is selected with reference to available published revenues only for present year, compiled based on Ipsos' assumptions, which are then subsequently ranked for the purpose of market ranking comparison only.
- 4) Revenues for 2016, are estimated based on the following assumptions: a) the estimated revenue for selected companies used as comparable above are values for domestic market only; b) the revenues of companies used as comparable above are computed with weightage assumptions based on Ipsos' analysis, whereby a certain percentage of the selected company's total revenue is applied to represent the printing and paper packaging business activities of the company selected as comparable.

4.2 Supplier landscape

The printing industry in Malaysia is mostly dominated by the commercial and publishing printing segments of which prints do not necessarily require high quality on LF, VLF or VVLF. Depending on quality required for the final output of the printed products, very few players in the industry actually offer VLF or VVLF size printing with high image reproduction quality.

The conditions to enter an industry have a significant impact on the degree of competition within a market. As the paper packaging printing industry is structured with manufacturers or brand owners being serviced by packaging printing manufacturers that offer specific packaging printing services required for the different segments in the industry, it will not be an easy task, should a printer decide to "switch" from one segment to another (e.g. from commercial printing to packaging printing). Barriers of entry especially into the VLF/VVLF printing segment⁵ is rather high and often limited by conditions such as high cost of capital, high cost of equipment, technology know-how and the availability of skilled craftsman to be able to establish a successful printing operation. Therefore, with the industry being structured as different suppliers offering specific services for the various commercial and packaging printing segments, it is not uncommon for manufacturers or brand owners to engage with only one supplier to produce their products depending on products, service offerings and viewed expertise. The selection or reliance of supplier(s) are also dependent on other factors such as cost, quality and performance of products provided over the tenure of services.

For large multinational companies, high quality requirements are not only reflected in their manufactured products, but is also resonated in the packaging of their products. In most cases, brand owners tend to remain with their current appointed suppliers unless otherwise (e.g. if other suppliers offer better services, product or inventory management). As such, unless similar suppliers in the printing and packaging industry can meet those required

⁵ Ibid; example of printing segment includes offset printing segment.

technology and quality standards specified by the multinational companies, it would be a challenge for those multinational companies to “switch” from one supplier to another purely on cost considerations.

4.3 Consumer landscape

As different printing segments require varying levels of quality, format sizes to be printed using specific machinery; the industry is structured in a way whereby printers will remain in their segments of expertise in long term.

As the commercial printing industry struggles with intensifying competition from the digital and online marketing channels, the packaging printing segment seemed unfazed. The printing industry has a broad range of applications in the packaging market, including segments such as personal care, healthcare, food and beverage, electrical and electronic products and others. Printed packaging is an essential brand building tool, which manufacturers or brand owners use to differentiate, market and sell their products. Therefore, the quality of prints is often one of the main criteria for manufacturers or brand owners in choosing packaging printers.

Print quality of a final packaging product in general is subjected to the criteria and requirements of a manufacturer or brand owner; and very few of them would require high image reproduction quality of their packaging products to be printed on extra-large size formats (VLF/VVLF). As the industry is structured in a way whereby printers will remain in their segments of expertise in long term, such specific requirements from manufacturers or brand owners can only be serviced by packaging printing manufacturers who offer such services. Essentially in Malaysia, the demand for high quality image reproduction using extra-large format printing (VLF/VVLF) is niche, hence any contract from a manufacturer or brand owner of such specific requirement could potentially take up a substantial portion of capacity of the packaging printing manufacturer. As such, it is not uncommon for a single customer to potentially contribute a substantial portion of a printing manufacturer’s revenue.

4.4 Key factors of competition

As the market for the packaging printing industry is largely fragmented, printers are always striving to differentiate themselves in order to increase market share by improving efficiency, technology and services provided to meet the demands of the growing industry. Some key differentiating factors are as follow:

4.4.1 Structure of the company

Larger printers often have an established system in place to manage the different demands of their clientele. The internal skill sets, depth of technical knowledge and experience of their management team contribute to overall operations efficiency, thus allowing the company to deliver more value to client. With technology advancements over the last decade, companies will begin to adopt newer and sophisticated technologies

to keep up with the growing complexity and competition within the industry. Such competition will continue to be the driving force for companies to invest in high-tech solutions to manage, execute and implement efficient printing methods or strategies to maintain being relevant in the industry. As companies grow, so does the development and maturity of their internal system, thus allowing them greater leverage when engaging with clients on matters related to rates, business terms and order volumes, compared to their smaller competitors.

4.4.2 Cost of materials, printing process and labour

Cost is an important factor in selecting or differentiating between printers and it is often boils down to how competitive a printer can be in order to stay relevant. Often, this is a challenging pursuit as printers need not only to be competitive in the marketplace but also be able to sustain businesses, keep operations afloat and reinvest for growths.

4.4.3 Products and services

Existing products, services and experience of printers also play important role in helping customers decide on business awards for their projects. As such, products, existing services and related experience in the printing and packaging sector will limit the pool of eligible companies for customers to select.

4.4.4 Security and safety

In the printing and packaging industry, customers place importance on security and safety considerations when selecting printers. This is particularly due to the highly flammable nature of materials used involving highly mechanised operations. Companies that have high operational safety standards in place not only ensure the welfare of their workers and promote overall employee goodwill, but also promote greater customer confidence on their operational systems and product quality standards. Companies that project a good safety track record will often be given preferential status and selected to participate in new projects, particularly for larger multinational companies. As such, the safety and security policies employed within the company is a differentiating factor in this business segment.

4.5 Market drivers

4.5.1 Positive outlook in the packaging industry

The impact of packaging is significant and is expected to grow on a global scale. Packaging these days are not only used to provide information on the product, it also significantly influences consumers' purchasing decisions. Continuous growth in industries such as healthcare and retail for countries like Malaysia creates more need for package printing. Together with growing consumer awareness for safe and convenient packaging, the demand for the packaging industry in Malaysia is expected to increase.

4.5.2 *Premium packaging*

Over the years, there has been a growing demand for premium packaging used for products such as cosmetics and household items, particularly from leading developed nations like the US and Japan. The increasing demand for premium packaging indicates there is a growing need for high-quality packaging for premium brands and other high tier products. Thus, printers in Malaysia will need to adapt to different and costly technologies, colours, and packaging techniques to fulfil the demand for premium packages. Also, with technology advancements over the last decade, it is imminent that companies adopt new and sophisticated technology to keep up with the growing complexity and competition of the industry. Such competition will continue to be the driving force for companies to invest in high-tech solutions to manage, execute and implement effective printing methods or strategies to maintain being relevant in the industry and to stay ahead in the premium packaging sector. Therefore, the increased demand for premium packaging is significant in influencing the growth of the global printing market for packaging segment.

4.5.3 *Population and urbanisation*

As Malaysia population grows and urbanisation increases, the need for convenient, fast and high quality format of FMCG and services grows in return. A country that is highly urbanised is typically a good platform to spur demand, because urban areas are densely populated and demand for conveniently available packaged products is crucial to achieving and maintaining what is commonly viewed as high quality living standards. Demand for convenient packaging for on-the-go consumption will also continue to spur growth in the foods and drinks industries. This will drive demand for packaging sector, which will in turn provide direct and indirect growth opportunities for printing activities in Malaysia.

4.6 **Market barriers**

4.6.1 *Proven track record and relationship with customers*

The selection of a printer (or supplier) is dependent on factors such as cost and quality of products provided over the tenure of service. The industry in Malaysia is structured with manufacturers or brand owners serviced by printers with proven track record and good relationship over the contract period. Thus it is common that manufacturers or brand owners tend to rely on one supplier to produce their products (e.g. packaging) depending on service offerings and viewed expertise. As such, new entrants with little or no track record in providing services and delivering final products over a tenure of service would have a lower chance to convince manufacturers or brand owners to switch away from existing printers (suppliers).

4.6.2 Difficulty in sourcing for the correct skilled workers

Established printers typically have many years of experience and a group of skilled craftsman to operate a successful printing operation (especially for VVLF printing packaging segment). Such experienced workforce grew over the years with significant investments and management. Also, experienced industry players would have developed a complete production setup in place to ensure prints and products are produced in short turnaround times. New entrants to the industry lack the structure and experience and will find it difficult to compete against established industry players who are established, hence affecting their chance to procure contracts with potential clients in the industry.

4.6.3 High investment cost

High capital investment is needed to establish the required setup for the printing business. Established players over the years have invested significantly in their production plants and printing equipment to sustain existing operations and initiate new ones. The significant investment requirements constrain the evolution and progress of new technologies in the industry, and is one of the major challenges which impede market growth. Newer industry players are less likely to have the required infrastructure and sufficient investment bandwidth to compete with current printers, and will likely experience challenges in procuring contracts with potential clients in the industry.

4.7 Market opportunities

4.7.1 Product innovation and efficient processes

With the advancement and efficiency of printing technologies, customers are expecting a higher degree of customisation options for their products. While the majority focus on launching innovative packaging for their products, more than 20% of customers are focused on developing completely new packaging design for their existing packaging products, or re-designing them to enhance consumer experience in terms of product safety, ease of opening, handling and attractiveness. As such, printers are constantly looking for alternative and innovative solutions in materials or technology to meet the growing complexity of customers' demands, therefore giving rise to opportunities for the package printing segment in general.

4.7.2 Rise in use of sustainable packaging materials

Paper packaging is recyclable, biodegradable and environmentally friendly compared to other packaging materials, thus making it a preferred choice for consumers. The increase in consumer awareness and the use of paper packaging products indicate potential growth for the paper packaging market, subsequently giving rise to opportunities for package printing to grow.

4.7.3 Rise in use of multi- and variety packs

Consumers are always changing in their demands and manufacturers or brand owners are under pressure to change their packaging designs to suit these changing requirements. From attractive packaging to increasing visibility and presence of the product, printers are moving towards innovative solutions such as developing multi- and variety packs to suit some of these demands. Multi- and variety packs are not only preferred by retailers but are also preferred by consumers. Thus, giving rise to the package printing segment to grow.

4.8 Market challenges

4.8.1 Rising production cost

Prices of raw materials and labour costs have increased in the last few years driven by inflation and the rise of income in Malaysia. For example, the increasing cost of raw materials used in the production of corrugated boxes has hindered the growth of paper, and paperboard packaging market as this has led to paper mills to increase their prices to cope, which in turn has led to printing companies experiencing higher costs and lower profit margins as a result.

4.8.2 Environmental concerns

Printing devices consume a significant amount of energy and produce a substantial volume of waste during its processes. As such, environmental concerns are on the rise and printers are pressured to adopt ways to reduce emittance of waste to the environment. In Malaysia, the Green Industry practice is used as a guideline to help industries like the printing industry to reduce emittance of carbon and other environmental waste. Under the Environmental Quality Act, 1974 (Akta Kualiti Alam Sekeliling, 1974, AKAS 1974), companies in the printing industries are guided to plan, audit and monitor options for the Green Industry practice, which include compliance with wastewater management, solid waste, air emissions, worker safety and carbon dioxide emissions.

MALAYSIAN REGULATORY OVERVIEW

Our Group is principally involved in printing and packaging business. Below is the summary of salient Malaysian legal and regulatory provisions and licensing requirements that have a material impact to our Group's business operations. As it is in the form of a summary, it does not contain all legal and regulatory provisions that may be applicable to our Group's business operations in Malaysia. Any investor who wishes to have a detailed description of the laws of Malaysia in relation to our Group's operations is recommended to seek and consult their own independent legal advisers.

1. Printing Machine Licence

The Printing Presses and Publications Act 1984 ("**PPPA 1984**") is an Act to regulate the use of printing presses and the printing, importation, production, reproduction, publishing and distribution of publications and for matters connected therewith. Under the PPPA 1984, no person shall keep for use or use a printing press unless he has been granted a licence.

The PPPA 1984 defines "printing press" as the machine, equipment or article for printing, copying or reproducing any document which shall include letterpress, lithography, gravure, intaglio or any other process of printing capable of printing at a rate of 1,000 impressions per hour or more.

The PPPA 1984 provides that any person who keeps for use or uses a printing press without a valid licence granted under the PPPA 1984, or in contravention of any conditions imposed on the licence, shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM20,000.00 or to imprisonment for a term not exceeding 3 years or to both.

2. Manufacturing Licences

The Industrial Co-ordination Act 1975 ("**ICA 1975**") is an Act to provide for the co-ordination and orderly development of manufacturing activities in Malaysia.

Pursuant to the ICA 1975 and the Industrial Co-ordination (Exemption) Order 1976, a person engaged in a manufacturing activity with shareholders' funds of RM2,500,000.00 and above and/or which engages 75 or more full-time paid employees must acquire a manufacturing licence issued by the Ministry of International Trade and Industry of Malaysia.

As defined by the ICA 1975, "manufacturing activity" means the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.

The ICA 1975 provides that any person who fails to obtain a valid manufacturing licence is guilty of an offence and is liable on conviction to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000.00 for every day during which such default continues.

3. Licensed Warehouse and Licensed Manufacturing Warehouse

The Customs Act 1967 (“**CA 1967**”) regulates matters pertaining to customs duties, customs rulings, importation and exportation and warehousing of goods liable to customs duties.

The Director General of Customs and Excise of Malaysia may, at his absolute discretion, grant or withdraw any licence, for warehousing goods liable to customs duties and any other goods in a place or places specified in such licence. In respect of a warehouse licensed thereof, the Director General of Customs and Excise of Malaysia may, at his absolute discretion, grant an additional licence to the licensee and when granted withdraw any such licence, to carry on any manufacturing process and other operation in respect of the goods liable to customs duties and any other goods.

4. Control of Scheduled Waste

The Environmental Quality Act 1974 (“**EQA 1974**”) is an Act in relation to the prevention, abatement, control of pollution and enhancement of the environment. The EQA 1974 and the regulations made thereunder set out acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into any area, segment or element of the environment and may set aside any area, segment or element of the environment within which the emission, discharge or deposit is prohibited or restricted.

Under the EQA 1974, no person shall without any prior written approval of the Director General of Environmental Quality of Malaysia place, deposit or dispose of, or cause or permit to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters.

The EQA 1974 provides that any person who failed to obtain the prior written approval of the Director General of Environmental Quality of Malaysia for the abovementioned activities shall be guilty of an offence and shall be liable to a fine not exceeding RM500,000.00 and to imprisonment for a period not exceeding 5 years.

5. Business Premise Licences

The Local Government Act 1976 is an Act which empowers every local authority to make, amend or revoke any by-laws for the government of the local authority area as well as to grant any licence or permit for any trade, occupation or premises and such licence shall be subject to such conditions and restrictions as the local authority may prescribe. Pursuant thereto, the Johor Bahru City Council (“**MBJB**”) has issued the Trade, Business and Industrial Licensing By-Law 2016 which provides that no person shall use any place or premises, within the area administered by the MBJB for any trade, business or industry without a licence issued by the MBJB.

Any person who failed to obtain a valid licence from the MBJB for carrying out any trade, business or industry shall, commit an offence and shall, on conviction, be liable to a fine not exceeding RM2,000.00 or to imprisonment for a term not exceeding 1 year or to both.

6. Factory and Machinery

The Factories and Machinery Act 1967 (“**FMA 1967**”) provides for the control and management of factories for matters relating to the safety, health and welfare of persons working in a factory, the maintenance and inspection of machinery and for matters connected therewith.

Under the FMA 1967, a company in Malaysia has a duty to maintain the standards of safety, health and welfare of its factories and factory workers, and the FMA 1967 includes provisions requiring company to, amongst others, take precautions against fire, have proper maintenance of machinery, take effective and suitable provision for securing and maintaining adequate ventilation and suitable lighting and to make mandatory reporting of accidents and dangerous occurrences to the Inspector of Factories and Machinery of Malaysia.

7. Occupational Safety and Health

In addition to the FMA 1967, the Occupational Safety and Health Act 1994 (“**OSHA 1994**”) provides a legislative framework to promote standards for safety, health and welfare among workforce and for protecting others against risks to safety or health in connection with the activities of persons at work. The OSHA 1994 applies throughout Malaysia in specific industries including the manufacturing industry.

Pursuant to the provisions in the OSHA 1994, an employer has a duty to ensure, so far as is practicable, the safety, health and welfare at work of all the employees. Employers are also required to provide information, instruction, training and supervision as it is necessary to ensure, so far as is practicable, the safety and health at work of the employees.

An employer is required to formulate and as often as may be appropriate revise a written statement of its general policy with respect to the safety and health at work of the employees and the organisation, as well as the arrangements for the time being in force for carrying out such policy, and to bring the statement and any revision of it to the notice of all the employees.

An employer who failed to comply with the above may, upon conviction, be liable to a fine not exceeding RM50,000.00 or to imprisonment for a term not exceeding 2 years or to both.

8. Employment of Foreign Workers

Entry Permit

The Immigration Act 1959/63 (“**IA 1959/63**”) is an Act which provides that no person other than a citizen shall enter Malaysia unless (i) he is in possession of a valid Entry Permit lawfully issued to him in accordance with the IA 1959/63; (ii) his name is endorsed upon a valid Entry Permit, and he is in the company of the holder of the Permit; (iii) he is in possession of a valid Pass lawfully issued to him entitling him to enter Malaysia; or (iv) he is exempted by virtue of an order made by the Minister pursuant to the IA 1959/63. Any person

who contravenes this section shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM10,000.00 or to imprisonment for a term not exceeding 5 years or to both, and shall also be liable to whipping of not more than 6 strokes.

Employment Permit

The Employment (Restriction) Act 1968 (“**ERA 1968**”) is an Act which prohibits a person from employing a non-citizen of Malaysia employed in any business in Malaysia unless a valid employment permit has been issued in respect of that non-citizen.

Under the ERA 1968, a non-citizen shall before commencing employment apply for an employment permit to the Commissioner of Employment and the application shall be in such form and shall contain such particulars as may be prescribed. An employment permit may on the expiry of its period of validity be renewed. Any person who desires to renew an employment permit shall make an application to the Commissioner of Employment or any authorised person in the prescribed form.

The employment of foreign workers is subject to the approval of the Ministry of Home Affairs Malaysia, which imposes conditions on the number, the duration of employment and the sources or country of origin of the foreign workers. Upon obtaining the approval from the Ministry of Home Affairs Malaysia, the company is required to submit applications for Visit Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the Visit Pass (Temporary Employment) may be revoked if its conditions are contravened.

Any person who fails to comply with the abovementioned requirement of employment permit shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM5,000.00 or to imprisonment for a term not exceeding 1 year or both.

Every omission or neglect to comply with, and every act done or attempted to be done in contravention of the ERA 1968 or of any subsidiary regulation, or any breach of the conditions and restrictions subject to or upon which an employment permit is issued under the ERA 1968, shall be an offence against the ERA 1968 and the offender shall, if no penalty is expressly provided, be liable on conviction to a fine not exceeding RM1,000.00 or to imprisonment for a term not exceeding 6 months or both and, in the case of a continuing offence, to a further fine not exceeding RM100.00 a day.

Workmen Compensation

Workmen’s Compensation Act 1952 (“**WCA 1952**”) is an Act which provides for compensation to workmen for injury suffered in the course of their employment.

The WCA 1952 imposed on all employers an obligation to insure all their foreign workers employed by them under the Foreign Worker’s Compensation Scheme. The said obligation cannot be contracted out.

REGULATORY OVERVIEW

An employer who fails to obtain such insurance scheme shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM20,000.00 or to imprisonment for a term not exceeding 2 years or to both.

9. Foreign Exchange Policy

In efforts to accelerate the development of Malaysian financial market and to promote financial stability, on 2 December 2016, the Central Bank of Malaysia (“**BNM**”) has issued a Supplementary Notice on Foreign Exchange Administration Rules — Measures to Promote the Development of Malaysian Financial Market (“**Supplementary BNM Notice**”) to supplement the Notices on Foreign Exchange Administration Rules issued on 28 June 2013.

Under the Supplementary BNM Notice, with effect from 5 December 2016, a resident exporter is only allowed to retain up to 25% of foreign currency proceeds from its exports of goods. The balance of foreign currency proceeds from the exports of goods shall be converted into Malaysian ringgit with a licensed onshore bank. A resident exporter may hold higher balances with approval from BNM to meet their obligations in foreign currency.

On 2 May 2017, BNM has issued a Supplementary Notice (No. 2) on Foreign Exchange Administration Rules and Amendment to the Definitions of the Notices on Foreign Exchange Administration Rules — Measures to Promote Development of Malaysian Financial Market (“**Supplementary BNM Notice 2**”). Nonetheless, the Supplementary BNM Notice 2 does not amend or revise the restriction imposed on the resident exporter provided for in the Supplementary BNM Notice.

10. Repatriation of Profits

Under the current Malaysian foreign exchange control policies, non-residents of Malaysia are free to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia. Such repatriation must be made in foreign currency.

PHILIPPINE REGULATORY OVERVIEW

Under its Articles of Incorporation, Linocraft Philippines’ primary purpose is to engage in die cutting, laminating, stitching and assembly, and printing activities, while its secondary purpose is to engage in logistics activities such as warehousing. By virtue of its purposes alone, Linocraft Philippines is not subject to any special government regulations. However, since Linocraft Philippines has registered with the Philippine Economic Zone Authority (“**PEZA**”) as a logistics service enterprise and enjoys fiscal incentives, it is subject to the regulation of the PEZA.

Below is a summary of pertinent Philippine laws and regulations that currently apply to Linocraft Philippines. The summary, however, is not a complete list of all laws and regulations that may be applicable to Linocraft Philippines, particularly when it becomes fully operational or when it installs more machineries and equipment within its premises.

1. Primary Registration Requirements

Entities that desire to incorporate a corporation in the Philippines are required to register the same with the Philippine Securities and Exchange Commission (“**SEC**”) by submitting an Articles of Incorporation and a By-Laws, among other documents. In addition, a new corporation with more than forty percent (40%) foreign equity is also required to register with the SEC under the Foreign Investments Act. Every increase in foreign equity in the said corporation must also be registered with the SEC. Penalties will be imposed for failure to comply with the foregoing requirements.

The SEC requires corporations to register its Stock and Transfer Book (“**STB**”) with the SEC within thirty (30) days from its incorporation. The STB is a record containing all stocks in the names of the stockholders arranged alphabetically, installments paid and unpaid on all stock subscriptions, a statement of every alienation, sale or transfer of stocks, and such other entities as the by-laws may prescribe.

Following its registration with the SEC, a corporation shall, in accordance with the requirements of the Corporation Code, submit to the SEC an annual report of its operations, together with a financial statement of its assets and liabilities certified by any independent certified public accountant in appropriate cases. The audited financial statements (“**AFS**”) of corporations whose fiscal year ends on a date other than 31 December, must be filed within one hundred twenty (120) calendar days from the end of its fiscal year. A corporation is also required to submit a General Information Sheet (“**GIS**”) within thirty (30) calendar days from the date of its annual stockholders’ meeting. A corporation which fails to file its AFS and GIS within the prescribed deadline may be required to pay penalties ranging from PHP500.00 to PHP11,500.00 depending on the amount of its total assets or the number of times that a corporation has committed a violation. Subsequent violations of the corporation may result to the suspension or revocation of its certificate of registration by the SEC.

2. Registration as a Service Enterprise in an Economic Zone

Various types of enterprises may register with the PEZA to enable them to operate within an economic zone and to avail of certain fiscal incentives. The PEZA allows the registration of Logistics Service Enterprises, such as Linocraft Philippines. Such registration allows the enterprise to locate and operate inside an economic zone, and to avail of the following incentives:

- a. tax and duty-free importation, including tax and duty-free sourcing of goods from other PEZA enterprises, of authorized goods for subsequent export or sale/delivery to other PEZA export enterprises and other export manufacturing enterprises operating in other special economic zones; and
- b. zero percent (0%) value-added tax (“**VAT**”) on its local purchases.

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However, the PEZA imposes a restriction that logistics service enterprises must have no local sales or in no case shall articles or goods covered by their warehousing operations be brought to the domestic or customs territory, which is outside of an economic zone. Thus, a logistics service enterprise is only allowed to render services or sell its products to other PEZA-registered customers or customers that are located abroad.

A PEZA-registered logistics service enterprise is required to submit monthly, quarterly and annual financial and other reports/documents to the PEZA on or before their respective due dates, such as, but not limited to, the following: (a) Economic Zone Monthly Performance Report; (b) Annual Report; (c) AFS; (d) Annual Income Tax Return; (e) Quarterly Income Tax Returns; and (f) Notice of Start of Commercial Operations. Otherwise, the said enterprise may be imposed penalties by the PEZA.

The PEZA-registered logistics service enterprise is also required to submit to the PEZA within forty-five (45) days from the end of each quarter a quarterly inventory report on the quantities and values of imported raw materials, waste materials, and items on hand.

Further, the PEZA Citizen's Charter requires PEZA-registered enterprises to secure the following permits/certifications from the Support Services (Engineering) Department of PEZA: (a) Building Permit; (b) Mechanical Permit; (c) Electrical Permit; (d) Electronics Permit; (e) Sanitary or Plumbing Permit; (f) Fencing Permit; (g) Certificate of Electrical Inspection; (h) Fire Safety Inspection Certificate; and (i) Occupancy Permit and Permit to Operate.

3. Local Government Code Requirements

PEZA-registered ECOZONE locator enterprises are generally exempted from the requirement under the Local Government Code to secure a local business permit from the local government unit where its operations are located. Certain local governments, such as Calamba City, still require PEZA registered entities operating in the locality to secure a local business permit. A business establishment operating without a valid Business/Mayor's Permit shall be subject to surcharge on the permit fee and in extreme cases, closure of the business establishment.

4. Registration of Foreign Direct Investments

According to the Bangko Sentral ng Pilipinas ("BSP") Manual of Regulations on Foreign Exchange Transactions, foreign direct investments to the Philippines will have to be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings accruing from the capital shall be purchased from the Philippine authorized agent banks ("AABs") or their subsidiary/affiliate foreign exchange corporations. Once the application for registration is approved, a Bangko Sentral Registration Document ("BSRD") shall be issued by the BSP evidencing registration of such foreign direct investments. The BSRD is required to be presented to the AABs or the foreign exchange corporation before a company can be allowed to purchase foreign currency that it needs to pay dividends or to return capital to a non-resident.

5. Importation Requirements

Prior to importation, a PEZA-registered enterprise must first register with the importation system of the Bureau of Customs (“**BOC**”) and PEZA. Under Customs Memorandum Order (“**CMO**”) No. 03–2015, locators within a PEZA economic zone must register under the BOC Client Profile Registration System. On the other hand, PEZA requires PEZA-registered enterprises to enroll under its Electronic Import Permit System (e-IPS) or Expanded Automated Export Documentation System (e-AEDS), after which the PEZA-registered enterprise may already apply for an electronic import permit. In its Implementing Rules and Regulations, the PEZA clarified that an approved Electronic Import Permit should be obtained by a PEZA-registered enterprise before it issues a purchase order for importation of goods, or before the arrival of the goods at the port.

In case a PEZA-registered enterprise intends to transfer the tax and duty-free goods to another PEZA-registered enterprise, the seller is required to comply with the following requirements:

- a. The PEZA-registered enterprise transferring the goods shall post a General Transportation Surety Bond to guarantee the direct and faithful delivery of the goods to the intended recipient PEZA-registered enterprise.
- b. Prior to the transfer of goods, the duly authorized representative of the originating PEZA-registered enterprise shall, if required by the PEZA, file an application for an Electronic Letter of Authority (“**eLOA**”) under the Electronic Zone Transfer System through any of the PEZA-accredited value-added service providers (VASPs). The eLOA shall be applied for prior to the importation of goods intended for transfer to its PEZA-registered client. The description, volume/quantity and value of the goods indicated in the approved eLOA shall be the basis for the subsequent application for the electronic Zone Transfer Document under the eZTS.

6. Compliance with Labor Laws

The Labor Code of the Philippines and other related labor laws require minimum standards of benefits which employees are entitled to, such as minimum wage requirements, overtime pay, holiday pay, premium pay, night shift differential, service incentive leave, maternity leave for female employees, paternity leave for male employees, solo parent leave, leave for victims of violence against women, special leave for women, thirteenth month pay, separation pay, retirement pay, Philhealth benefits, social security benefits, and Pag-ibig benefits.

a. *Occupational Safety and Health Standards (“OSHS”)*

OSHS of the DOLE was formulated with the objective to protect employees from harmful working conditions. The OSHS requires that every employer must register its business with the Regional Office of the DOLE. The DOLE conducts periodic inspections to verify the compliance by a business establishment with the provisions of the Labor Code and other related labor laws.

b. *Social Security System (“SSS”)*

The SSS Law provides a package of benefits in the event of death, disability, sickness, maternity, and old age of an employee. The coverage in the SSS is compulsory for all employees not over sixty (60) years of age and their employers. It shall be the responsibility of the employer to remit the share of both the employer and the employee in the contributions to the fund.

c. *Philippine Health Insurance Corporation (“Philhealth”)*

The Philhealth is the administrator of the health insurance programs of SSS members and their dependents who are in need of financial assistance to afford the cost of medical care. It requires employers to register their employees with Philhealth. It shall be the responsibility of the employer to remit the share of both the employer and the employee in the contributions to Philhealth.

d. *Home Development Mutual Fund (“HDMF”)*

The HDMF is a mutual provident savings system for private and government employees and other earning groups primarily involved in housing investment. It aims to improve the quality of life by providing sufficient shelter for its members. All employees covered by SSS and their employers are covered by HDMF. It shall be the responsibility of the employer to remit the share of both the employer and the employee in the contributions to HDMF.

7. Compliance with Tax Laws

A newly-incorporated corporation is required to register with the Bureau of Internal Revenue (“BIR”) Revenue District Office (“RDO”) having jurisdiction over it within thirty (30) days from the date of its incorporation by paying a registration fee of Five Hundred Pesos (P500.00). Thereafter, the corporation is required to secure a BIR Certificate of Registration.

Business taxpayers should also submit the Application for Authority to Print (“ATP”) Receipts/Invoices and to register its manual books of accounts in order to complete its registration.

Despite its PEZA registration, a logistics service enterprise is entitled only to tax and duty-free importation of goods for subsequent export or for sale/delivery to other PEZA export enterprises and other export manufacturing enterprises operating in other special economic zones, as well as VAT zero-rating on its local purchases. Thus, a logistics service enterprise is subject to all other national and local taxes, such as the following:

- a. Thirty percent (30%) corporate income tax based on the taxable income or two percent (2%) minimum corporate income tax based on gross income, whichever is higher;
- b. VAT at the rate of twelve percent (12%) of its gross receipts;

REGULATORY OVERVIEW

- c. Documentary stamp tax on the original issuance of its shares of stock at the rate of P1 for every P200 of the aggregate par value of the shares issued;
- d. One percent (1%) basic real property tax and an additional levy of one percent (1%) for the Special Education Fund based on the assessed value of the real properties owned by a logistics service enterprise; and
- e. Local business tax on contractors/subcontractors under Section 2B.03 of the Calamba Revenue Code.

The logistics service enterprise is also required to act as a withholding agent to withhold taxes before making payments to its employees and to its suppliers of goods and services and to remit said taxes directly to the BIR. These include final withholding taxes on certain income payments (such as the payment of cash or property dividends to non-resident foreign corporations or to non-resident alien not engaged in trade or business in the Philippines); creditable withholding taxes on certain income payments (such as rental payments, payment to contractors, etc.); and withholding tax on compensation income of employees.

8. Compliance with Environmental Laws

a. *Environmental Compliance Certificate (“ECC”)*

Philippine laws require environmental critical projects (“ECP”), or projects which are not environmentally critical, but are located in an environmentally critical area (“ECA”) to have an Environmental Compliance Certificate (“ECC”). The ECC must be secured before one may undertake or operate an ECP or in an ECA.

The ECC will certify that based on the representations of the project owner, as reviewed and validated by the government, the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the Environment Impact Statement System and it is committed to implement its approved Environmental Management Plan.

A project must be implemented within five (5) years from the issuance of the ECC. Otherwise, the ECC will be deemed expired and the project proponent will have to apply for a new ECC.

Any person found violating the provisions of the ECC shall be punished by the suspension or cancellation of the ECC and/or a fine in an amount not to exceed Fifty Thousand Pesos (PHP50,000.00) for every violation thereof.

Any project or activity which has been classified as an ECP and/or located in an ECA which has been established and/or is operating without a valid ECC shall be ordered closed by the DENR, through a cease and desist, without prejudice to its applying for an ECC subject to the payment of a fine of PHP50,000.00 for every violation.

b. *Laguna Lake Development Authority (“LLDA”) Clearance*

Developmental and productive economic activities within the Laguna de Bay Region, which includes Calamba City, involving any operation, technology, process or activity resulting to the discharge of contaminants to land, air and water, including the use of hazardous or toxic materials or disposal of waste materials that will pose health hazards or will generate significant amount of organic solid wastes, are required to secure LLDA Clearance.

Operating without an LLDA Clearance or violation of the conditions thereof shall be subject to a fine of about PHP5,000 per violation.

The imposition of an administrative fine does not prevent the LLDA from issuing any order or from instituting appropriate civil or criminal action in court as the circumstances may warrant.

9. Compliance in the event of transfer to another PEZA location

In the event that Linocraft Philippines will transfer from its current office in Calamba, Laguna to another PEZA location, it will have to secure the following documents: (a) letter of approval/ authorization to transfer from PEZA; (b) ECC for the new location, if said location is considered an ECA; (c) LLDA clearance for the new location, if the same is within the Laguna de Bay region; (d) new business permit, if applicable, from the local government unit that has jurisdiction over the new location; (e) BIR approval for the transfer of its BIR registration; and (f) SEC approval of the amendment of its Articles of Incorporation changing the principal office.

Following is a summary of additional laws that may apply to Linocraft Philippines once it commences its operations:

10. Compliance with Immigration Laws

Entities that desire to employ foreign nationals must obtain for them an appropriate work visa, after securing an Alien Employment Permit (“AEP”).

Employers found employing foreign nationals without a valid AEP shall pay a fine of Ten Thousand Pesos (P10,000.00) for every year or a fraction thereof. Further, foreign nationals who fail to secure the appropriate work permit or visa from the Philippine Bureau of Immigration may be subjected to arrest, imprisonment and deportation.

11. Tax Incentives Management and Transparency Act

Registered business entities (“RBE”) availing of incentives administered by Investment Promotion Agencies (such as the PEZA) are mandated to submit the Annual Tax Incentives Report (“ATIR”) within 30 days from the statutory deadline for the filing of the Final Adjustment Return for Income Tax and payment of tax due thereon, if any. In the case of Linocraft Philippines, it must submit the ATIR to the PEZA.

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An RBE must also submit to the BIR its Consolidated ATIR.

Non-compliance with filing and reportorial requirements will subject the RBE to the following penalties:

1st violation — fine amounting to PHP100,000.00

2nd violation — fine amounting to PHP500,000.00

3rd violation — cancellation of the registration of the RBE

12. Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990

Chemicals to be used by Linocraft Philippines for its printing business may be subject to pre-importation requirements (if sourced from abroad) and/or chemical testing. In addition, Linocraft Philippines' facilities where chemicals are stored or otherwise held may be subject to inspection.

The penalty of imprisonment of 6 months and one day to 6 years and one day, and a fine ranging from PHP600.00 to PHP4,000.00 shall be imposed upon any violation of the foregoing. If the offender is a foreigner, he or she shall be deported and banned from any subsequent entry into the Philippines after serving his or her sentence. In case the violation is committed by a corporation, the president, director or manager who shall consent to or shall knowingly tolerate such violation shall be directly liable and responsible for the act of the employee and shall be criminally liable as a co-principal.

13. Philippine Clean Air Act of 1999

An establishment, which is a source of air pollution and emits regulated air pollutants, is required to obtain a permit to operate from the DENR. An application for a permit to operate shall be filed for each source emitting regulated air pollutants.

The owner or operator of a stationary source that exceeds the air pollution standards may be subject to a fine of not more than PHP100,000.00 for every day of violation, until such time that the standards have been complied with.

In addition, gross violations of this law are punished by imprisonment of 6 to 10 years. In the case of corporations, the president, manager, directors, trustees, the pollution control officer or the officials directly in charge of the operations shall suffer the penalty.

14. Philippine Clean Water Act of 2004

Linocraft Philippines must, among others, comply with the relevant effluent standards and secure the necessary discharge permits. In addition, where applicable, Linocraft Philippines must (a) allow entry, inspection and monitoring by the DENR, (b) allow access by the DENR to relevant reports and records, and (c) submit reports whenever required by the DENR.

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Fines of not less than PHP10,000.00 nor more than PHP200,000.00 shall be imposed for every day of violation.

In addition, gross violations of the Act will be punished by a fine of PHP500,000.00 to PHP3,000,000.000 per day for each day of violation, or imprisonment of 6 to 10 years, or both. In the case of corporations, the president, manager, directors, trustees, the pollution control officer or the officials directly in charge of the operations shall suffer the penalty.

1. OUR HISTORY

1.1 Our Business Development

Our Group is a well-established offset printing and packaging solutions provider and has expanded over the years since our inception in 1972. With the increasing demand for consumer goods in the 2000s, our Group shifted our focus to provide printing solutions for the packaging industry and commenced business relationship with our largest end customer during the Track Record Period, Company D, in 2004.

Our Group has won numerous awards since 2005 for outstanding achievement in Asian printing and packaging industry. Led by Mr. Ong and Mr. Andrew Tan, with a vision to be a world-class printing and packaging company, our Group has expanded our capabilities to provide a wide range of printing and packaging products and services to our customers and is constantly planning for further growth based on customers' demand.

With more than 40 years of industrial experience accumulated, supported by around 500 staff and along with technology integration, our Group has the experience and expertise in providing high quality printing and packaging products to our customers.

For the background and relevant experience of Mr. Ong and Mr. Andrew Tan, our executive Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

1.2 Business Milestones

The key milestones in the development of our Group are as follows:

1972	Linocraft Malaysia was established
2002	Obtained manufacturing licence for printed paper labels and instruction manuals
2005	Obtained ISO 9001 — certification of quality management system ⁽¹⁾ Granted "Packaging Sheetfed Only Category — Gold Award" by Asian Print Awards
2007	Obtained manufacturing licence for printed carton boxes and sheeted paper
2008	Obtained ISO 14001 — certification of environmental management system ⁽¹⁾

Note 1: The certification concerns our provision of printing and packaging products.

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2010	Acquired KBA Rapida 185 offset printing press
	Granted “Leaflets, Flyers, Folders & Brochures Category — Bronze Award” by Asian Print Awards
	Granted “Packaging Offset Printing Only Category — Gold Award” by Asian Print Awards
2012	Granted “Packaging Category — Bronze Award” by Asian Print Awards
	Granted “The Genuine Corporate Award” by Business Software Alliance
2015	Granted “Recognition Award — Collaboration” by Company D
2016	Granted “Recognition Award — Research, Design and Development (RDD) Collaboration” by Company D
	Regional expansion into the Philippines

2. OUR CORPORATE DEVELOPMENTS

The major corporate developments and shareholding changes of members of our Group, including the one which was material to the performance of our Group during the Track Record Period, are set out below:

2.1 Linocraft Malaysia

Linocraft Malaysia was incorporated in Malaysia on 28 June 1972 and engages in the printing and manufacture of instruction manuals, packaging products and printed paper labels. Immediately prior to the Reorganisation, Linocraft Malaysia had a total of 2,000,000 issued shares which were owned as to (i) approximately 2.7% (53,832 shares) by PH Cheng Sdn Bhd, a company with limited liability incorporated in Malaysia; (ii) approximately 70.0% (1,400,000 shares) by Charlecote Sdn. Bhd., a company with limited liability incorporated in Malaysia and owned as to 50% by Mr. Ong and 50% by Mrs. Ong; (iii) approximately 10.5% (210,000 shares) by Mr. Ong; and (iv) approximately 16.8% (336,168 shares) by Mr. Andrew Tan.

2.2 Linocraft Philippines

Linocraft Philippines was incorporated in the Philippines on 9 June 2016 and engages in service activities related to printing. Immediately prior to the Reorganisation, Linocraft Philippines had 100,000 issued shares with a par value of 100 Philippines Peso each. Immediately prior to the Reorganisation, Linocraft Philippines was owned beneficially as to 59.997% (59,997 shares) by Linocraft Malaysia, 20% (20,000 shares) by Mr. Andrew Tan and 20% (20,000 shares) by Mr. Wei Kuan Ong (son of Mr. Ong). On 25 April 2017 Linocraft Malaysia entered to trust arrangement

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

with each of Mr. Andrew Tan and Mr. Wei Kuan Ong where they held their respective shares on trust for Linocraft Malaysia. On the same day, each of Mr. Andrew Tan and Mr. Wei Kuan Ong entered into a deed of assignment with Linocraft Malaysia to assign their respective shares to Linocraft Malaysia at a consideration of 2,000,000 Philippines Pesos which was determined with reference to the par value of the shares. On 3 July 2017, Linocraft Malaysia entered into a deed of assignment with each of Mr. Andrew Tan and Mr. Wei Kuan Ong to assign one share to each of them respectively. The remaining three shares were owned by Mr. Francesca Dela Cruz (an Independent Third Party), Mr. Noel E. Esguerra (an Independent Third Party) and Mr. Antonio O. Ocila Jr. (an Independent Third Party), as to one share each, representing 0.001%, 0.001% and 0.001% of the issued share capital of Linocraft Philippines, respectively.

2.3 Linocraft Printers (SG)

Linocraft Printers (SG) was incorporated in Singapore on 21 June 2001. Immediately prior to the Reorganisation, Linocraft Printers (SG) had 50,000 issued shares, all of which were owned by Linocraft Malaysia. Linocraft Printers (SG) was inactive and had no operation immediately prior to the Reorganisation.

2.4 Pentino

Pentino was incorporated in Malaysia on 30 December 1972. Immediately prior to the Reorganisation, Pentino had 110,000 issued shares, all of which were owned by Linocraft Malaysia. Pentino was inactive and had no operation immediately prior to the Reorganisation.

2.5 Linocraft Zhuhai

Linocraft Zhuhai was incorporated in the PRC on 26 February 2010. Immediately prior to the Reorganisation, Linocraft Zhuhai had a registered capital of RMB500,000 and was owned as to 70%, 20% and 10% by Linocraft Malaysia, 珠海市文化彩色印刷有限公司 (Zhuhai City Cultural Colour Printing Co., Ltd*) (an Independent Third Party) and Mr. Andrew Tan, respectively. Linocraft Zhuhai was inactive and had no operation immediately prior to the Reorganisation.

3. INVESTMENT IN JOINT VENTURE

On 26 January 2017, Linocraft Malaysia increased its then 25% shareholding in Linocraft Singapore by acquiring 25,000 shares of Linocraft Singapore from one of Linocraft Singapore's then other shareholders, Ms. Tan Ah Moi (sister of Mr. Andrew Tan), at a consideration of SGD25,000 which was determined based on the value of the paid up capital of the shares transferred. Upon completion of such acquisition, Linocraft Malaysia owned 50,000 shares, representing 50% of the issued share capital of Linocraft Singapore, and Linocraft Singapore became a joint venture of our Group. The remaining shareholding in Linocraft Singapore is held as to 40% by Mr. Lim Soon Lee ("**Mr. Lim**") who is a director of Linocraft Singapore; and as to 10% by Ms. Chiang Puay Hoon (spouse of Mr. Lim). Linocraft Singapore is engaged in trading

* For identification purpose only

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

business for packaging and printing related products. Due to the above disclosed relationships, Mr. Lim and Ms. Chiang Puay Hoon are connected persons (as defined in the GEM Listing Rules) of our Company and not Independent Third Parties.

4. PRE-IPO INVESTMENT

On 27 February 2017, Linocraft International, Mr. Ong (as guarantor), Mr. Andrew Tan (as guarantor) and Stan Cam (as subscriber), entered into a subscription agreement as supplemented by a supplemental agreement dated 21 April 2017 (the “**Subscription Agreement**”), pursuant to which Stan Cam agreed to subscribe for and Linocraft International agreed to allot and issue, 2,000 shares of Linocraft International at a consideration of HK\$12 million which was determined after arm’s length negotiation among the parties based on the net asset value of Linocraft Malaysia, Linocraft Singapore and Linocraft Philippines as at 31 August 2015 amounting to HK\$60 million and an agreed multiple of their profit after tax for the year ended 31 August 2016. On 27 February 2017, Stan Cam became the registered owner of 20% of the issued share capital of Linocraft International.

Details of the Subscription Agreement are set out below:

Name of Pre-IPO Investor: Stan Cam Holdings Limited

Background of Pre-IPO Investor: To the best of our Directors’ knowledge, information and belief, Stan Cam is owned as to 75% by Ralexi Investment Holdings Limited, which in turn is wholly-owned by Mr. Gan, a passive investor who has worked in the financial services sector in Hong Kong for more than 15 years; and as to 25% by CAS Bright Stone International Investment Ltd which in turn is wholly-owned by Mr. Cheung Hung.

Mr. Gan was introduced to Mr. Ong, an executive Director and a Controlling Shareholder of our Company, through a friend whom Mr. Gan has known for over 10 years. Mr. Gan has more than 15 years of working experience in the financial services sector in Hong Kong. From 2000 to 2016, he held various positions in the equity capital markets (“ECM”) division of a number of international investment banks in Hong Kong. He worked at Sun Hung Kai Financial Limited from 2009 to 2016 and last served as a Managing Director and Head of Equity Capital Markets there. Mr. Gan’s professional experiences included managing the ECM desk as well as overseeing execution of ECM trades. He has been involved in the initial public offerings and equity capital market transactions of listed issuers on the stock exchanges in Hong Kong, Malaysia and Singapore.

Through companies that he has interests in, Mr. Gan participated in the pre-IPO investment in Worldgate Global Logistics Ltd (stock code: 8292), a company listed on GEM. As at the Latest Practicable Date, he was deemed under the SFO to be interested in 17.91% of the issued share capital of Worldgate Global Logistics Ltd.

Mr. Cheung Hung served as an executive director in Rui Kang Pharmaceutical Group Investments Limited (stock code: 8037), a company listed on GEM, from January 2010 to October 2016. He has also been a director of Yan Oi Tong Limited, a company limited by guarantee, since 2016. Mr. Cheung obtained a master of business administration degree in 2001 from The Chinese University of Hong Kong.

To the best of our Directors’ knowledge, information and belief, save for the Pre-IPO Investment, each of Stan Cam, Ralex Investment Holdings Limited, Mr. Gan, CAS Bright Stone International Investment Ltd and Mr. Cheung Hung is independent of and not connected with our Group and/or any connected person(s) of our Company.

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Number of ordinary shares of Linocraft International subscribed for:	2,000
Consideration paid:	HK\$12 million
Basis of determination of consideration:	With reference to the business valuation of Linocraft Malaysia, Linocraft Singapore and Linocraft Philippines as at 31 August 2015 amounting to HK\$60 million and an agreed multiple of their profits after tax for the year ended 31 August 2016.
Date of settlement of consideration:	9 March 2017
Investment cost per Share after Capitalisation Issue and discount to mid-point Offer Price range:	Equivalent to approximately HK\$0.1 per Share, representing approximately 69.23% discount to the mid-point of the Offer Price range.
Use of proceeds:	The proceeds from the Subscription Agreement will be used for general working capital of our Group. As at the Latest Practicable Date, approximately 54.33% of such proceeds has been utilised.
Strategic benefits:	Our Directors are of the view that our Company benefits from the funding provided. In addition, since Mr. Gan, the majority shareholder of Stan Cam, has work experience with Hong Kong listed companies and the financial services sector, our Group believes that its investment in our Group would boost the confidence of potential public investors.
Shareholding in our Company immediately following completion of the Pre-IPO Investment:	Approximately 20%
Shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer:	Approximately 15%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Public float:	The Shares held by Stan Cam are not considered as part of the public float for the purpose of Rule 11.23(7) of the GEM Listing Rules as Stan Cam is a substantial shareholder of our Company.
Lock-up:	Stan Cam is subject to a lock-up undertaking in respect of the Shares it holds upon Listing and will be restricted from disposing or otherwise transferring any of its Shares for a period of six months following the Listing.
Special right:	Stan Cam can nominate and appoint one non-executive director of our Company prior to the Listing pursuant to the Subscription Agreement. The above right will cease to be exercisable upon the Listing.

Save for the Pre-IPO Investment in our Group and as disclosed above, Stan Cam and its ultimate beneficial owners are Independent Third Parties and independent from our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected person of our Company.

4.1 Confirmation from the Sponsor

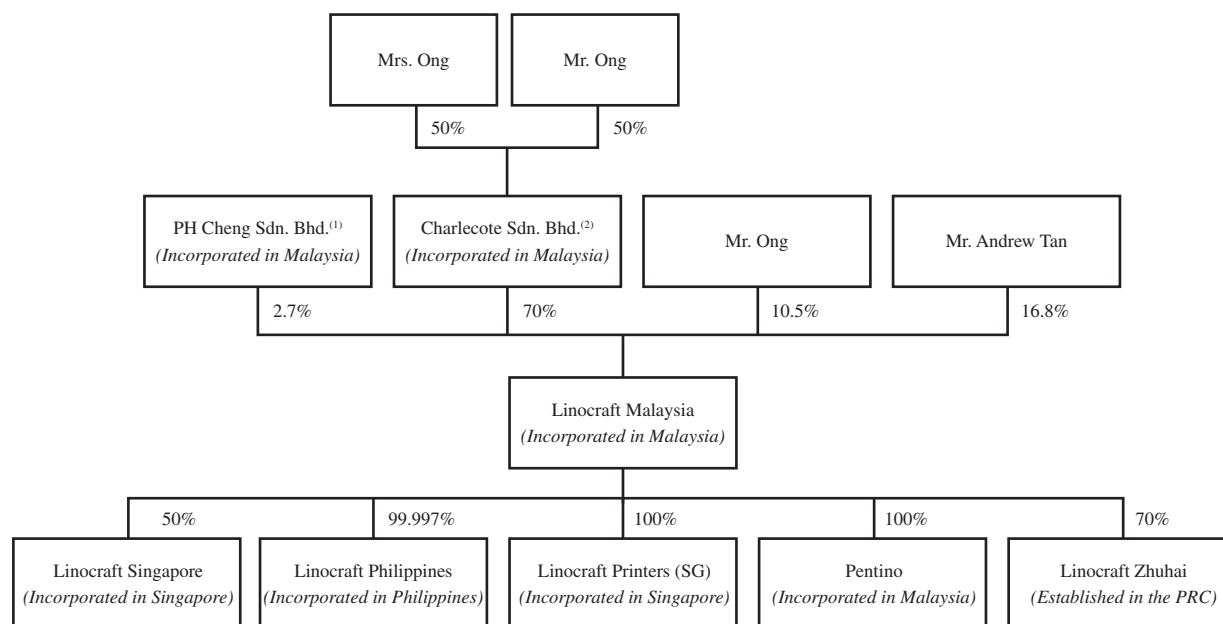
On the above basis, the Sponsor has confirmed that the investment by the Pre-IPO Investor is in compliance with the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange and it is of the view that the investment by the Pre-IPO Investor is in compliance with the Interim Guidance issued on 13 October 2010 by the Stock Exchange as the consideration for the Pre-IPO Investment was settled more than 28 days before the date of our first submission of the listing application to the Stock Exchange in relation to the Listing and the special right granted to the Pre-IPO Investor will terminate upon the Listing.

5. REORGANISATION

In January 2017, we commenced the Reorganisation in preparation for the Share Offer.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



Notes:

- (1) PH Cheng Sdn. Bhd. is an investment holding company and is owned as to approximately 41.7% by Mr. Teng Puan Khoi @ Mr. Cheng Peng Hoi, approximately 41.7% by Ms. Loh Bon Ching @ Ms. Loh Boon Cheng and approximately 16.7% by Ms. Wendy Cheng Mei Ping. They are all Independent Third Parties.
- (2) Charlecote Sdn. Bhd. is an investment holding company.

5.1 Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 13 April 2017 to act as the holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 ordinary Shares with a par value of HK\$0.01 each. Upon incorporation, one subscriber Share was transferred to Mr. Andrew Tan at par.

5.2 Incorporation of intermediate holding companies

Linocraft International was incorporated in the BVI on 26 January 2017 and is authorised to issue a maximum of 50,000 shares of one class of US\$1.00 par value each. On 27 February 2017, (i) 8,000 shares, representing 80% the issued share capital of Linocraft International, were allotted and issued to Linocraft Investment at a consideration of HK\$60 million, all credited as nil paid. The consideration was settled by way of issuance of a promissory note of HK\$60 million (the “**Promissory Note**”) from Linocraft Investment to Linocraft International dated 21 April 2017; and (ii) 2,000 shares, representing 20% of the issued share capital of Linocraft International were allotted and issued to Stan Cam at a consideration of HK\$12 million, all credited as fully paid and the consideration was settled by cash on 9 March 2017.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Linocraft Group was incorporated in the BVI on 14 February 2017 and is authorised to issue a maximum of 50,000 shares of one class of US\$1.00 par value each. On 27 February 2017, 1,000 shares, representing the entire issued share capital of Linocraft Group, were allotted and issued to Linocraft International at a consideration of US\$1,000, all credited as fully paid.

5.3 Disposal of dormant companies

On 22 June 2017, Linocraft Malaysia transferred 50,000 shares in Linocraft Printers (SG), being the entire issued share capital of Linocraft Printers (SG), to Pentino at a consideration of SGD100 which was determined with reference to the net tangible asset of Linocraft Printers (SG) as shown in the latest audited accounts of Linocraft Printers (SG) for the year ended 31 December 2016 immediately prior to the above transfer. Upon completion of such transfer, Linocraft Printers (SG) ceased to be a subsidiary of Linocraft Malaysia.

On 31 May 2017, Linocraft Malaysia transferred (i) 88,550 shares in Pentino, representing 80.5% of issued share capital of Pentino to Mr. Ong at a consideration of RM80.50; (ii) 18,491 shares in Pentino, representing 16.81% of issued share capital of Pentino to Mr. Andrew Tan at a consideration of RM16.81; and (iii) 2,959 shares in Pentino, representing 2.69% of issued share capital of Pentino to Mr. Teng Puan Khoi @ Mr. Cheng Peng Hoi at a consideration of RM2.69. The consideration for the above transfer was determined with reference to the par value of the shares. Upon completion of such transfer, Pentino ceased to be a subsidiary of Linocraft Malaysia.

As of the Latest Practicable Date, Linocraft Malaysia was in the process of transferring its entire equity interest in Linocraft Zhuhai, being 70% of the registered capital of Linocraft Zhuhai, to Pentino. Upon completion of such transfer, Linocraft Zhuhai will cease to be a subsidiary of Linocraft Malaysia.

5.4 Acquisition of subsidiaries

On 28 February 2017, Linocraft International acquired the entire issued share capital of Grace Key, an investment holding company incorporated in the BVI, from Walgan Investment Limited, an investment holding company incorporated in the BVI and wholly-owned by Mr. Gan, at a consideration of US\$1,000, which was determined with reference to the latest management accounts of Grace Key. Grace Key wholly owns Eden Grace, a company incorporated in Hong Kong for the purpose of performing our Group's treasury functions. Upon completion of such acquisition, Grace Key became wholly-owned by Linocraft International.

On 9 August 2017, Linocraft International, Linocraft Investment and the shareholders of Linocraft Malaysia (the “**Relevant Shareholders**”), namely PH Cheng Sdn Bhd, Charlecote Sdn. Bhd., Mr. Ong and Mr. Andrew Tan, whose respective shareholding in Linocraft Malaysia was in the same proportion as in Linocraft Investment, entered into a tri-partite agreement (the “**Tri-partite Agreement**”) in which Linocraft International, by nominating Linocraft Group to be the named transferee, acquired the entire issued share capital of Linocraft Malaysia from the Relevant Shareholders at a consideration of HK\$60 million. Pursuant to the Tri-partite Agreement, such consideration shall be paid by Linocraft Investment to the Relevant Shareholders at a later date to

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

be agreed as deferred payment. In consideration of Linocraft Investment agreeing to pay the said consideration to the Relevant Shareholders on behalf of Linocraft International, Linocraft International agreed to cancel the Promissory Note issued by Linocraft Investment to it. Upon completion of such acquisition, Linocraft Malaysia became wholly-owned by Linocraft Group.

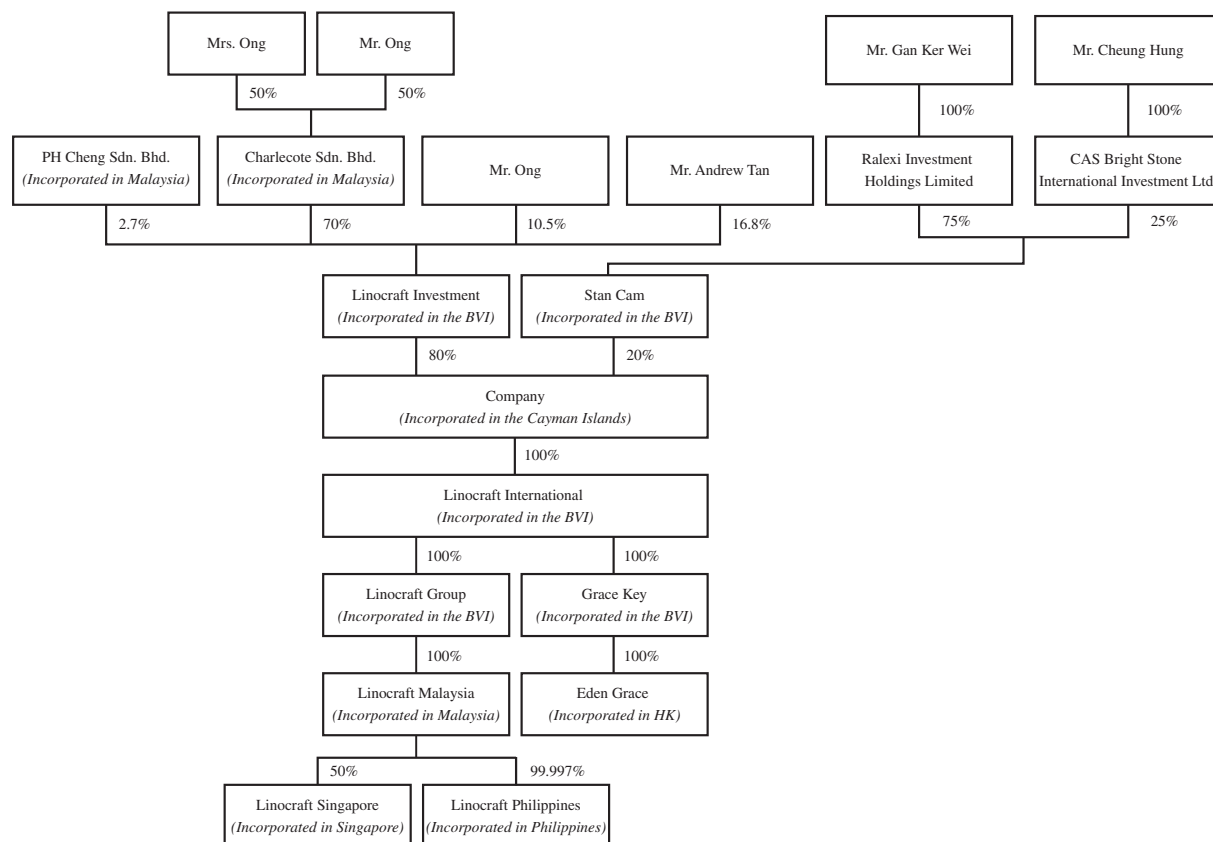
On 16 August 2017, Mr. Andrew Tan transferred one Share, representing the entire issued share capital of our Company, to Linocraft Investment for a consideration of HK\$0.01, which was determined with reference to the par value of the share.

On 16 August 2017, our Company acquired the entire issued share capital of Linocraft International from its existing Shareholders, namely Linocraft Investment and Stan Cam, at a total consideration of HK\$72 million, which was determined after arm's length negotiation between the parties based on the subscription consideration paid by Linocraft Investment and Stan Cam in aggregate for their shareholding in Linocraft International. The consideration of the acquisition was satisfied by our Company allotting and issuing 35 Shares to Linocraft Investment and 9 Shares to Stan Cam. Upon completion of such acquisition, our Company was owned as to 80% by Linocraft Investment and 20% by Stan Cam which were in proportion to their shareholding in Linocraft International prior to the said transfer.

As at the Latest Practicable Date, save as disclosed above, the above transfers were legally completed and settled.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately after the Reorganisation, but before the completion of the Share Offer:



6. INCREASE OF AUTHORISED SHARE CAPITAL

On 25 August 2017, the authorised share capital of our Company increased from HK\$380,000 divided into 38,000,000 ordinary Shares with par value of HK\$0.01 each to HK\$50,000,000 through the creation of 4,962,000,000 additional Shares.

7. CAPITALISATION ISSUE AND SHARE OFFER

Conditional upon the fulfillment of the conditions for the Share Offer, new Shares representing not less than 25% of the enlarged issued share capital of our Company will be issued to the public pursuant to the Share Offer.

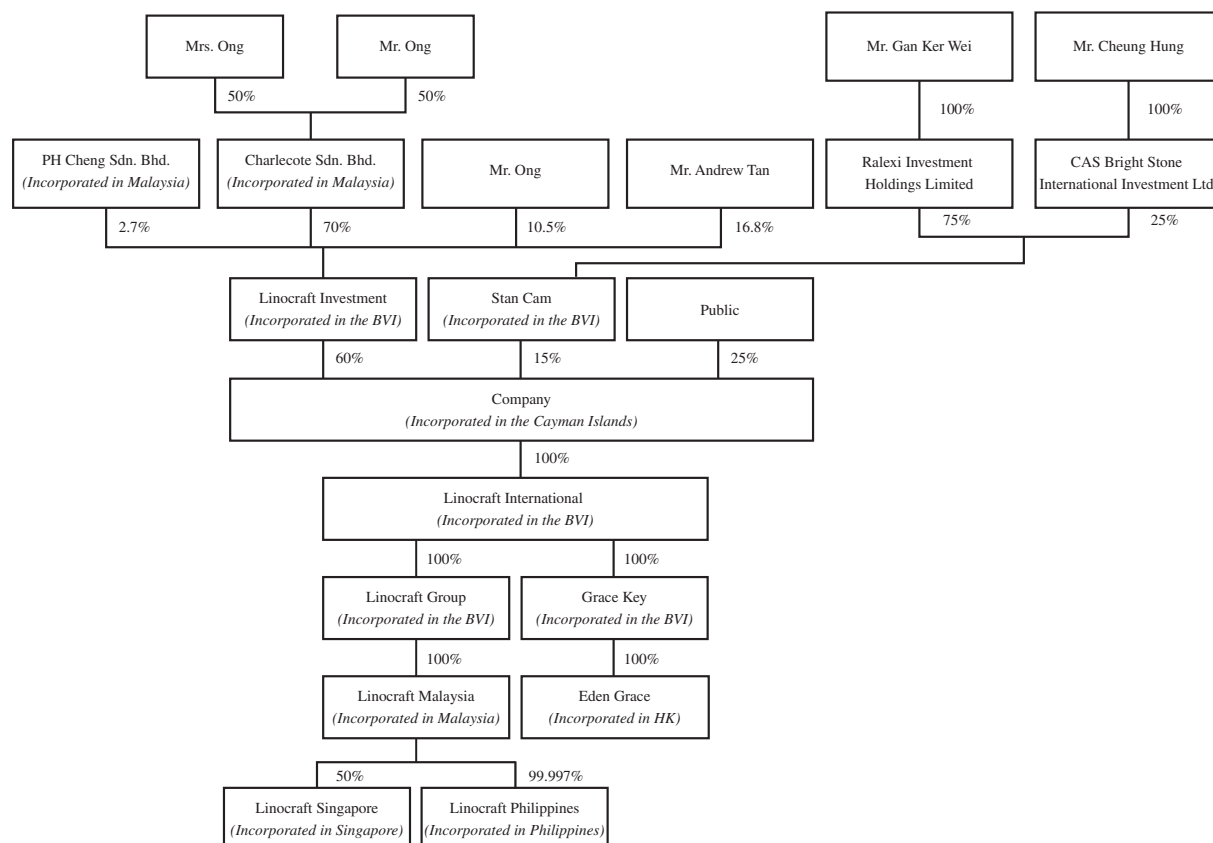
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Conditional upon the fulfillment of the conditions for the Share Offer and the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors will be authorised to capitalise the amount of HK\$5,999,999.55 standing to the credit of the share premium accounts of our Company by applying such sum towards paying up in full at par a total of 599,999,955 Shares for the allotment and issue to the then shareholders of our Company recorded on the register of members of our Company on the business day immediately to the Share Offer, representing not more than 75% of the enlarged issued share capital of our Company upon Listing.

Each of Mr. Andrew Tan and PH Cheng Sdn. Bhd., who/which holds 16.8% and 2.7% respectively of the issued share capital of Linocraft Investment, will not be considered together with our Controlling Shareholders as a group of controlling shareholders of our Company by way of their shareholding in our Company through Linocraft Investment instead of a direct shareholding in our Company, as each of Mr. Andrew Tan and PH Cheng Sdn. Bhd., in addition to not being close associates of each other and our Controlling Shareholders, is not entitled to exercise or control the exercise of 30% or more of the voting power at general meetings in Linocraft Investment by virtue of their respective shareholding in Linocraft Investment. In addition, to the best of our Directors' knowledge, there exists no agreement or arrangement in relation to voting or acting in concert arrangement among any and all of the shareholders of Linocraft Investment (the “**Linocraft Investment Shareholders**”), and each of the Linocraft Investment Shareholders has acted independently in respect to corporate matters. In addition, none of Mr. Andrew Tan and PH Cheng Sdn. Bhd. and their ultimate shareholders is accustomed to take instructions from Mr. Ong and/or Charlecote Sdn. Bhd. in relation to acquisition, disposal or other disposition of shares in Linocraft Investment. Furthermore, PH Cheng Sdn. Bhd. and its ultimate beneficial shareholders are Independent Third Parties not involved in the management and control of the operation of our Group.

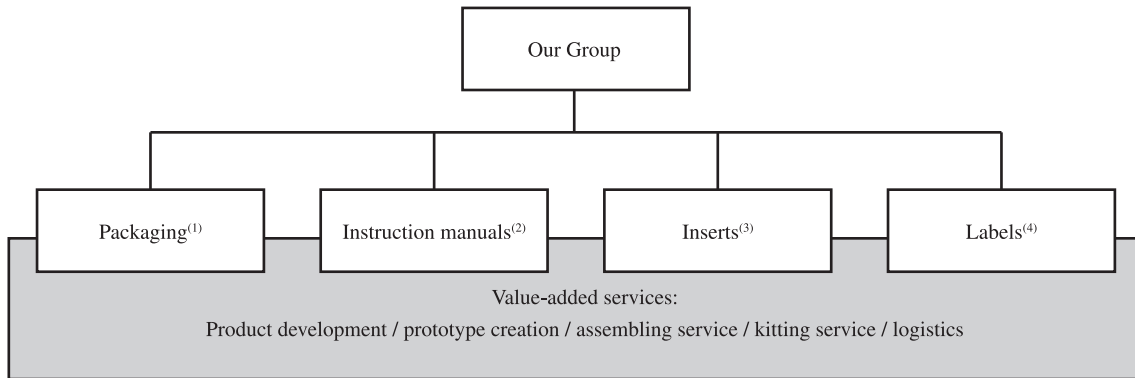
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure upon completion of the Capitalisation Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised):



1. OVERVIEW

Founded in Malaysia, our Group is a well-established offset printing and packaging solutions provider with 45 years of history. Our Group focuses on packaging printing and our products include packaging boxes, rigid boxes, paper-board inserts, instruction manuals and printed labels to direct customers and contract manufacturers of international renowned brands. Our Group's products and services are broadly categorised as follow:



Notes:

- (1) Packaging includes mainly packaging boxes and rigid boxes.
- (2) Instruction manuals include mainly printing of instruction manuals and booklets.
- (3) Inserts are mainly paper-board inserts which are protective packaging used inside boxes to partition and protect products from damages.
- (4) Labels include mainly printing of paper-based labels.

With more than 40 years of industrial experience accumulated, supported by around 500 staff and along with technology integration, our Group has the experience and expertise in providing high quality products to our customers. We have a product development team that designs packaging and we have invested in an industrial cutting machine that can create a prototype for customers to visualise how the end product would look like. From the development of packaging design to mass production until the delivery of finished goods, we work closely with our customers in order to understand their requirements and provide them with efficient value-added services.

Our Group acquired the first KBA Rapida 185 offset printing press in Southeast Asia that is capable of printing VLF/VVLF packaging of high quality within a short turnaround time. With such ability, our Group targets the niche market segment, namely VLF/VVLF printing.

The targeted customers which require our Group's high quality products are mainly international brand owners including Company D, a UK-based technology group that owns, designs and sells premium, iconic and innovative consumer electrical appliances and Customer 5, a US-based audio technology company.

According to the Ipsos Report, it is common that brand owners tend to engage one supplier to fulfil its printing and packaging needs as the VLF/VVLF printing segment is dominated by a few players with high entry barriers. Our Group is among a few suppliers in Malaysia to offer VLF/VVLF printing to customers.

Our Group has built stable relationships with customers across a variety of industries such as electronic and electrical, food and beverage, medical, and FMCG sectors, many of whom have engaged us for more than six years. Our Group emphasises on customer satisfaction, and our Directors believe that it is one of our critical success factors in building customers' loyalty.

Apart from customer satisfaction, our Group also pays attention to employees' job satisfaction and views it to be of equal importance. Our Directors view human capital as our greatest asset and believe that happiness of employees inspires productivity. We periodically review staff welfare to ensure we provide satisfactory working environment for all our employees. Our Group also rewards or promotes staff according to performance assessment as our Directors believe that good workers should be amply rewarded, and such reward motivates our employees to strive for strong performance each year to aid in our Group's overall growth.

2. COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths are the key factors to our Group's success and will enable our Group to further develop our business in the future.

2.1 Our Group offers a wide range of offset printing and packaging products, enabling us to be a partner of choice for customers with packaging needs

According to the Ipsos Report, we were ranked third in the paper packaging printing segment in terms of reported revenue in Malaysia in 2016. Our Group offers a comprehensive range of printing and packaging products to meet our customers' needs, which include packaging boxes, rigid boxes, paper-board inserts, instruction manuals and printed labels. In addition, our Group also provides product development services to help customers in developing packaging designs that are suitable for their products. The range of products provided by our Group are complementary to one another, providing customers with a one-stop shop for creative designs and high quality packaging.

In 2010, our Group acquired the first KBA Rapida 185 six-colour offset printing press in Southeast Asia which has the capacity to print VLF/VVLF printing. Our Group was the first printing company in Southeast Asia to own this machine, enabling our Group to specialise in VLF/VVLF printing of premium quality.

Our Group also has a bindery for the production of instruction manuals. Our Directors are of the view that our capability to provide both packaging printing and instruction manuals provides us with an advantage in the printing industry over other local printers in Malaysia as there are not many players in the industry who can offer VLF/VVLF printing with high image reproduction quality and also offer printing of instruction manuals in the same facility.

Our Group owns a logistics control team and also works closely with our logistics partners to provide timely delivery services. Hence, our Group is capable of supporting customers with our printing and packaging solutions and value-added services such as logistics services. Our Directors believe that our ability to provide such wide range of services to our customers enhances our position as their partner of choice.

2.2 Our Group emphasises on quality and reliable services, and has built up an established reputation in the industry

Our Directors consider customer satisfaction to be of utmost importance to our Group and we achieve such satisfaction by providing good customer service and providing speedy and flexible solutions to address our customers' needs. Our customers include international brand owners, which employ very high standard for quality of printing and packaging products. We went through stringent production quality audit procedures conducted by these multinational corporations before we were engaged as their suppliers. Our Directors believe that our good quality products help to win over customers from Penang and Ipoh (northern Malaysia) even though we are located in Johor (southern Malaysia).

Our Group is fully committed to provide customers with quality products and it is done by implementing strict quality control in our production. A routine is put in place for quality checks and test runs to be conducted, starting from the selection of raw material suppliers. This is to ensure that the detailed specifications comply with customers' requirements and expectations. A series of inspections is also carried out during the incoming, in process and outgoing quality control. Our Group has in place a quality assurance team to conduct quality inspections at relevant production stages to ensure all finished goods are up to quality level required by customers. In addition, our Group has won four accolades at the Asian Print Awards since 2005, in recognition of our printing quality. In 2016, we received a Research, Design and Development (RDD) Collaboration Award from our largest end customer, Company D. Our Directors believe that these awards further strengthen our Group's reputation in the industry.

In view of the long-term relationships and passing the annual audits conducted by our major customers, our Directors believe that we have gained customers' trust and confidence. Our Directors believe that customers will continue to engage us as a service provider.

2.3 Our Group invests in and deploys new technology to achieve efficiency

In order to provide top-notch services and products to our customers in the niche market, we keep abreast of the latest technological development in the industry. Our Group deploys technology in our operations for continuous improvement in productivity and product quality. With our Group's investment in KBA Rapida 185 six-colour offset printing press, we can print VLF/VVLF at high speed up to 11,000 sheets per hour. To handle increasing orders and achieve better colour reproduction, our Group purchased KBA Rapida 105 six-colour offset printing press in 2016 in addition to our existing KBA Rapida 105 five-colour offset printing press.

Our Group invests in automation of our production lines to maximise efficiency. For example, we have successfully automated the production line for producing rigid boxes. Our Group also utilises GMG Colour Management System (CMS) to ensure colours are accurately reproduced on the printing presses and final products.

2.4 Our Group's strategic location allows for shortest possible delivery lead time to our customers

Our Group's production plant is strategically located close to various land, sea and air ports within the region. These include the sea ports of Tanjung Pelepas (Malaysia), Pasir Gudang (Malaysia), Tanjung Langsat (Malaysia) and Singapore as well as international airports such as Senai (Malaysia) and Changi (Singapore). The unique and strategic geographical location allows our Group to deliver our products to our customers or receive raw materials from our suppliers in a shorter time. Our geographic proximity to contract manufacturers of Company D (our largest end customer for the Track Record Period) enables us to provide quicker response to their requests in the form of reduced transportation time and costs, which strengthens our working relationships with our customers in the long run.

2.5 Our Group's management team has extensive experience and in-depth knowledge in the printing and packaging industry

Our Directors consider the strength of our Group's management team to be fundamental to our success. Mr. Ong, one of our executive Directors, has more than 27 years of business management experience and about 20 years of experience in printing industry. Mr. Andrew Tan, an executive Director of our Group, joined us in 2004 as marketing director and was subsequently appointed as managing director in 2007. With a vision to bring our Group to the next level, Mr. Andrew Tan positioned ourselves as a high-end printing and packaging solutions provider and our target customers are international brand owners such as Company D. Under his management, our Group's sales turnover has grown over the years, achieving double-digit growth in the past three years. With more than 13 years of relevant experience in the printing and packaging industry, Mr. Andrew Tan has helped our Group to expand our product lines and overall business. Our Group has also set foot in the Philippines in June 2016 to set up our printing and packaging production line to better serve our customers in the region.

2.6 Our Group has a people-oriented management culture and emphasises on professionalism

Our Directors' management philosophy is "Happy employees equals happy customers". We place strong emphasis in meeting employees' needs and planning their individual development. Our Directors believe in the hiring of the right people and that by helping them grow, it will bring out the best in them and in turn be of benefits to our Group.

We believe that employees are our greatest asset and that the success of our Group relies on the industry expertise of our employees. Our employees are trained to deliver good quality products to meet customers' requirements. Our Group develops a training plan on a yearly basis to schedule employees to attend training/courses that help to develop their professional skills and to build up their competencies. Our Group's management puts in effort in creating a sense of belonging for the employees by organising bonding activities on a regular basis. Our Group also organises department meals to recognise employees' efforts when our Group achieves sales target.

The majority of our employees are involved in our operations department which comprises a group of skilled craftsmen. Our Group acquires new printing machines to adopt technology into our production to stay competitive. With the incorporation of technology, our Group also updates employees with the required skills to operate the machines. Our employees who are responsible for such machinery operations are sent overseas to attend manufacturer's training and cross-trained to operate at least two different types of machines that are installed in our Group's production plant. Our Group also provides in-house training to constantly improve their skills.

2.7 Our Group has close working relationships with our customers and suppliers

Our marketing team conducts regular meetings with our customers to gather feedback for our Group's continual improvement. We also have a sales support team that provides prompt response to customers' enquiries. Our Group is therefore able to maintain continued business relationships with our customers. We have maintained business relationship with our largest end customer, Company D since 2004. Our Group services Company D through its contract manufacturers. Our top four customers for the Track Record Period are contract manufacturers of Company D, whom we have worked with for at least seven years. Company D owns, designs and sells premium, iconic and innovative consumer electrical appliances. Our Group is one of the preferred suppliers appointed by Company D to supply packaging products to its contract manufacturers for the manufacture of its products.

During the Track Record Period, we have maintained business relationships ranging from three to seven years with our five largest customers during the Track Record Period. We believe that this is an indication of our customers' loyalty and recognition of our service quality and we consider this recognition as a critical success factor leading to our Group's accomplishment in the packaging printing industry in Malaysia. As at the Latest Practicable Date, our Group has maintained business relationship with our largest end customer, Company D, for over 12 years. Please refer to paragraph 7 of this section for further details.

Our Directors also believe that suppliers are one of the key components of our Group's business and they play an important role in the manufacturing process. Our Directors believe that fostering close working relationships with our suppliers is imperative so as to maintain reliable sources of raw material supplies for us to produce high quality products. Our suppliers' support is critical to us as they play a major role in our business.

Our Group's five largest suppliers during the Track Record Period have established business relationships with our Group for periods ranging from about one to six years. Our Directors believe that effective communication is the key to maintain a long-term relationship with our suppliers. Our Directors consider our suppliers as partners and believe that all of us share a common goal of growing together in the printing and packaging industry.

2.8 Our operations in Malaysia is ISO certified

Linocraft Malaysia has been awarded the ISO 9001:2008 quality management system certification in provision of printing and packaging products. This certification is a testament to our commitment to delivering products and services of the highest quality to our customers. Our Directors believe that this certification can boost our customers' confidence on the products and services provided by our Group.

We place strong emphasis on consistently upholding the quality of our products. To this end, Linocraft Malaysia has in place a quality assurance team which performs checks on different departments' processes on an annual basis, to ensure the implementation of the quality management system requirements of ISO 9001:2008 and our own established requirements. The quality assurance team is headed by Mr. Leonard Narayan s/o Thangavelu, technical director. As at the Latest Practicable Date, they lead a team of internal auditors in carrying out the internal audit checks.

We are mindful of the environment and are committed to preserve it. Linocraft Malaysia has obtained ISO 14001:2004 environmental management system certification and takes an active role in being environmentally friendly. We invested in resources to build a water treatment plant within our production plant in Malaysia to treat water that has been contaminated by printing chemicals.

3. BUSINESS STRATEGIES

Our Group aims to strengthen our position as an integrated offset printing and packaging solutions provider in Southeast Asia. To achieve this, our Group intends to focus on the following strategies:

3.1 Diversified customer industry — continue to expand business in other industries such as FMCG, medical and cosmetics, and food and beverage

Our Group has the experience and expertise in providing printing and packaging solutions from SF to VVLF. Hence, our Group has the ability to service customers from small and medium-sized enterprises to multinational corporations on their printing and packaging needs. Our Group builds and maintains stable relationships with reputable brands in different industries. Other than electronic and electrical industries, our Group had successfully built up a diversified customer base across various industries including medical, food and beverage, and FMCG.

We believe that it is vital to continue expanding our customer base and maintain long standing relationships with our existing customers. Our Group's customers are primarily involved in electronic and electrical industry and we are actively pursuing business opportunities to grow our business and to attract more customers from other industries. We have made investments to procure an offline ultra-violet coating machine to improve our capabilities in serving the FMCG sector, which requires blister pack packaging for products such as toothbrush and battery pack.

In order to fulfil the requirements of FMCG sector, our Group also invested in an automatic folder gluer machine to increase our production efficiency. The machine is integrated with technology to scan the packaging barcode. This ensures that the correct parts are delivered to customers. The accuracy of the part number is important. It is likewise for the medical and cosmetics sector, which has stringent requirements for their packaging for products such as medical syringes.

With the implementation of automatic folder gluer machine, our Group has successfully clinched business from FMCG sector and has started producing ink cartridge packaging for them. Our Group is also in talks with other brand owners from various sectors to continue to bring in new businesses.

We plan to hire a brand manager to oversee market research and the development of our Group's brand awareness and to monitor the marketing trends to help our Group diversify. Our Group is also planning to expand our design and solutions team to conduct more research on product development in order to produce more creative designs and propose cost effective packaging solutions to our customers.

Moving forward, our Group intends to invest a total amount of approximately HK\$5.6 million (or approximately RM3.2 million) in human resources, equipment, machinery and technologies to expand our business to other industries. Out of the HK\$5.6 million estimated investment, approximately HK\$4.7 million will be financed by proceeds from listing, approximately HK\$0.9 million will be financed by bank borrowings or internal resources.

3.2 Product line expansion — develop new products/services to increase revenue stream

One of the growth strategies that our Group has adopted is to develop products such as instruction manuals, inserts and rigid boxes to increase sales revenue. Our Group wants to provide more value-added services to our customers and to simplify their supply chain management. In addition, our Group also offers kitting and assembling services to our customers. By offering an end-to-end packaging solution, our customers are no longer required to liaise with multiple suppliers for packaging production.

With our enhanced capability, our largest end customer, Company D also engaged us to provide instruction manuals and inserts and our Group believes that the same business model can be replicated to other customers as well.

Our Group is in the midst of setting up a larger facility to expand the production lines for rigid boxes and assembling services. We intend to invest a total amount of approximately HK\$10.8 million (or approximately RM6.0 million) to explore ways to increase more products/services, which can be offered to our customers. The entire amount will be financed by proceeds from listing.

3.3 Geographical expansion — gain access to new markets

According to the Ipsos Report, our Group was ranked third in the paper packaging printing segment in terms of reported revenue in Malaysia in 2016 and we also have presence in Singapore through an investment in a local company since 2011 to promote our products and services. Our Group will continue to grow our business and invest in new machinery to keep up with the latest technology. We strive to be a world-class packaging printing company in Southeast Asia.

Our Directors confirm that, our Group was invited in 2015, by our largest end customer, Company D to set up production lines in the Philippines to support their development of new supply chain. To the best knowledge of our Directors, Company D made an investment of USD50 million for its manufacturing and assembly facilities in Calamba, Laguna, the Philippines, which started operations in April 2016. Its manufacturing facility currently has three lines capable of producing six million motor units a year. Company D has plan to invest another USD20 million by 2017 to expand its operations in the Philippines. In this regard, our Group has set up Production Plant 1, performing post-press processes, namely laminating and die-cutting, in the Philippines, which is expected to commence production around October 2017. As at the Latest Practicable Date, the orders from the contract manufacturer of Company D in the Philippines are fulfilled by our production plant in Malaysia and a local printing and packaging subcontractor engaged by our Group. According to the Philippine MOU signed between Company D and our Group, Company D

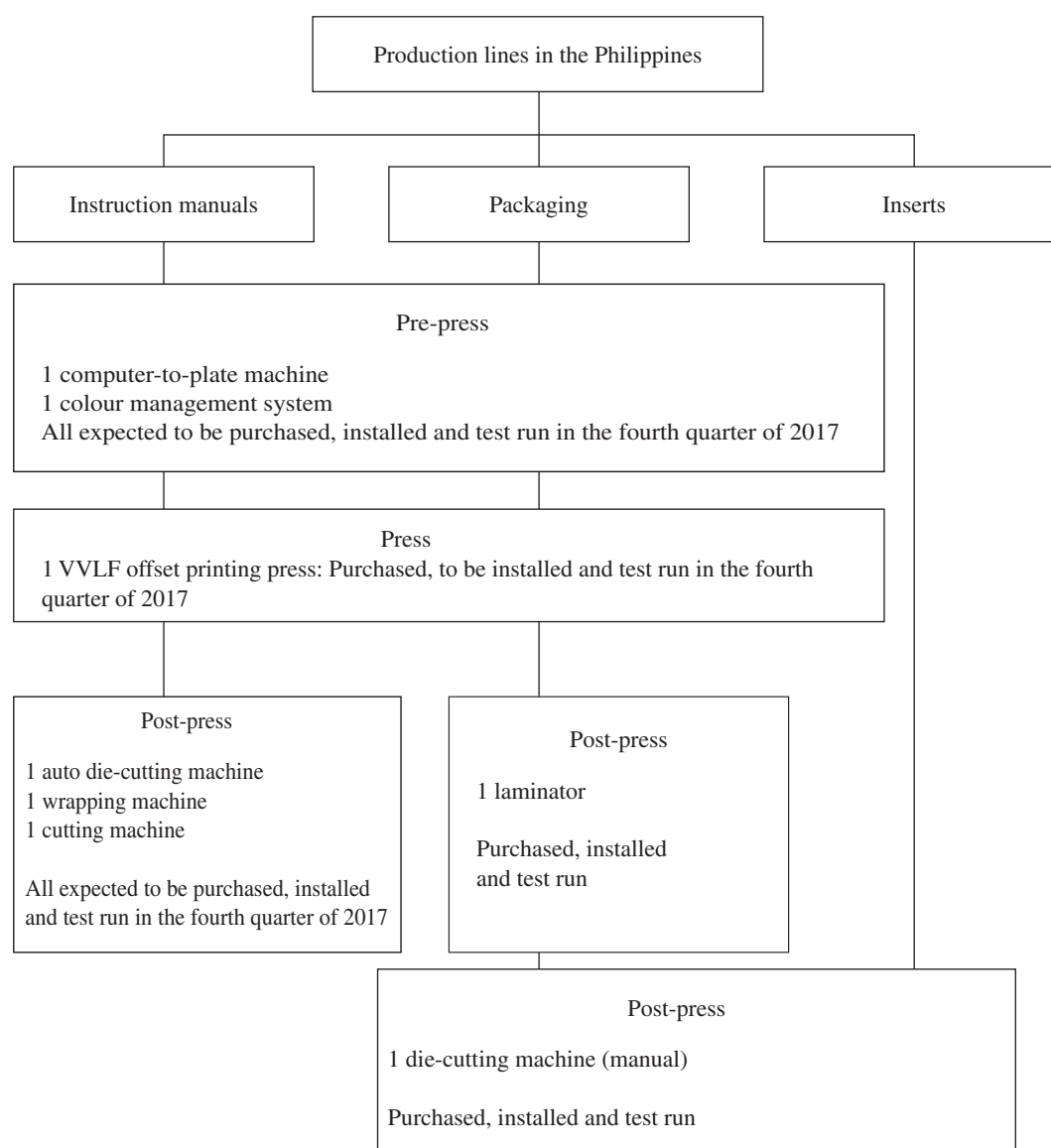
will offer to appoint our Group as an exclusive supplier for a period of two years from 1 March 2018 for its requirements in the Philippines upon a satisfactory review and evaluation of Production Plant 2 by Company D.

Our Group has entered into agreements with Company D in relation to the commercial terms, and subject to the review and evaluation according to the Philippine MOU. Our Directors expect such review and evaluation by Company D to be conducted before the start of full production of our Production Plant 2, which is expected to be around the first quarter of 2018. Upon the satisfaction of review and evaluation by Company D, Linocraft Philippines would be qualified as the exclusive supplier to all contract manufacturers of Company D in the Philippines. As stated in the Philippine MOU, Linocraft Philippines would supply the same products and services as Linocraft Malaysia. Hence, based on our past experience and ability to meet the stringent requirements of Company D in Malaysia, our Directors do not foresee any difficulty for Linocraft Philippines to be qualified as the exclusive supplier of Company D in the Philippines.

Our Group has also started approaching other international brand owners to obtain more customers for our Philippine office. Our Group plans to expand the production plant in the Philippines into a full-fledged production plant similar to our Malaysia setup.

Our Production Plant 1 in the Philippines is located at a leased property at Carmelray Industrial Park II, Calamba, Laguna. The lease term of the said property is for an initial period of 12 months and has been extended for another five months till January 2018. Our Directors may consider to further extend the lease term and the said property will cease production and be used as a secondary storage space after the commencement of full operations of Production Plant 2.

We plan to shift to a larger premises to set up a full-fledged production plant similar to our Malaysia setup. Linocraft Philippines has signed a three-year lease commencing in September 2017 for the rental of an office, warehouse, storage and manufacturing and assembly space at Light Industry & Science Park III, Sto. Tomas, Batangas, the Philippines, for the setup of our Production Plant 2. The leased premises is expected to house three production lines, namely packaging, instruction manuals and inserts. Our Group has purchased one KBA Rapida 164, a VVLF offset printing press for our Production Plant 2 and it is expected to start full production around first quarter of 2018. The details on the production lines at our Production Plant 2, are presented as follows:



BUSINESS

Our Directors expect that the total amount of capital expenditure for the expansion of production facilities in the Philippines will be approximately RM17.6 million or HK\$31.7 million, of out which, approximately RM9.4 million or HK\$16.8 million will be financed by proceeds from the Listing. The expected finance cost to finance the capital expenditures will be approximately RM0.2 million per annum. Details of the expenses are presented as follows:

Items	Capital investment			Source of fund		
	Total investment	Amount spent	Amount to be spent	IPO proceeds	Bank financing	Internal resources
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Machinery and equipment						
1 1 VVLF offset printing press	11,384	915	10,469	5,250	5,219	—
2 1 computer-to-plate machine	790	—	790	790	—	—
3 Post-press: 1 auto die-cutting machine, 1 wrapping machine, 1 cutting machine, 1 laminator and 1 die-cutting machine	1,894	711	1,183	1,110	—	73
Subtotal	14,068	1,626	12,442	7,150	5,219	73
Vehicles						
4 Lorries, forklift, company car	944	—	944	500	—	444
Office renovation, furniture & fitting						
5 Renovation, furniture & fittings	1,916	—	1,916	1,700	—	216
Office equipment						
6 Computer and other office equipment	430	—	430	—	—	430
7 1 colour management system	198	—	198	—	—	198
Total	17,556	1,626	15,930	9,350	5,219	1,361

During the Track Record Period, the utilisation rates of our major printing presses in Malaysia were about 45% to 82%. Although our Malaysia operations have not reached its 100% capacity, the utilisation rates for our 5-colour and 6-colour printing presses have already reached the level of about 75% to 80% for the nine months ended 31 May 2017. For the same period, some of the orders from Company D's contract manufacturer in the Philippines were fulfilled by our production plant in Malaysia and such orders have utilised approximately 1% of our capacity in Malaysia. Before our Production Plant 2 in the Philippines is ready for full production, the orders from Company D's contract manufacturer in the Philippines will be fulfilled by our production plant in Malaysia and our Production Plant 1 in the Philippines will perform the post-press processes. Based on the forecast quantity of one million sets in 2017, as stated in the Philippine MOU, our Directors

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estimate that the fulfilment of such quantity will utilise less than 5% of our capacity in Malaysia. Our Directors are of the view that the commencement of our Production Plant 2 in the Philippines will not have a material impact on the utilisation rate of our production plant in Malaysia. Furthermore, our Directors expect an increasing demand from both our existing customers and new customers in Malaysia. The actual turnover attributable to Company D in 2016 amounted to approximately RM78.8 million which was about 5% higher than the amount stated in the MOU. For the six months ended 30 June 2017, turnover attributable to Company D was about 18% higher than the pro-rated amount as stated in the MOU (Please refer to paragraph 6.1 in this section for further details of the MOU). Based on our Directors' estimation, if Company D's orders under the Philippine MOU are to be fulfilled solely by our production plant in Malaysia, the utilisation rates of our 5-colour and 6-colour printing presses in Malaysia will reach the level of about 95% and more than 100% in 2018 and 2019, respectively. Hence, our Directors foresee that our Malaysia printing facilities will not be able to meet the demand of our customers in the Philippines in the near future.

According to the Philippine MOU dated 31 May 2017 signed between Company D and our Group, we will supply a minimum of one, three and five million sets of packaging boxes, inserts and instruction manuals to contract manufacturers of Company D in the Philippines from (i) 1 June 2017 to 31 December 2017; (ii) 1 January 2018 to 31 December 2018; and (iii) 1 January 2019 to 31 December 2019, respectively. The prices offered by Linocraft Philippines to Company D, will be identical to those offered by Linocraft Malaysia. To our Directors' best estimate, the price of each set of packaging boxes, inserts and instruction manuals is ranged between RM7.9 and RM9.5. The estimated price range of each set of packaging boxes, inserts and instruction manuals are as follows:

		Period 1	Period 2	Period 3
		1 June to	1 January to	1 January to
		31 December 2017	31 December 2018	31 December 2019
	Quantity	1,000,000 sets	3,000,000 sets	5,000,000 sets
		(RM)	(RM)	(RM)
Estimated selling price per set (packaging box, insert and instruction manual)	a) Low end	8.8	8.7	7.9
	b) High end	9.5	9.3	8.5

Pursuant to the Philippine MOU, cost reduction to Company D in the nature of volume discount will be offered by our Group. Our Directors estimate that the discount will be ranging from 1% to 10% during the periods. Based on the minimum quantity indicated in the Philippine MOU and the lower end of the price range in each period, the revenue to be generated is estimated to be (i) RM8.8 million; (ii) RM26.1 million; and (iii) RM39.5 million, in the corresponding periods, respectively. Our Directors estimate that the investment payback period of the Philippines plant is about 6 years, which is longer than the period covered by the Philippine MOU. In view of our long-term working relationship with Company D, our Directors believe that the Philippine MOU will be renewed upon expiry to cover the payback period. We have purchased one KBA

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Rapida 164, a VVLF offset printing press for our Production Plant 2 in the Philippines. We believe that the KBA Rapida 164 offset printing press is able to fulfill our customers' demand in the Philippines in the next few years. Based on the estimated minimum amount to be provided by us to Company D as stated in the Philippine MOU, we estimate that the utilisation rates of our VVLF offset printing press in the Philippines will be about 29% and 49% for the two years ending 31 December 2019, respectively. Company D has indicated their preference for its suppliers to localise their production lines in the Philippines so as to provide quicker turnaround time. As it takes time to set up, scale up production and train our local staff to manage the operations in the Philippines, we have planned for our capacity to grow in tandem with Company D's business. In addition, Our Directors estimate that our breakeven utilisation rate is less than 40%. Hence, we believe that there will not be any adverse effect on our business given that Company D's purchase amounts under the Philippine MOU only utilises approximately 50% of our planned capacity in 2019.

Based on the assumptions that the VVLF offset printing press in Production Plant 2 being utilised at 90% and 85% of the base case, the following sensitivity analysis illustrates the changes in the utilisation rate and its impact on our investment payback period:

	Estimated utilisation rates		Estimated investment payback period
	2018	2019	
Base case	29%	49%	6 years
Base case × 90%	26%	44%	7 years
Base case × 85%	25%	42%	8 years

According to the Ipsos Report, continuous growth in industries such as healthcare, manufacturing and retail for countries in the Philippines creates more need for package printing. The presence of international brands in the Philippines creates opportunities and demand for high quality packaging for their product. As such, together with growing consumer awareness for safe and convenient packaging, the demand for the packaging industry in the Philippines is expected to increase.

The KBA Rapida 164 offset printing press has the capability to print SF to VVLF format, which provides the flexibility to cater to our customers' requirements. With the pre-press and post-press machines that our Group has purchased or plan to purchase, we believe that our production lines can be easily modified to produce packaging products for customers with various needs. Our Group are still in the midst of marketing our brand and services to international brand owners that may require packaging products in the Philippines. Our Directors believe that the VVLF offset printing press purchased will probably be among the largest printing presses in the Philippines and it can be regarded as an asset to attract more international brands that are interested in quality packaging in the Philippines. We have employed two sales and marketing employees to explore new business opportunities to cover different industries in the Philippines.

Our marketing team has identified a list of international brand owners in the Philippines, and have approached some of them. Our Directors consider that potential customers are positive to our approach as they requested further follow-up with us, such as requesting visit of our production plant and one of them has indicated interest in purchasing products from our Group by requesting for a quotation. We are still in the midst of setting up our Production Plant 2, which will be a better showcase for our products and services. Hence, our marketing team has only approached some of those potential customers and will approach the others when our Production Plant 2 is ready. There are 10 other international brand owners in the Philippines on our list to be approached, all of which are listed company or member of listed companies with market capitalisation ranging from US\$4.6 billion to US\$262.7 billion according to *Bloomberg Markets*. According to our expansion plan in the Philippines, we believe that orders from other local customers in the Philippines could be obtained after the commencement of production of our Production Plant 2. Our Directors are of the view that, with support by the Ipsos Report on the demand for high quality packaging in the Philippines, our Group will be able to seize business opportunities from other international brand owners in the Philippines with our VVLF offset printing capacity.

Our Directors believe that Company D invited our Group to supply packaging products for its Philippine operations instead of engaging local packaging suppliers for its packaging needs in the Philippines, due to our technical know-how, high quality, flexibility to meet the delivery schedule and our ability to meet Company D's stringent requirements. It took years to obtain the trust of Company D and immense effort is required in order to pass Company D's quarterly review. Therefore, our Directors believe that Company D will not easily change its existing suppliers or engage new suppliers in Philippines.

Pursuant to the Philippine Economic Zone Authority (PEZA) rules, newly installed equipment and machinery shall be inspected by the PEZA Building Official to determine whether it has complied with the approved building specifications and plant layout, and whether it is found to be in safe working condition. We have submitted an application for the permit to operate machinery and electrical equipment to PEZA. Furthermore, our Production Plant 1 has obtained (i) business permit from Calamba City; and (ii) an environmental compliance certificate from the Environmental Management Bureau, and is in the process of securing clearance from the Laguna Lake Development Authority for our Calamba office. Upon obtaining such clearance, the PEZA Building official will inspect the installed equipment and machinery to approve our application to operate machinery and electrical equipment. Our Directors expect to obtain the relevant permits or clearance for our Production Plant 1 around October 2017. According to our Group's legal adviser in the Philippines, there is no legal impediment to obtain the relevant permits, certificates or clearance for our Production Plant 1. Since our Group has already secured the Environmental Compliance Certificate ("ECC") for our Production Plant 1, therefore, it can be reasonably expected that our Group will not encounter any difficulty in securing an ECC and other environmental permits for our Production Plant 2. Our Directors expect to obtain the relevant permits, certificates or clearance for our Production Plant 2 around first quarter of 2018. According to our Group's legal adviser in the Philippines, there is no material impediment to obtain the relevant permits, certificates or clearance for our Production Plant 2. The said permits, certificates and clearances will generally be issued to our Group as a matter of course upon the submission of

the complete documentary requirements and payment of relevant fees. Our Directors believe that there is no material impact on our Group's operation and cost structure in relation to compliance with the relevant laws and regulation of the Philippines upon full operation.

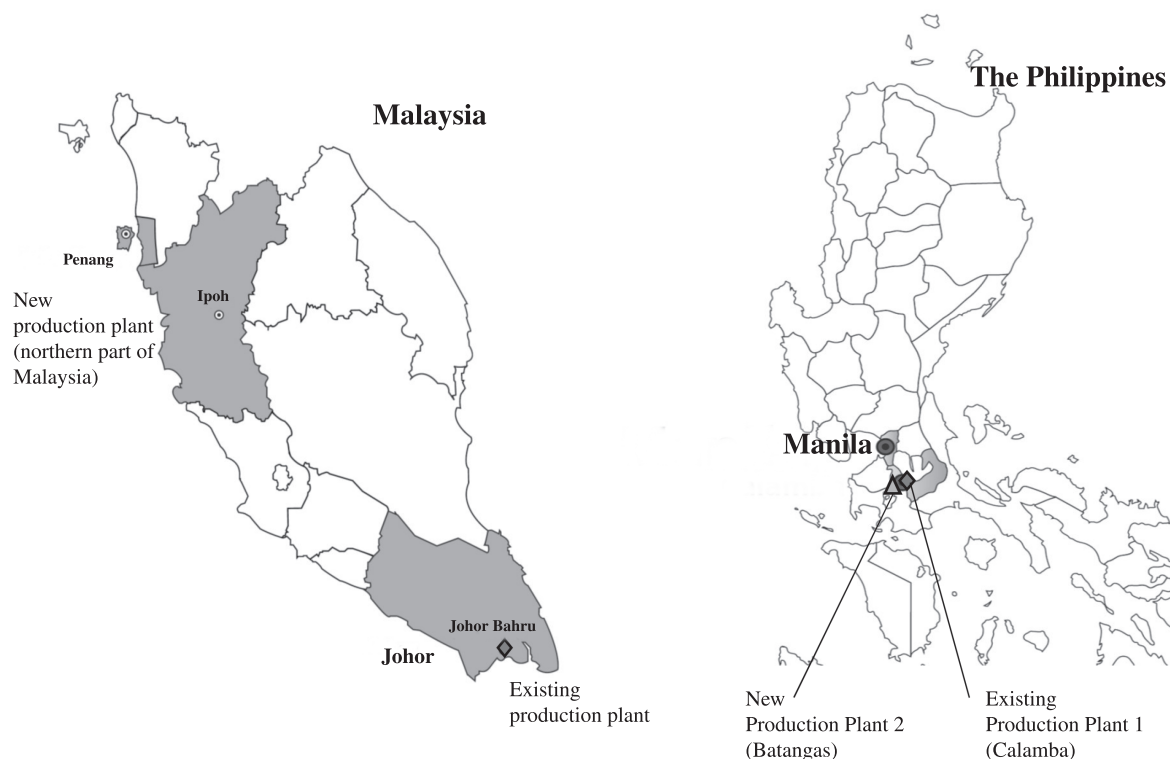
Moving forward, our Group will continue to widen our regional footprints with plans to build a new plant in the northern part of Malaysia in 2018. This will be a post-press plant and house only post-press machines including one case maker machine, one assembly machine and five manual assembly lines. Our production plant in Johor Bahru will conduct the pre-press and printing process for our customers in northern Malaysia. The semi-finished products will then be transported to our new plant in northern Malaysia for post-press production and assembly. Our Group currently allocates a storage space at our logistics partner's warehouse in Penang, Malaysia to store some of Customer 5's packaging. We have secured a new customer specialising in audio products in early 2017 and our Directors expect the revenue contribution from customers located in the northern Malaysia to increase further in the future. In view of the increasing demand of packaging products from our new customer in Ipoh, Malaysia and that we may need to participate in meetings during the product development process, our Directors believe that by setting up a post-press plant will enable us to provide better day to day sales and operational support to our customers and we will be more responsive to our customers' requests. Such arrangement will strengthen our relationships with existing customers, which may lead to growth in revenue. Furthermore, it enables us to establish our footprint in the northern part of Malaysia.

Our Directors believe that it will be more cost-efficient to set up a post-press plant in the northern Malaysia due to the (i) reduced frequency of transportation made from Johor Bahru to Penang and Ipoh; (ii) lower transportation fees for semi-finished products as it requires lesser space than finished products; and (iii) savings in storage costs incurred at our logistics partner's warehouse in Penang. Our Directors estimated that our Group would save transportation costs and storage costs of approximately RM1.5 million annually. Our Directors believe that the new post-press plant would allow us to offer a more competitive price to customers in Penang and Ipoh, and capture new business in the future. For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our customers located in Penang and Ipoh accounted for approximately RM7.0 million, RM5.0 million and RM8.0 million, representing 7.9%, 5.0% and 8.8% of our total revenue, respectively. The estimated total capital expenditures for our Group's new plant in northern Malaysia will be approximately RM2 million or HK\$3.6 million and will be fully financed by proceeds from the Listing.

We intend to invest a total amount of approximately HK\$34.7 million (or RM19.3 million) in the geographical expansion. Out of the HK\$34.7 million estimated investment, approximately HK\$21.2 million will be financed by proceeds from the Listing, approximately HK\$13.5 million will be financed by bank borrowings or internal resources.

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The maps below illustrate the geographical locations of our existing and new production facilities:



4. PRODUCTS

The following table sets out the revenue by types of products offered by our Group during the Track Record Period:

Types of products	Year ended 31 August 2015		Year ended 31 August 2016		Nine months ended 31 May 2017	
	RM'000	%	RM'000	%	RM'000	%
Packaging	59,843	67.7	60,022	59.4	54,055	59.5
Instruction manuals	14,137	16.0	21,863	21.6	19,640	21.6
Inserts	13,447	15.2	18,289	18.1	16,634	18.3
Labels	1,021	1.1	946	0.9	597	0.6
Total	<u>88,448</u>	<u>100</u>	<u>101,120</u>	<u>100.0</u>	<u>90,926</u>	<u>100.0</u>

4.1 Packaging

Packaging is our largest business segment during the Track Record Period. Packaging includes the manufacturing of packaging boxes and rigid boxes. Our packaging boxes and rigid boxes are produced with multi-colour sheetfed offset printed materials and manufactured using technologically advanced machines and colour management system of international standards such

as Ugra/Fogra Media Wedge CMYK V3.0 to match the requirements of our customers. Apart from maintaining high quality appearances of our packaging products, our quality assurance team will also carry out compression tests from time to time to make sure that our packaging products can withstand pressure when they are stacked up in storage or during transit. Our packaging not only serves as marketing tool but most importantly as a protection for our customers' products.

Our Group provides product development services to customers who require packaging design for their products. This service includes structural design and other requirements, such as an adequate protection for their products. Our Group also reviews existing designs from customers to develop more cost-effective packaging solutions for them. For example, our Group may propose designs that could utilise less materials to reduce cost of production for our customers.

Besides design, our Group also has the capability to create prototype based on the design that was provided to us or created by our team. We have an industrial cutting machine that can produce such prototype to help customers visualise the packaging before mass production.

4.2 Instruction manuals

The production of instruction manuals is the second largest segment of our Group's business. Our Group also provides kitting services by packing related printed materials to be grouped together with instruction manuals into a package. This service provides convenience to our customers by enabling them to liaise with one single party for their packaging needs.

4.3 Inserts

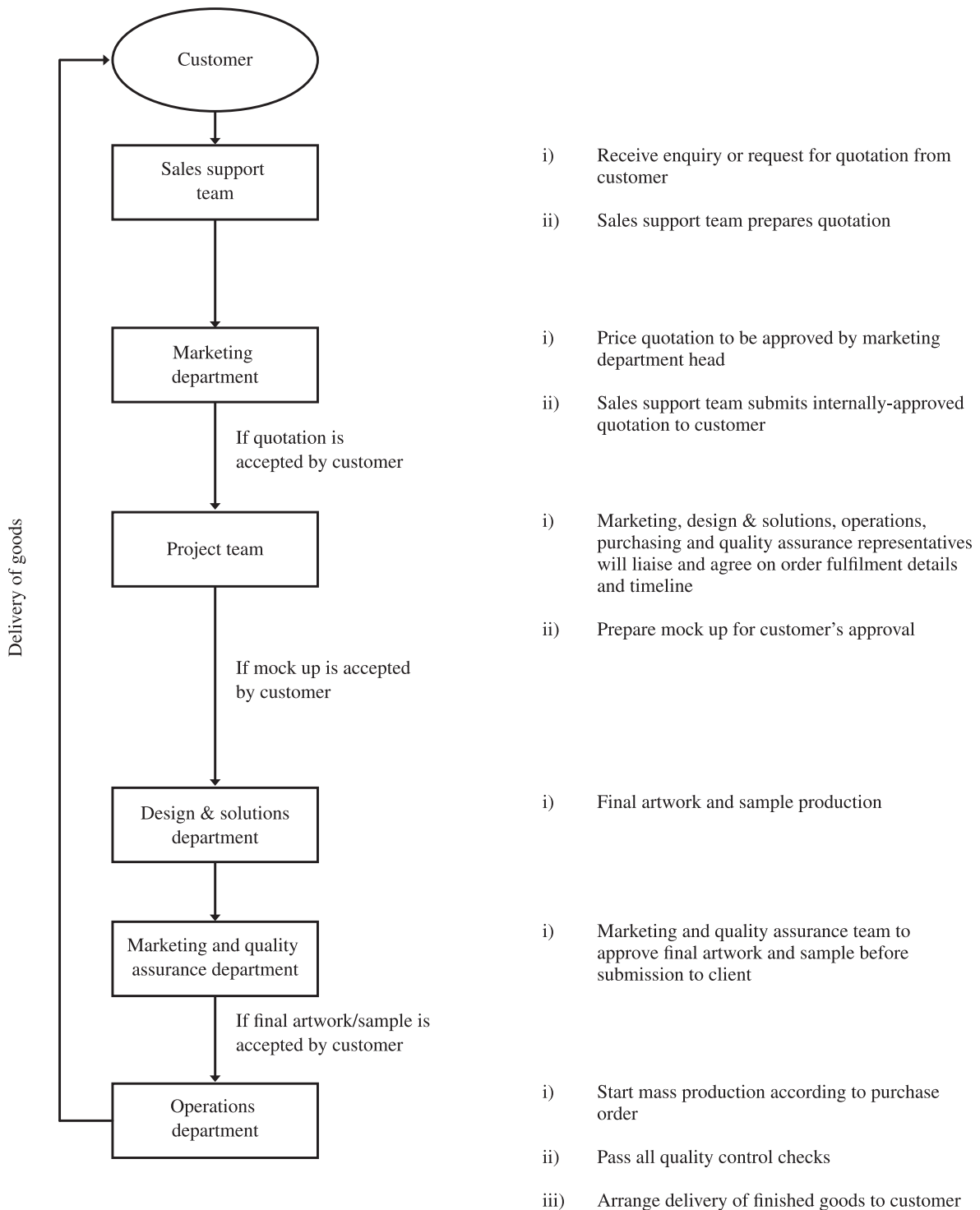
The production of inserts is our third largest business segment. Inserts are protective packaging used inside boxes to partition and protect products from damage. It is used to keep the products and accessories in position so that they will be neatly presented to the end consumers. Our Group is involved in designing and die-cutting of corrugated boards into desired shapes to fit and protect the customers' products in the packaging boxes.

4.4 Labels

Our Group started the production of paper-based labels primarily for food and beverage sector. Such labels are mainly used for branding of canned/bottled products. The printing of labels has become a smaller business segment of our Group due to our Group's expansion into other business segments.

4.5 Workflow

The following chart illustrates a typical new product order process for our Group's products:

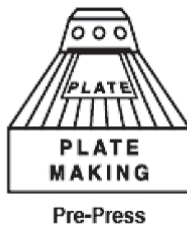
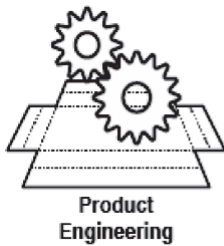


5. PRODUCTION

Our production plant located in Johor, Malaysia is ISO certified. The 217,800 square feet facility houses multiple production lines for our different types of products.

5.1 Product cycle

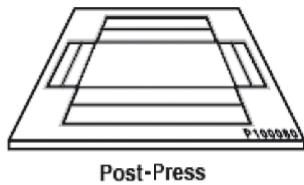
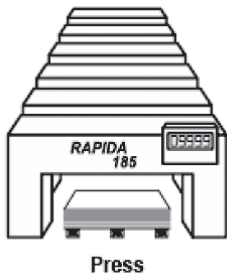
The following diagram sets out the workflow of a product cycle:



Product development involves research and development (R&D) based on a customer's requirements and budget. It involves the conceptualisation of product design, raw materials to be used, production requirements (pre-press, press and post-press) and final submission of R&D samples for the customer's approval.

Product engineering activities involve the correct allocation of raw materials, equipment and production processes to ensure that products are manufactured in an efficient and cost-effective manner.

Pre-press activities involve a series of preparation steps prior to press and post-press processes. These include desktop publishing processes such as conversion of files. Pre-press activities include creating and editing of files, colour separation, colour proofing raster image processing and plate-making. Images from digital format are transferred onto offset lithography plates and the required die-cut moulds.



Press activities involve the actual printing of the blank sheets into printed matter. The printing process has two aspects (i) the make-ready process where adjustments are made to ensure that the printed sheets meet the criteria for bulk production; and (ii) the “mass-run” which refers to bulk production.

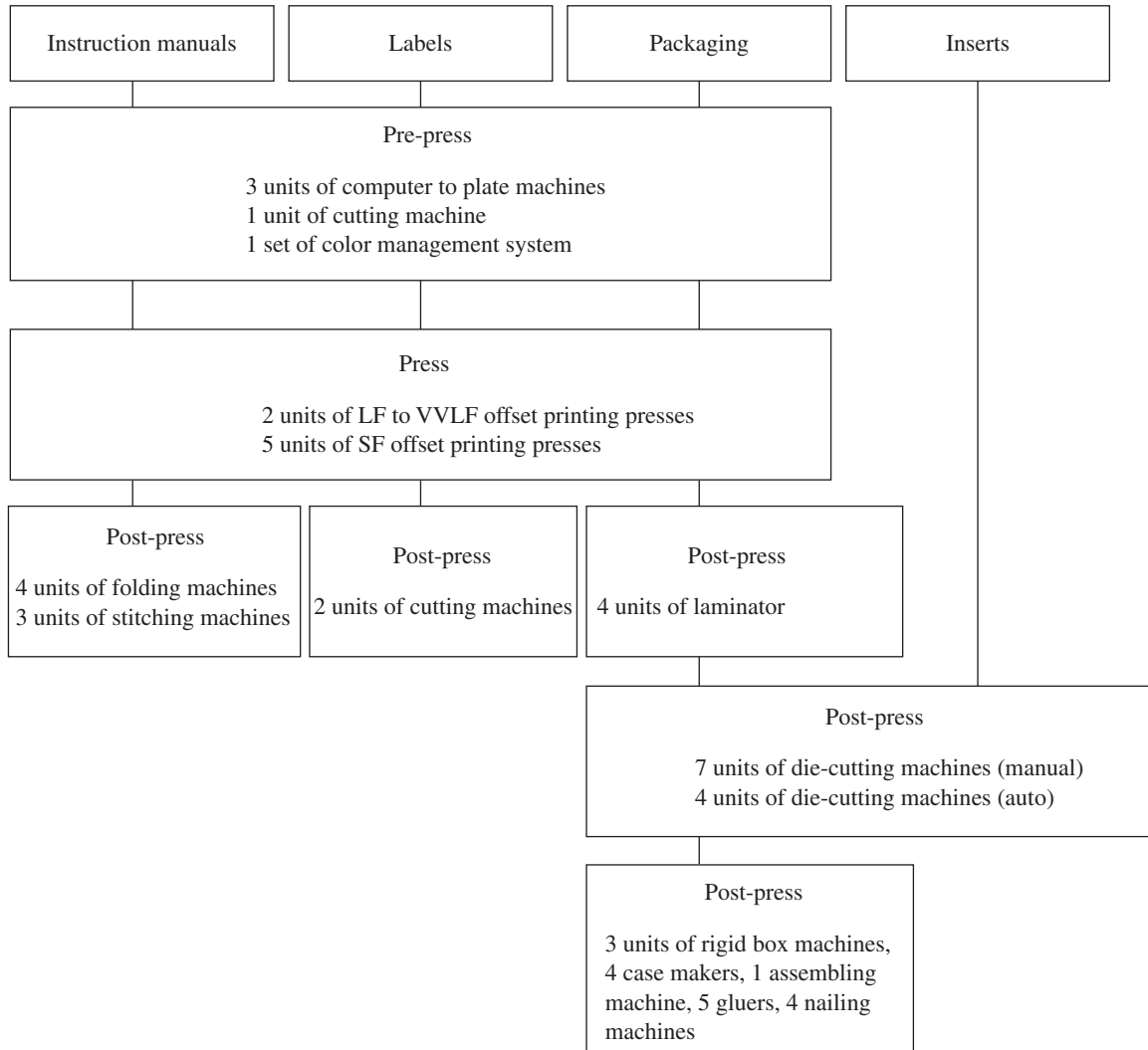
Post-press processes include offline ultra-violet coating, folding of flat sheets (for instruction manuals and booklets), binding (trim to size, saddle stitching and perfect binding), lamination (for corrugated cartons), die-cutting, gluing, nailing, forming of folding cartons (for non-corrugated cartons), rigid box making and barcoding.

Packing services involve kitting services (packing related printed materials such as instruction manuals into a package) and packing of deliverables onto pallets and cartons for final delivery.

The quality control procedures are implemented throughout the production process. Our Group conducts a series of inspections at relevant production stages to ensure that our products have met the quality standards required by our customers.

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As at the Latest Practicable Date, we have four production lines in our production facility in Johor Bahru, Malaysia. We set forth below the machines used in our four production lines.



5.2 Production time

The time required from the receipt of customer's purchase order to the delivery of products may vary depending on complexity of the design, order quantity and customers' special requirements. Therefore, the time span required for the entire production process ranges from few days to few months.

5.3 Production facilities

Our Group owns all of our major production equipment and machinery (except KBA Rapida 105 Universal) and we have a maintenance team that conducts maintenance on different equipment and machinery on a regular basis. Our maintenance team will provide recommendation when an upgrade or replacement of the machinery is required and our management would review from time to time.

We have our own production machines including printing presses, die-cutting machines, bindery equipment, laminators, gluing and nailing machines as well as rigid box machines with an aggregate total cost and net book value of approximately RM63.8 million and RM26.3 million, respectively as at 31 May 2017. The particulars of our major printing presses and other major equipment are set forth below:

Printing presses	Country of origin	Year of acquisition	Approximate purchase price ⁽¹⁾	Approximate net book value as at 31 May 2017	Estimated useful life (years)	Approximate balance of useful life (years)
			RM'000	RM'000		
Large Format (LF) to VVLF						
1 KBA Rapida 185 (6-colour)	Germany	2010	12,100	6,109	13	6
2 Man Roland R905 (5-colour)	Germany	2001	10,300	—	13	—
Standard Format (SF)						
1 KBA Rapida 105 (6-colour)	Germany	2016	7,300	6,739	13	12
2 KBA Rapida 105 Universal (5-colour) ⁽²⁾	Germany	N.A.	N.A.	—	N.A.	N.A.
3 Heidelberg (5-colour)	Germany	2004	1,880	24	13	—
4 Heidelberg (2-colour)	Germany	2000	1,669	—	13	—
5 Heidelberg (1-colour)	Germany	1985	50 ⁽³⁾	—	13	—

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Other major equipment	Country of origin	Year of acquisition	Approximate purchase price RM'000	Approximate net book value as at 31 May 2017 RM'000	Estimated useful life (Years)	Approximate balance useful Life (Years)
Graphic						
1 Agfa CTP-5106	Germany	2008	360	106	13	4
2 Avalon VLF N36-50SD	Germany	2016	1,658	1,523	13	12
Cutting Machine						
1 Perfecta 76SC	Germany	2010	1,063	524	13	6
Bindery⁽⁴⁾						
1 MBO T530-1-53/4F	Germany	2006	261	52	13	2
2 Wohlenberg City 4000	Germany	2006	2,737	479	13	2
Laminator						
1 GZ-2000S	China	2017	665	648	13	13
Auto Die-Cut Machine						
1 Eterna — PE1620 SHL-Extra	China	2014	1,031	773	13	10
2 MK Easymatrix	Germany	2016	820	784	13	12
Rigid Box						
1 Zhengrun RB420	China	2014	567	461	13	10
2 Zhengrun RB6040A	China	2017	728	706	13	13
3 Zhengrun RB6040A	China	2017	728	706	13	13
4 FD-AFM540A Case Maker	China	2017	286	281	13	13
5 FD-AFM540A Case Maker	China	2017	280	278	13	13
6 FD-AFM540A Case Maker	China	2017	280	278	13	13

Notes:

- (1) For the machines not purchased in RM, the approximate price is based on our Group's internal record.
- (2) Rapida 105 Universal (5-colour) was leased for a consideration of RM40,000 per month from July 2013 to July 2018. The machine was initially purchased in 2006 at the cost of approximately RM5.4 million. In 2013, in order to generate more cash flow, our Group sold the machine to the lessor at RM2.5 million.
- (3) Heidelberg (1-colour) is a second-hand printing press, the approximate price is based on our Group's internal record.
- (4) For the bindery equipment, the year of acquisition and approximate purchase prices are based on our Group's internal records.

5.4 Utilisation rate

The table below sets out information about the estimated average utilisation rate of our major printing presses during the Track Record Period:

	Year ended 31 August 2015 ⁽¹⁾	Year ended 31 August 2016 ⁽¹⁾	Nine months ended 31 May 2017 ⁽¹⁾
6-colour printing presses	66.4%	78.0%	80.6%
5-colour printing presses	63.5%	82.3%	74.0%
1 to 2-colour printing presses	45.4%	58.2%	66.5%

Note 1: It is for illustration only. Calculation of the estimated average utilisation rate is based on the actual bulk printing time of the relevant period divided by the maximum machine operation hours of the relevant period.

The maximum machine operation hours is the maximum working hours less machine service time and make ready time such as time required for changing, mounting and adjusting the printing plates on the printing presses, and for colour adjustment, before bulk printing. The maximum working hours calculated by “maximum working hours per day” x “production days per period”. We assume the maximum working hours is 21 hours per day. Production days are 365 days for each of the two years ended 31 August 2016 and 273 days for the nine months ended 31 May 2017 which include Saturday, Sunday and public holiday.

6. CUSTOMERS

Our Group’s customers comprise clienteles from various industries ranging from electronic and electrical, medical, FMCG and food and beverage. Our Group works closely with our customers to develop printing and packaging solutions that meet their requirements. We endeavour to support our customers and deliver our commitments made to them. For example, it is common for our customers to make amendments to their packaging design and artwork and it usually requires the cooperation of their suppliers to turnaround speedily to meet their shipment deadlines. Our Group has been able to cope with such demand and provide the necessary support as and when required. In addition, to support the expansion of Company D’s new production lines in the Philippines, our Group has set up our Production Plant 1 in response to Company D’s request and invitation to become its supplier in the same country. Our Directors expect our Production Plant 1 to commence production around October 2017. Please refer to paragraph 3.3 of the section headed “Business” in this prospectus for more details. Please refer to paragraph 7 of the section headed “Business” for further information of our relationship with Company D.

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The following tables set forth the details of our Group's five largest customers during the Track Record Period:

For the year ended 31 August 2015:

Customer	Background	Types of products purchased	Location	Business nature	Approximate length of relationship with our Group	Approximate percentage of our Group's total revenue
Customer 1	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Technological manufacturer	7 years	24.7%
Customer 2	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Contract manufacturing company	7 years	19.9%
Customer 3	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Mouldmaking, injection moulding and contract manufacturer	7 years	13.8%
Customer 4	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Electrical and electronics plastics manufacturer	7 years	12.3%
Customer 5	US-based audio technology company	Printing and packaging products	Penang, Malaysia	Development and manufacturing of audio equipment	3 years	7.9%

For the year ended 31 August 2016:

Customer	Background	Types of products purchased	Location	Business nature	Approximate length of relationship with our Group	Approximate percentage of our Group's total revenue
Customer 1	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Technological manufacturer	7 years	27.0%
Customer 2	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Contract manufacturing company	7 years	18.3%
Customer 3	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Mouldmaking, injection moulding and contract manufacturer	7 years	16.0%
Customer 4	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Electrical and electronics plastics manufacturer	7 years	15.9%
Customer 5	US-based audio technology company	Printing and packaging products	Penang, Malaysia	Development and manufacturing of audio equipment	3 years	5.0%

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For the nine months ended 31 May 2017:

Customer	Background	Types of products purchased	Location	Business nature	Approximate length of relationship with our Group	Approximate percentage of our Group's total revenue
Customer 1	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Technological manufacturer	7 years	19.0%
Customer 4	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Electrical and electronics plastics manufacturer	7 years	18.6%
Customer 2	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Contract manufacturing company	7 years	17.0%
Customer 3	Contract manufacturer of Company D	Printing and packaging products	Johor, Malaysia	Mouldmaking, injection moulding and contract manufacturer	7 years	12.6%
Customer 5	US-based audio technology company	Printing and packaging products	Penang, Malaysia	Development and manufacturing of audio equipment	3 years	7.2%

We have maintained business relationship with our largest end customer, Company D since 2004. Our Group services Company D through its contract manufacturers. Our top four customers for the Track Record Period are contract manufacturers of Company D, whom we have worked with for at least seven years. Company D owns, designs and sells premium, iconic and innovative consumer electrical appliances. Our Group is one of the preferred suppliers appointed by Company D to supply packaging products to its contract manufacturers for the manufacture of its products.

Our Group's fifth largest customer, Customer 5, is a US-based audio technology company. In order to accommodate their operations in Penang, Malaysia, our Group has allocated a storage space at our logistics partner's warehouse in Penang to store some of Customer 5's packaging. Our Group made this special arrangement in order to provide quicker turnaround service to Customer 5. Our Directors believe that such arrangement can ease delivery time and further enhance our efficiency.

For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our Group's five largest customers accounted for approximately RM69.5 million, RM83.0 million and RM67.7 million representing 78.6%, 82.1% and 74.4% of our revenue, respectively. The largest customer accounted for approximately RM21.9 million, RM27.3 million and RM17.3 million representing 24.7%, 27.0% and 19.0% of our revenue, respectively.

During the Track Record Period, none of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of the five largest customers, all of which are Independent Third Parties.

6.1 Major terms with our customers

Our Group will provide a quotation to our customer for each new project (print job). Upon the acceptance of our quotation, our customer will issue a purchase order to us. Generally, the purchase order includes terms such as product description, unit price, quantity, payment terms and delivery date. The major terms are summarised as below:

Major terms	Description
Product description, unit price and quantity	: Depending on the print job, there may be more than one item in a purchase order. The unit price, quantity, material, part number, finishing will be itemised accordingly.
Payment terms	: Payment is usually made by cheque or bank transfer. Our Group generally grants a credit period of range of 0 to 90 days from the invoice date.
Delivery terms	: The products will be delivered to customers designated locations in Malaysia, the Philippines and Singapore.
Delivery date	: The delivery date of each purchase order is pre-determined.

Specifically, in the working arrangement with our largest end customer for the Track Record Period, Company D, the first MOU has been signed with our Group for our Malaysia operations in November 2015. Our Directors confirm that the MOU is the contractual intention of the parties involved to abide by its terms. Terms negotiated and agreed between our Group and Company D include Company D's committed procurement amount and cost reductions to be offered by our Group. The salient terms of the MOU between our Group and Company D for our Malaysia operations are stated as follows:

- (a) From 1 January 2016 to 31 December 2016, Company D plans to allocate business to Linocraft Malaysia to the value of RM75 million;
- (b) From 1 January 2017 to 31 December 2017, Company D plans to allocate business to Linocraft Malaysia to the value of RM80 million; and
- (c) From 1 January 2018 to 31 December 2018, Company D plans to allocate business to Linocraft Malaysia to the value of RM85 million.

The actual turnover attributable to Company D in 2016 amounted to approximately RM78.8 million which was about 5% higher than the amount stated in the MOU.

Another memorandum of understanding, the Philippine MOU, dated 31 May 2017 was entered into between Company D and our Group to supply printed, non-printed and any other material requested by Company D to its present and future contract manufacturers in the Philippines. Terms

negotiated and agreed between our Group and Company D include Company D's estimated procurement amount and cost reductions in the nature of volume discount, which will be reflected in the selling price to be offered by our Group. Please refer to paragraph 3.3 in this section for details of price range. Company D will offer to appoint our Group as an exclusive supplier for a period of two years from 1 March 2018 for its requirements in the Philippines. Such appointment is subject to our Group qualifying as a supplier of Company D pursuant to a review and evaluation by Company D and agreement between both parties on commercial terms. The salient terms of the Philippine MOU are stated as follows:

- (a) From 1 June 2017 to 31 December 2017, Company D plans to allocate to Linocraft Philippines a minimum production of one million sets of packaging boxes, inserts and instruction manuals. Linocraft Philippines would install a KBA Rapida 164 offset printing press by the end of 2017, which would begin full production around first quarter of 2018;
- (b) From 1 January 2018 to 31 December 2018, Company D plans to allocate to Linocraft Philippines a minimum production of three million sets of packaging boxes, inserts and instruction manuals.
- (c) From 1 January 2019 to 31 December 2019, Company D plans to allocate to Linocraft Philippines a minimum production of five million sets of packaging boxes, inserts and instruction pack and manual. Linocraft Philippines would complete full localisation of our Philippine operations to produce packaging boxes, inserts, instruction manuals in the Philippines.

Our Directors believe that Company D's invitation to us for setting up a production plant in the Philippines indicates a mutual reliance between Company D and us. For details of the mutual reliance, please refer to paragraph 7.3 in this section. To the best knowledge of our Directors, Company D made an investment of USD50 million for its manufacturing and assembly facilities in the Philippines and plan to further invest USD20 million by 2017. In view of the investment made by Company D, our Directors believe that it is an indication that Company D will expand its operations in the Philippines.

Our Directors consider that the invitation created an opportunity for our Group to be an exclusive supplier to Company D in the Philippines for two years from March 2018 and would generate an estimated revenue ranging from RM26.1 million to RM39.5 million for 2018 to 2019. Further, we could expand into the niche packaging printing market in the Philippines and develop new businesses with other international brand owners. According to the Ipsos Report, most of the printing companies in the Philippines are LF printers focusing on commercial and publishing printing. As such, our Group is believed to be among one of the very few companies to have VLF/VVLF printing capacity in the Philippines and it can be regarded as an asset to attract more international brands that are interested in quality packaging.

6.2 Pricing policy

Our Group prices our products on a cost-plus basis and takes into account various factors when negotiating with our customers. The prices are determined based on estimated costs plus a reasonable margin:

Paper	: Paper is one of the key determinants of pricing, and comes in a variety of weights (or grammage) and finishes. Below are some of the cost factors: ● Quantity of paper ● Types of paper ● Grade of paper
Colour	: Offset printers typically work with four colours — cyan, yellow, magenta and black (also known as CMYK). The four colours will be applied to the four printing plates to produce many different shades and tones of colours that the customers require. Hence, if a customer only requires two colour printing, the cost will be lower as compared to four colour printing.
Volume	: Order quantity.
Man-hours	: The number of man-hours required for each print job depends on the job volume and the types of finishing. For example, if the print out requires die-cutting or gluing, additional man-hours will be charged accordingly.
Transportation Cost	: This component includes local transport and/or freight charges.

The approximate price ranges for our Group's products during the Track Record Period are indicated in the following table:

<u>Types of products</u>	<u>Unit Price</u> (RM)
Packaging	0.004 ⁽¹⁾ to 420.00
Instruction manuals	0.01 to 62.00
Labels	0.01 to 2.00
Inserts	0.05 to 14.00

Note 1: Includes accessories that are part of a packaging box.

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The difference in price range for our Group's products was due to the variation in the types and quantity of products required by our customers. For example, the approximate unit price for packaging can range from RM0.004 to RM420.00, the range is mainly due to the size of packaging, quantity ordered, types of materials and types of finishing required by our customers. Typically, customers will be quoted a lower unit price when they order in larger quantities. Our Directors consider that the above ranges are in line with the industry norm.

Our Group's marketing department works out pricing based on customers' requirements and prepares quotations based on a cost sheet with a reasonable margin. The marketing department will provide quotations to customers showing rates for various types of products required by the customers. Normally, these quotations will remain effective until the new round of pricing review by the marketing department. The cost sheet is subject to review by the marketing department from time to time to reflect changes in the relevant prices in the printing and packaging industry. The purchasing department will take into consideration raw materials' price change and notifies marketing department to make adjustments to the cost sheet accordingly.

Our Group has a unique arrangement with our largest end customer, Company D. It is termed as "currency escalator", which allows both parties to agree on the revision of the prices if the calendar monthly average USD/RM exchange rate varies by more than 6% versus the reference exchange rate stated in the agreement. In the event that the predetermined percentage barrier is exceeded, both parties will mutually agree in writing on a price adjustment and the effective date for this new pricing. Once a new exchange rate is agreed, the new exchange rate becomes the revised reference exchange rate. Our Group's finance department monitors foreign exchange rates and informs our marketing department when the average USD/RM exchange rate varies by more than the predetermined percentage versus the reference exchange rate. Our marketing department will inform Company D on the price adjustment accordingly.

Our operations department will regularly update the manufacturing resources planning system on the progress of finished goods' delivery to customers. When a job is completed and delivery is performed, the operations department will forward the delivery order endorsed by customers to the finance department, which will issue invoices to our customers based on the purchase orders. Please refer to paragraph 15 of this section in this prospectus for more details.

During the Track Record Period, our revenue was mainly denominated in RM, USD or SGD. Generally, payment method is by bank transfer or cheque.

Please see paragraphs 3.2 and 12.4 of the section headed "Financial Information" in this prospectus for more details.

6.3 Credit policy

Our Group generally grants a credit period ranging from 0 to 90 days from the invoice date, but variation from this period may occur on a case-by-case basis depending on the following:

- customer's background, reputation and credibility; and
- customer's business relationship with our Group.

In order to collect overdue trade receivables, our Group's finance department is responsible for monitoring material overdue payments. Our finance department will inform our marketing department when payment is not promptly made by customers. An aging report showing the customers' overdue amounts is prepared to follow up with the customers listed in the report.

Our Group may also place our customer's order on hold for any of the following reasons:

- customer's credit line has exceeded the credit limit;
- customer's payments are overdue or inconsistent;
- customer faces financial hardships or operational setback; and
- termination of business relationship with customer.

During the Track Record Period, our Group did not experience any material difficulty in collecting payments.

As at 31 August 2015 and 2016, and 31 May 2017, our Group recorded trade receivables of approximately RM26.7 million, RM24.9 million and RM34.5 million, respectively, of which RM10.1 million, RM7.4 million and RM15.3 million, respectively, had been past due but not impaired as our Directors consider that the amounts recoverable because such amounts were due from customers with no default history during the Track Record Period.

6.4 Customer service

Our Group recognises the importance of good customer service and how it aids in building a good reputation and customer loyalty. As such, we have a sales support team that responds to customer enquiries, feedback and complaints and a customer service team that issues sales orders and delivery instructions and manages customers' requests pertaining to delivery to ensure that the finished goods are delivered in a timely manner. Both teams work together to ensure that customers' requests are properly managed from enquiry to delivery stage and that support is provided at every stage of the orders. Our Group endeavours to work out the optimal way to support the customers with the aim to establish long-term relationships with them.

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Our Group also places emphasis in carrying out background checks on potential customers in order to comply with the internal control and risk management process. For example, our Group will request potential customers for relevant documents to understand their credit position, customers and ownership background.

As at 31 May 2017, our Group had 4 and 9 employees in the sales support team and customer service team, respectively. Our Directors confirmed that our Group had not experienced any material complaints from our customers and did not have any disputes with them during the Track Record Period.

7. RELIANCE ON COMPANY D

Company D is a UK-based technology group that owns, designs and sells premium, iconic and innovative consumer electrical appliances. Our Group has developed business relationship with our largest end customer, Company D since 2004 and we service Company D indirectly through providing packaging to its contract manufacturers. The selection of supplier and the amount of business to be awarded are solely Company D's decision. Company D will select its suppliers and extend that decision to its contract manufacturers globally so that its contract manufacturer can purchase from its appointed suppliers (such as our Group).

Contract manufacturers of Company D are not authorised to select another supplier for the manufacture of its products. All contract manufacturers of Company D have to abide by its decision on supplier selection and the amount of business to be awarded. Most of our top five customers during the Track Record Period are contract manufacturers of Company D. Our Group's revenue attributable to the contract manufacturers of Company D in aggregate was approximately 74.3%, 81.0% and 80.9%, respectively for two years ended 31 August 2016, and the nine months ended 31 May 2017.

Company D has relocated their production and assembly operations to Southeast Asia since 2001 and established its entire supply chain in Johor, Malaysia between 2002 and 2005. Our Group has developed business relationship with Company D since 2004 and has been providing printing and packaging products for Company D's products through its contract manufacturers.

The following tables set out our Group's revenue during the Track Record Period attributable to the contract manufacturers of Company D and other customers:

	<u>Year ended</u> <u>31 August 2015</u>		<u>Year ended</u> <u>31 August 2016</u>		<u>Nine months ended</u> <u>31 May 2017</u>	
	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>
Contract manufacturers						
of Company D	65,734	74.3	81,867	81.0	73,541	80.9
Other customers	<u>22,714</u>	<u>25.7</u>	<u>19,253</u>	<u>19.0</u>	<u>17,385</u>	<u>19.1</u>
	<u>88,448</u>	<u>100.0</u>	<u>101,120</u>	<u>100.0</u>	<u>90,926</u>	<u>100.0</u>

Our Directors believe that our stable relationship with Company D is mainly due to our Group's reputation in the printing and packaging industry, our range of products offered, cost saving solutions and our ability to meet their stringent requirements as well as our service quality.

7.1 Reasons for reliance

- (a) According to the Ipsos Report, the industry is structured with different suppliers offering different and specific services for the various commercial and packaging printing segments. It will not be easy should a printer decide to 'switch' from other segments of the industry to the VLF/VVLF printing segment, as the barriers of entry into this segment is rather high. It is often limited by conditions such as high cost of capital, high cost of equipment and the availability of skilled craftsmen to establish a successful printing operation. Our Group is among a few suppliers offering VLF/VVLF printing in Malaysia.
- (b) In Malaysia, the demand for high quality image reproduction using VLF/VVLF printing is niche, hence any contract from a brand owner (such as Company D) of such specific requirement could potentially take up a substantial portion of capacity of a packaging printing manufacturer (such as our Group). As such, it is not uncommon for a single customer to potentially contribute a substantial portion of a printing manufacturer's revenue and the reliance is not specific to our Group due to the niche market nature of the VLF/VVLF printing segment.
- (c) It has been our Group's strategic choice to expand into the VLF/VVLF printing segment. The targeted customers which require our Group's high quality and specialised products and services are mainly international brand owners, whom we have worked with for more than three years. In particular, we have maintained business relationship with Company D, our largest end customer during the Track Record Period, for 12 years. Our Directors believe that our Group has stable long-term revenue stream from credit worthy customers.

7.2 Well established relationship with Company D

- (a) Our Group started business relationship with Company D since 2004. Mr. Andrew Tan was introduced to Company D through a personal contact. This relationship served as an opportunity to introduce our Group's services and products to Company D in his then capacity as marketing director of our Group, which led to the subsequent business relationship between Company D and us. Mr. Andrew Tan is independent of and not connected to Company D.
- (b) Company D has identified a few strategic partners and our Group is one of them. Subject to fulfilling certain requirements as set out by Company D, our Group will be appointed as an exclusive supplier for its requirements in the Philippines for two years. Our Directors believe there is no impediment in fulfilling such requirements. Please refer to

paragraph 3.3 of the section headed “Business” in this prospectus for more details. However, our Group is not an exclusive supplier of Company D’s packaging products worldwide.

7.3 Mutual reliance

- (a) To the best knowledge of our Directors after due and careful enquiries, it is estimated that our Group accounted for approximately 80% of Company D’s total spending on packaging in 2015 and 2016.
- (b) It requires a minimum of 2 years to become Company D’s strategic partner for packaging products. A supplier is required to go through Company D’s stringent evaluation process which includes fulfilling prescribed audit requirements pertaining to various aspects of print-production. The evaluation process covers two processes, quality system review and process compliance audit. Each of the processes include sub-systems which covers different aspects for our Group to fulfill. The quality system review comprises sub-systems such as quality management system, people development, supplier management. The process compliance audit includes sub-systems such as document compliance, in process quality control and out-going quality control. Both processes have its own scoring system and each item in its respective sub-system is to be supported with evidence in order to be in compliance with Company D’s requirements.
- (c) According to the Ipsos Report, there are very few players in the industry offering VLF/VVLF printing with high image reproduction quality which is currently offered by our Group to Company D. There are around two packaging suppliers (approximately 300km to 700km from Johor Bahru) in Malaysia, which can provide comparable printing services, except for VVLF printing, to Company D. According to the Ipsos Report, as VVLF printing is a niche segment, our Group currently is the only company providing such services for customers requiring high quality image reproduction services in VVLF in Malaysia.
- (d) Given the above, our Directors believe that it would be difficult and not commercially viable for Company D to replace our Group with other suppliers having similar technological capabilities of providing high quality products as they would not have intimate knowledge of Company D’s corporate culture and procurement requirements.

7.4 Continuity of business relationship with Company D

- (a) According to the MOU signed between Company D and our Group, Company D has agreed on a yearly procurement commitment from 2016 to 2018. In addition, we have signed another MOU, the Philippine MOU, for our Philippine operations with Company D, where a yearly minimum order quantity was agreed from 2017 to 2019.

- (b) The close working relationship between our Group and Company D is further illustrated by Company D's expansion into the Philippines. During Company D's setup of production lines in the Philippines, it invited our Group to do likewise in order to continue the business relationship between the two companies in the future. Our Group, having assessed the business opportunities available, has set up our Production Plant 1 in Calamba, Laguna, the Philippines. Our Directors expect our Production Plant 1 to commence production around October 2017.

7.5 Ability to reduce reliance on Company D

- (a) Our Group has made considerable efforts to reduce our reliance on Company D by adopting a diversification strategy. Currently, we have other customers from different industries such as food and beverage, medical, electronic and electrical, and FMCG. We have successfully clinched a deal with a major new customer specialising in audio products and secured a new project from an existing customer in the computing hardware and peripherals business which offers a higher profit margin. Our Directors expected that approximately RM5.5 million of revenue will be generated for the year 2017 (or approximately RM3.4 million from January to August 2017) from these two customers.
- (b) Our Group diversifies through geographical and product expansion to reach out to new customers for business. Please refer to paragraphs 3.1 to 3.3 of this section for more details.
- (c) According to the Ipsos Report, the manufacturers or brand owners' selection criteria of packaging supplier(s) are dependent on products, service offerings, viewed expertise, cost, quality and performance of products provided over the tenure of services. Our Directors believe that our Group is able to meet these criteria due to the following:
- We have 45 years' track record and experience in the print and packaging business.
 - Our ability to provide quality products and services as proven by numerous Asian Print Awards accorded to our Group, and, ISO 9001 and ISO 14001 certifications for our quality management system and environmental management system, respectively.
 - We are capable of printing extra-large packaging designs (VVLFF) of high quality within a short turnaround time.
 - Our commitment to invest in advanced and new equipment and machinery to suit different customers' requirements.
 - We have a team of experienced and skilled craftsmen with industry experience.

Thus, our Directors foresee that our Group will not have substantial difficulty in obtaining business from new customers.

8. SUPPLIERS

Our Group's suppliers are mainly suppliers of raw materials such as paper, facer, glue, chemical and printing plate, as well as foreign worker providers and logistics companies. In general, the raw materials are ordered based on the yearly projections provided by our customers. The forecasts are reviewed by both our marketing and purchasing department on a monthly basis to ensure that sufficient raw materials are procured in time for production. Based on the forecast, our Group places orders for raw materials for production to meet our customers' orders.

Our operations team plans for resources based on production schedule to ensure that adequate manpower is allocated to our production lines. The same team also plans logistics support and obtains additional resources from our logistics partners when necessary.

For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our Group's top five suppliers were suppliers of raw materials, with total purchases from these top five suppliers accounting for approximately 46.5%, 47.5% and 49.3% of the total cost of sales, respectively. For the same periods, our Group's total purchase from our largest supplier accounted for approximately 17.9%, 20.2% and 22.7% of the total cost of sales, respectively. We do not have long term agreements with our raw material suppliers. Our Group's raw material suppliers generally offer a credit period of 0 to 90 days, for example, paper suppliers generally do not grant any credit term. The raw materials are procured from several countries such as Malaysia, Hong Kong, Indonesia, and Thailand. Our Group on average holds approximately three months' supply of raw materials to cater for any unforeseen circumstances such as delay in overseas shipment or shortage in supply. In the event that our suppliers increase the prices of raw materials significantly due to market changes, we will renegotiate our selling price with our customers. Please refer to paragraph 6.2 of this section in this prospectus for more details.

During the Track Record Period, none of our Directors, their close associates or any Shareholder (who or which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of the top five largest suppliers, all of which were Independent Third Parties.

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The following table sets forth the details of our Group's five largest suppliers during the Track Record Period:

For the year ended 31 August 2015:

<u>Supplier</u>	<u>Location</u>	<u>Background</u>	<u>Types of goods/ services provided by our supplier</u>	<u>Approximate length of relationship with our Group</u>	<u>Approximate percentage of our Group's total cost of sales</u>
Supplier 1	Malaysia	Manufacturing	Facer	6 years	17.9%
Supplier 2	Hong Kong	Trading	Paper	2 years	9.6%
Supplier 3	Indonesia	Paper Mill	Paper	6 years	6.9%
Supplier 4	Thailand	Paper Mill	Paper	6 years	6.3%
Supplier 5	Malaysia	Manufacturing	Facer	6 years	5.8%

For the year ended 31 August 2016:

<u>Supplier</u>	<u>Location</u>	<u>Background</u>	<u>Types of goods/ services provided by our supplier</u>	<u>Approximate length of relationship with our Group</u>	<u>Approximate percentage of our Group's total cost of sales</u>
Supplier 1	Malaysia	Manufacturing	Facer	6 years	20.2%
Supplier 2	Hong Kong	Trading	Paper	2 years	13.9%
Supplier 4	Thailand	Paper Mill	Paper	6 years	4.8%
Supplier 8	Malaysia	Trading	Paper	2 years	4.6%
Supplier 6	Malaysia	Trading	Paper	1 year	4.1%

For the nine months ended 31 May 2017:

<u>Supplier</u>	<u>Location</u>	<u>Background</u>	<u>Types of goods/ services provided by our supplier</u>	<u>Approximate length of relationship with our Group</u>	<u>Approximate percentage of our Group's total cost of sales</u>
Supplier 1	Malaysia	Manufacturing	Facer	6 years	22.7%
Supplier 2	Hong Kong	Trading	Paper	2 years	11.9%
Supplier 4	Thailand	Paper Mill	Paper	6 years	6.2%
Supplier 7	Malaysia	Trading	Paper	1 year	6.2%
Supplier 6	Malaysia	Trading	Paper	1 year	2.2%

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As at 31 August 2015 and 2016, and 31 May 2017, our Group recorded trade payables of approximately RM12.5 million, RM11.5 million and RM14.9 million, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group did not receive any material complaints from our suppliers due to late payments nor did our Group suffer material shortage of raw materials and other services from our suppliers. Our Group also did not have any disputes with our suppliers during the Track Record Period.

As at the Latest Practicable Date, our Group engaged about 221 foreign workers supplied by foreign worker providers, representing about half of our total operational workers. These foreign workers are mainly engaged in lower skill work such as manual die-cutting, laminating, assembly and warehousing. We have entered into agreements with seven foreign worker suppliers for a period of 2 to 3 years. The details of the material terms are presented as follows:

No.	Heading	Terms
1.	Fees and Payment	The suppliers will invoice our Group on a monthly basis. Payment shall be made no later than 30 days upon the receipt of the invoice.
2.	Termination	2 to 3 months prior written notice shall be given by either party.
3.	Responsibility of the suppliers	The suppliers will supply the foreign workers to our Group with valid permit, visa and responsible for the payment of fees, levy, wages, allowances, insurance and medical benefits of the foreign workers. The suppliers must also renew the foreign workers' working permits before the expiry date through a proper channel.
4.	Warranties	In regard to the foreign workers allocated by the suppliers to the premises of our Group, it shall fully comply with all applicable laws and regulations in relation to the provision of services including but not limited to obtaining and maintaining all necessary approvals and permits in respect of such services and the foreign workers such as yearly medical screening as approved by Fomema Sdn Bhd, insurance coverage of workman compensation, payment of levy, temporary permit, immigration processing fees and other cost involved.

As we do not have any payment issues or dispute with our suppliers, our Directors believe that it is unlikely our contracted foreign workers suppliers will terminate our agreements. Furthermore, even if these suppliers cease to supply foreign workers to our Group, we do not

foresee any difficulties in sourcing foreign workers from other suppliers as there are plenty of foreign workers suppliers in Malaysia. Therefore, our Directors believe that the impact on our Group's operations is immaterial.

8.1 Subcontracting arrangement

During the Track Record Period, our Group subcontracted some of our services such as spot ultra-violet coating and ultra-violet coating to Independent Third Party services providers. For the two years ended 31 August 2016, and the nine months ended 31 May 2017, the subcontracting fees in relation to our top five subcontractors accounted for approximately 2.6%, 2.5% and 6.1% of our Group's total cost of sales, respectively. As at the Latest Practicable Date, our Group has set up our Production Plant 1 in the Philippines and is expected to start production around October 2017. Please refer to paragraph 3.3 of the section headed "Business" in this prospectus for more details. In the meantime, the orders from the contract manufacturer of Company D in the Philippines are fulfilled by our production plant in Malaysia and a local printing and packaging subcontractor engaged by our Group.

Our Group did not enter into any long-term subcontracting agreements with majority of our subcontractors during the Track Record Period. Normally, our Group's subcontractors will provide quotations showing prices for different types of services required by our Group, and these will be subject to renewal on a periodic basis.

Our Directors are of the view that the subcontracting arrangement is common within the printing industry. Our Group maintained cordial and long-term co-operative relationships with our subcontractors.

9. SEASONALITY

As a printing and packaging solutions provider in Malaysia, our Group primarily provides packaging boxes to our customers to serve their needs along their supply chains as well as distribution network. Based on our past experience, we did not observe obvious fluctuations on the demand for our Group's products due to seasonality. Our Directors believe that our results of operations are not affected by seasonality.

10. SALES AND MARKETING

Our Group's history in the printing and packaging industry in Malaysia can be traced back to 1972. Our Directors believe that our Group will be able to rely on our established relationships with our existing customers and our reputation in the industry to expand our business. Nevertheless, we have a marketing department that is responsible for maintaining our customer relationships.

Our Group also keeps contact with potential customers to stay connected and to build the relationships. This helps our Group to identify new business opportunities ahead and enable our Group to develop solutions to address customers' needs.

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Our marketing department is responsible for sourcing for new businesses, conducting sales pitch and maintaining relationships with customers. It is supported by our sales support team, who is responsible for handling customer enquiries, preparing price quotations and managing complaints and feedback.

Apart from our headquarters in Johor Bahru, we have two marketing staff in our subsidiary in the Philippines. We intend to recruit more staff to expand our marketing team in the Philippines to widen our customer base and increase sales.

11. EMPLOYEES

A breakdown of our full-time employees by function and location as at Latest Practicable Date is set forth below:

<u>Function</u>	<u>Malaysia</u>	<u>The Philippines</u>	<u>Total No. of employees</u>
Management	9		9
Human resources, general affairs & IT	26	1	27
Finance	7	2	9
Corporate development	2		2
Purchasing	6	1	7
Marketing	19	2	21
Quality assurance	58	7	65
Operations ⁽¹⁾	<u>344</u>	<u>16</u>	<u>360</u>
Total number of employees	<u>471</u>	<u>29⁽²⁾</u>	<u>500</u>

Note 1: Number of employees from operations exclude foreign workers supplied by third party agencies. There was a total of 221 foreign workers supplied by third party agencies as at the Latest Practicable Date.

Note 2: Before the commencement of production, our Group's quality assurance and operations employees test run the laminator and die-cut machines quality check and sort the products supplied by our Malaysian plant as well as engage in warehousing and logistic work. We intend to recruit 6 more staff (1 customer service officer and 5 operations staff) for our Philippine plant.

Please refer to the section headed "Directors and Senior Management" in this prospectus for further details of our Group's employees.

11.1 Relationship with staff

Our Directors believe that, the management policies, working environment, development opportunities and employee benefits have contributed to employees' satisfaction levels and retention level. Our Group organises bonding activities, such as weekly badminton sessions and annual staff dinners, to allow employees to build up teamwork and to strengthen their bonding. During the Track Record Period, our Group did not experience any strike or labour dispute with our staff which had caused significant disruption to our Group's business operations.

11.2 Recruitment and remuneration

Our Group recognises that our success in the printing and packaging industry is dependent on our employees. Our Group recruits our employees based on their working attitude, industry experience, educational background and interpersonal skills.

Our Group generally pays our employees a fixed salary and discretionary performance-based bonus that is paid yearly, subject to individual performance. Certain level of our staff qualify for sales target-based monthly incentives. For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our Group's staff costs, including Directors' emoluments, were approximately RM13.6 million, RM14.8 million and RM12.2 million, respectively.

Our Group reviews the performance of our employees and such review results will be taken into account during the annual salary review and promotion appraisal period.

11.3 Training

Our Group values our employees as human capital and invests resources to educate and improve their standards so that they can make a greater contribution to our Group's success. A training plan is developed on a yearly basis by human resources department to schedule our employees to attend training/courses that to enhance their capabilities.

Our Group provides both internal and external training regarding the basic knowledge of machinery operation, relevant regulations, internal quality audit and other useful topics. For new hires, our Group provides an induction training programme followed by on-the-job training during their probation period. Staffs' probation period ranges from three to six months, depending on their seniority.

Department managers are responsible for identifying and evaluating the training needs of their subordinates. Applications to the human resources department shall be submitted for training course arrangements.

12. ENVIRONMENTAL PROTECTION, HEALTH AND WORK SAFETY

Due to the nature of our business, isopropyl alcohol (IPA) in varying doses has been used in sheetfed offset printing. As required by the Department of Environment Malaysia, any water that is adulterated with chemicals (IPA, ink, etc.) is to be channelled to a water treatment plant and processed. Processed water (all harmful contaminants removed) is then channelled into the rain water discharge/drains. The water treatment plant is strictly governed by local legislation. To demonstrate that our Group is committed to be environmentally friendly, we have obtained ISO 14001:2004 environment management system certification to maintain best practices in preserving the environment. Our Group has a certified environmental professional who has attended relevant environmental, health, safety and ISO training courses, is taking care of environmental health.

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

Human capital is one of the key pillars of our Group's success. Our Group follows the health and safety-related rules and regulations set out in the Occupational Safety and Health Act 1994. To ensure that our employees work in a safe and healthy environment, our Group has a safety and health officer under the human resource team headed by human resources and general affairs manager, Mr. Tan Geng. Our safety and health officer has attended safety and health officer course organised by National Institute of Occupation Safety and Health of Malaysia. Our Group also established a safety and health policy for our employees to follow. In addition, our Group provides occupational safety education and trainings, conducted by external trainers, to raise employees' awareness of safety issues. Please refer to the section headed "Regulatory Overview" in this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in paragraph 18 of this section, our Group did not experience any significant incidents or accidents in relation to employees' safety or any non-compliance with the applicable laws and regulations relevant to the health and work safety issues.

13. QUALITY MANAGEMENT

Our Group considers our ability to uphold the quality of our printing and packaging products as crucial to our long-term growth, and counts this ability as one of our competitive advantages in the industry. Our Group has obtained the ISO 9001:2008 certification, an internationally recognised standard for quality management.

Our Group's quality assurance team is responsible for the following:

- formulating and implementing systematic quality management policies and standard operating procedures for our Group's operational processes in order to maximise the overall quality consistency of our products;
- overseeing compliance of the quality management policies and procedures by different departments of our Group;
- carrying out internal audits to identify areas for improvements; and
- preparing the results of external quality accreditation audits for discussion in the management review meetings.

The quality assurance team is headed by Mr. Leonard Thangavelu, technical director, who has five years of relevant experience in technical advisory and quality control in the commercial printing industry. He leads a team of internal quality auditors in carrying out the above-mentioned

responsibilities. To ensure that all team members are equipped with the requisite knowledge of ISO and the necessary skillset to carry out internal audits, the team has attended internal quality audit training and workshop organised by external trainers in June 2014.

14. MARKET AND COMPETITION

According to the Ipsos Report, the market for the printing industry in Malaysia is large, fragmented and is serviced by many different players from across the country, although mostly dominated by commercial and publishing printers. The industry is relatively competitive, with no particular player dominating market share. Although the market is fragmented, the industry is structured in a way whereby printers will remain in their respective segments based on expertise and products for a long-term, as different printing segments (i.e. commercial, publishing or packaging printing) require specific levels of quality, print sizes, technology, processes and types of machinery. Within each printing segments, printers are continuously seeking innovative ways to differentiate from each other to increase their market share, often by improving skills, technology and services provided to meet the demands of the growing industry as a whole.

The printing industry has a broad range of applications in the packaging market, including segments such as personal care, healthcare, food and beverage, electrical and electronic products and others. Printed packaging is an essential brand-building tool, and which manufacturers or brand owners use to differentiate, market and sell their products, to the extent that, the quality of prints is often one of the main criteria for manufacturers or brand owners for the packaging of their products.

Over the years, there has been a growing demand for premium packaging used for products such as cosmetics and household items, particularly from leading developed nations like the US and Japan. The increasing demand for premium packaging indicates there is a growing need for high-quality packaging for premium brands and other high tier products. Thus, printers in Malaysia will need to adapt to different and costly technologies, colours, and packaging techniques to fulfil the demand for premium packing. Also, with technology advancements over the last decade, it is imminent that companies will adopt new and sophisticated technologies to keep up with the growing complexity and competition in the industry. Such competition will continue to be the driving force for printers to invest in high-tech solutions to manage, execute and implement efficient printing methods or strategies to maintain being relevant in the industry and to stay ahead in the premium packaging sector. Therefore, the increased demand for premium packaging is significant in influencing the growth of the package printing segment in Malaysia.

Our Directors believe that our Group primarily competes with the competitors based on our ability to provide a wide range of products from printed packaging, manuals, label printing and our service quality (including design, high quality print, professionalism, reliability and timeliness). Our Group is uniquely positioned to be the preferred printing and packaging partner for international brand owners.

15. INFORMATION TECHNOLOGY

Our Group has integrated our finance, operations and procurement functions and all three departments utilise the *InfoArch software* as our manufacturing resource planning system. Our human resources department uses *BOSSNET software* for our Group's payroll function. Our Group will perform backup for our IT systems including the manufacturing resource planning system and *BOSSNET software* on a periodic basis.

16. INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, Our Group had registered one domain name in Malaysia. Please refer to Appendix V to this prospectus for further details.

Our Directors confirmed that our Group had not experienced any infringement to our intellectual properties during the Track Record Period which had a material adverse effect on our business, results of operations, financial condition and prospects. During the Track Record Period and up to the Latest Practicable Date, our Group was not involved in any disputes or litigation relating to the infringement of the intellectual property rights, nor was our Group aware of any such claims either pending or threatened.

17. PROPERTIES

17.1 Owned properties

As at the Latest Practicable Date, our Group owned the following warehouse, office space and factory.

<u>No.</u>	<u>Location of property</u>	<u>Country</u>	<u>Approximate gross floor area/ total parcel area (sq.m.)</u>	<u>Nature</u>
1	HSD 196857, PTD 62997, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor	Malaysia	45,482.73	Warehouse
2	HSD 196858, PTD 62998, Mukim Tebrau, Daerah Johor Bahru, Negeri Johor	Malaysia	20,233.62	Headquarters and production line

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17.2 Leased properties

As at the Latest Practicable Date, our Group leased the following warehouse, foreign workers and staff hostels. All the leases were entered into with Independent Third Parties.

No.	Location of property	Country	Approximate size	Rental	Nature	Landlord	Date of expiry of lease
1	No. 15, Jalan Belati 1, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81330 Johor Bahru, Johor	Malaysia	1,426 sq.m.	RM8,000	Warehouse	Mega Paints Sdn. Bhd.	30 November 2021
2	Lot 275, Block AG-1, A1-3, A1-4, A2-2, A2-3 & A2-4, PTD 76058, Mukim Tebrau, Daerah Johor Bahru, Johor	Malaysia	6 medium sized room	RM30,360	Foreign worker hostel	Kurnia Rezeki Utama Shd. Bhd.	31 October 2018
3	Lot 275, Block C1-2, PTD 76058, Mukim Tebrau, Daerah Johor Bahru, Johor	Malaysia	1 medium sized room	RM5,060	Foreign worker hostel	Kurnia Rezeki Utama Shd. Bhd.	31 October 2017
4	Lot 275, Block C1-3, PTD 76058, Mukim Tebrau, Daerah Johor Bahru, Johor	Malaysia	1 medium sized room	RM5,060	Foreign worker hostel	Kurnia Rezeki Utama Shd. Bhd.	31 December 2017
5	Lot 275, Block C1-4 PTD 76058, Mukim Tebrau, Daerah Johor Bahru, Johor	Malaysia	1 medium sized room	RM5,060	Foreign worker hostel	Kurnia Rezeki Utama Shd. Bhd.	31 March 2018
6	Lot 275, Block C1-5 PTD 76058, Mukim Tebrau, Daerah Johor Bahru, Johor	Malaysia	1 medium sized room	RM5,060	Foreign worker hostel	Kurnia Rezeki Utama Shd. Bhd.	30 April 2018
7	Lot MLO 3552, Mukim of Tebrau, Johor Bahru, Johor	Malaysia	557.42 sq.m.	RM1,500	Staff hostel	TN Engineering Sdn. Bhd.	31 December 2018
8	Unit 2102 at The Mondrian Residences, East Asia Drive, Filinvest Corporate City, Alabang, Muntinlupa City	The Philippines	112.23 sq.m.	PHP65,000	Staff hostel	Rosario S. Villa	15 November 2017

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No.	Location of property	Country	Approximate size	Rental	Nature	Landlord	Date of expiry of lease
9	Warehouse C, Lot C4-8a, Tagaytay Ridge, Carmelray Industrial Park II, Calamba, Laguna	The Philippines	One unit of warehouse building, including mezzanine office and an open area of 204 sq.m.	PHP150,000	Office, factory and warehouse	Aquarius Ecozone Industrial Corporation	31 January 2018
10	CCMC Compound, Lot 3, Blk. 10A, Light Industry & Science Park III, 80. Anastacia, Sto. Tomas, Batangas	The Philippines	1,454 sq.m.	1st year PHP283,000 2nd year PHP290,000 3rd year PHP305,000	Office, warehouse, storage, manufacturing, assembly	CCMC Land Inc.,	20 September 2020

As at 31 August 2015 and 2016, and 31 May 2017, our Group's properties had a net carrying amount of approximately RM26.0 million, RM25.9 million and RM25.8 million, respectively.

18. LIABILITY MANAGEMENT AND INSURANCE

Our Group maintains insurance policies against loss or damage to our office and business interruption, machinery and equipment, materials in transit within Malaysia, public liability and insurance against marine and transit risks. Our Directors believe that the insurance coverage taken up is adequate and sufficient for our Group's operations and is in line with normal commercial practices of the industry. For example, during the Track Record Period, one of our machines was damaged due to an accident and the cost of repair was fully covered by our Group's insurance.

Our Directors are of the view that our Group has adequate insurance coverage to mitigate the loss or damages in the event of a claim. Our Directors confirmed that our Group was not subject to any material insurance claims or liabilities arising from our operations during the Track Record Period and our Group did not make any material insurance claims during the Track Record Period.

19. LITIGATION AND COMPLIANCE

19.1 Systemic non-compliance with the Factories and Machinery Act 1967 (“FMA”)

Set out below is non-compliance of Linocraft Malaysia with the FMA:

Relevant section of the FMA	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial actions taken and status	Estimated penalty
Section 36 of the FMA	47 machineries, which constituted approximately 40% of the total value of our Group’s property, plant and equipment, were installed in the factory without the written approval from the Department of Safety and Health (“DOSH”).	As confirmed by our Directors, we relied on our safety and health officer for the application of license/ approval from DOSH. It was due to unintentional and inadvertent oversight of our staff to obtain such approval.	We submitted documentation and information for the late application for approval to DOSH in June 2017. We expect to rectify this non-compliance and obtain the written approval from DOSH by third quarter of 2017.	Any person who contravenes Section 36 of the FMA shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 2 years or to both pursuant to Section 51 of FMA. Based on the following rationale and factors, our Malaysia Legal Advisers is of the opinion that the chance of prosecution is low. Even if there is any prosecution, the chance of maximum sentence being imposed is not high and a fine is likely to be imposed without imprisonment: - Pursuant to <i>Section 52A of the FMA and Regulation 3 of the Factories and Machinery (Compoundable Offences) Regulations 1978</i>, the Chief Inspector of Factories and Machinery may, with the consent in writing of the Public Prosecutor, compound any offence which is punishable under FMA or any regulations made under FMA by making a written offer to the person who has committed the offence to compound the offence on the payment within a stipulated period of time, before any prosecution is instituted. No prosecution shall thereafter be instituted in respect of the offence against the person to whom the offer to compound was made. - Linocraft Malaysia submitted documentation and information for the late application for approval to DOSH in June 2017. - Once a late application for approval is submitted to DOSH, the officer in charge will consider various factors (including, <i>inter alia</i>, the initiative of the company to rectify the non-compliance) before determining on whether to impose a fine for the late application for approval. Upon the full settlement of the fine imposed (if any), the non-compliance will be deemed rectified and it is unlikely DOSH will initiate any action or prosecute the company thereafter. - As at the Latest Practicable Date, Linocraft Malaysia has not received any other notice from the relevant government authority in respect of the non-compliance regarding installation of certain machineries without written approval.

19.2 Systemic non-compliance with the Occupational Safety and Health Act 1994 (“OSHA”)

Set out below is non-compliance of Linocraft Malaysia with the OSHA:

Relevant section of the OSHA	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial actions taken and status	Estimated penalty
Section 32 of the OSHA	There were total 4 accidents happened at our factory from 2014 to 2016 where our employees had suffered injuries. The injuries suffered by our employees included (i) closed fracture of foot; and (ii) injuries to fingers. The compensation amounts were fully covered by the Foreign Workers Compensation Scheme pursuant to the Workmen's Compensation Act 1952. We did not inform the nearest occupational safety and health office of such accidents.	As confirmed by our Directors, we relied on our human resources staff to file lost time injury incidents to DOSH. The responsible staff did not inform DOSH due to a result of oversight in reporting lost time injuries.	We had submitted the necessary documentation and information for the late notification to DOSH in relation to the 4 accidents on 17 April 2017. We are currently awaiting DOSH's reply on our submission of the same.	Regulation 13 of the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004 (“Regulation”) provides that any person who contravenes the provision in the Regulation, commits an offence and shall, on conviction, be liable to a fine not exceeding RM10,000.00 or to imprisonment for a term not exceeding 1 year or to both. Based on the following rationale and factors, our Malaysia Legal Advisers is of the opinion that the chance of prosecution is low. Even if there is any prosecution, the chance of maximum sentence being imposed is not high and a fine is likely to be imposed without imprisonment: 1. Linocraft Malaysia had, on 17 April 2017, submitted the necessary documentation and information for the late notification to DOSH in relation to the 4 accidents. 2. Once a late notification is submitted to DOSH, the officer in charge may inquire and inspect on the cause of the accidents and compliance of safety and health laws, and determine on whether to impose a fine for the late notification. Upon the full settlement of the fine imposed (if any), the non-compliance will be deemed rectified and it is unlikely DOSH will initiate any action or prosecute the company thereafter. 3. As at the Latest Practicable Date, Linocraft Malaysia has yet to receive any reply on their submission of late notification to DOSH. Linocraft Malaysia has also not received any other notice from the relevant government authority in respect of the non-compliance. Our Directors are of the view that the compensation amounts paid for the injuries were fully covered by the Foreign Workers Compensation Scheme and did not have a financial or operational impact on our Group.

Save as the systemic non-compliances disclosed above, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no other non-compliance of our Group which is considered as material impact non-compliance or systemic non-compliance.

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Our Directors are of the view that the non-compliances disclosed above were mainly due to unintentional and inadvertent oversight of our staff. Our Group has already taken actions to rectify the non-compliances as at the Latest Practicable Date. In order to prevent recurrence of the abovementioned non-compliances, our Directors confirmed that we have adopted internal control procedures as at the Latest Practicable Date, including:

- (i) we have engaged a safety and health officer who will be responsible for obtaining approval from DOSH for all incoming machinery;
- (ii) the operations manager will only approve to install a new machinery when he receives the licence/approval from the safety officer upon satisfying (i);
- (iii) the safety and health officer will inspect our facilities whenever there is a new machine being acquired or installed and ensure that approvals/licenses of our machinery are valid and properly maintained; and
- (iv) a new guideline is updated for our human resources department which requires the reporting notification of any lost time injury incident happened to DOSH within seven working days.

Based on the review report of the independent internal control adviser and to the best of our knowledge, our Directors confirmed that there is no significant deficiencies in the internal control system of our Group regarding to the abovementioned non-compliances.

Our Directors confirmed that during Track Record Period and up to the Latest Practicable Date, none of the members of our Group were engaged in any litigation, claims 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.

Save as disclosed above and to the best of our knowledge, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained from relevant governmental bodies all necessary permits, approvals and licenses to the material operation of our existing business.

20. AWARDS AND CERTIFICATIONS

The following table sets out our Group's major awards and certifications obtained:

Year(s) of certification/ award	Certification/award	Award organisation or authority
2016	Recognition Award — Research, Design and Development (RDD) Collaboration	Company D
2015	Recognition Award — Collaboration	Company D
2014	ISO 9001:2008 — certification of quality management system ⁽¹⁾	DQS GmbH
2014	ISO 14001:2004 — certification of environmental management system ⁽¹⁾	DQS GmbH
2012	The Genuine Corporate Award	Business Software Alliance
2012	Packaging Category — Bronze Award	Asian Print Awards
2010	Packaging Offset Printing Only Category — Gold Award	Asian Print Awards
2010	Leaflets, Flyers, Folders and Brochures Category — Bronze Award	Asian Print Awards
2005	Packaging Sheetfed Only Category — Gold Award	Asian Print Awards

Note 1: The certification concerns our provision of printing and packaging products. Validity: 22 September 2014 to 21 September 2017. We have obtained ISO 9001 and ISO 14001 certifications since 2005 and 2008, respectively.

21. LICENCES AND PERMITS

Our Group’s businesses are conducted in a regulated environment, and licences and permits have to be obtained and remain valid during our operations. Please refer to the section headed “Regulatory Overview” in this prospectus for further details. Our Group has obtained the following major licences and permits for our business operations:

21.1 Malaysia

<u>Group member</u>	<u>Licence/permit</u>	<u>Issuing authority</u>	<u>Date of latest licence/permit granted</u>	<u>Expiry date</u>
Linocraft Malaysia	Manufacturing Licence for printed paper labels and instruction manuals (Licence No. A013778; Serial No. 021817)	Ministry of International Trade and Industry of Malaysia	4 March 2002	Not applicable
	Manufacturing Licence for printed carton boxes and sheeted paper (Licence No. A013778; Serial No. 025414)	Ministry of International Trade and Industry of Malaysia	25 October 2007	Not applicable
	Printing Machine Licence (Licence No. 049647)	Ministry of Home Affairs of Malaysia	1 June 2012	Not applicable
	Licensed Warehouse (Licence No. J10G6-00000581/2006; J10-GPB-0105/2016)	Royal Malaysian Customs Department	1 June 2016	31 May 2018
	Licensed Manufacturing Warehouse (Licence No. J10G6-00000581/2006A; J10-GPB-0105/2016)	Royal Malaysian Customs Department	1 June 2016	31 May 2018
	Business and Advertisement Licence	Johor Bahru City Council	1 January 2017	31 December 2017

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21.2 The Philippines

<u>Group member</u>	<u>Licence/permit</u>	<u>Issuing authority</u>	<u>Date of latest licence/permit granted</u>	<u>Expiry date</u>
Linocraft Philippines	Certificate of Incorporation (Company Registration No. CS201611844)	Securities and Exchange Commission, Republic of the Philippines	9 June 2016	Not applicable
	Certificate of Registration — Ecozone Logistics Service Enterprise (Certificate No. 16-180)	Philippine Economic Zone Authority	22 November 2016	Not applicable
	Certificate of Registration (Taxpayer Identification No. 009-314-921-0000)	Department of Finance, Bureau of Internal Revenue, Republic of the Philippines	16 December 2016	Not applicable
	Certificate of Registration — for Customs Clearance (Customs Client No. IM0007418833)	Department of Finance, Bureau of Customs, Republic of the Philippines	3 January 2017	3 January 2018
	Certification for Value-Added Tax (VAT) zero-rating (Certificate No. 2017-0866)	Philippine Economic Zone Authority	5 January 2017	31 December 2017

Our Directors confirmed that, as at the Latest Practicable Date, our Group had obtained all relevant licences and permits which are material for our business operations from the relevant government bodies and has complied with all the material applicable laws, rules and regulations to our existing business.

Some of our Group's licences and permits are subject to renewal. Our Group will renew all existing licences and permits accordingly before the respective expiry dates. Our Group has not experienced any refusal of renewal of the licences and permits necessary for our operations during Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these licences and permits.

22. INTERNAL CONTROL AND RISK MANAGEMENT

Our Group engaged an independent internal control consultant, an international accounting firm, to review our Group's internal control systems and procedures in February 2017, including the controls and procedures of our Group over the corporate governance, financial reporting, revenue, expenditure management, human resources, treasury and general computer controls. Based on the consultant's review, our Group has established a set of action plans to enhance its internal control system.

Apart from the non-compliances as disclosed in paragraph 19 in this section, other major findings, together with the action plans based on recommendations from the internal control consultant, are set out in the table below:

Other major findings	Action plans
● There are no contractual agreements or service level agreements formally established with certain vendors which provide services such as information technology, transportation etc.	— The business terms have been formalised with the respective parties to legally safeguard our Group's interests.
● There was a lack of controls pertaining to the user accessibility, programme change management and backup management for the information technology systems used by our Group.	— Policies and procedures have been established to govern the overall controls of our Group's information technology systems; — Reviews with regards to the user accessibility, user activities, and backed up data restorability will be conducted on a timely basis; and — The backup data of our Group has been stored in a secured location.

Other major findings**Action plans**

● There was an instance of input Goods and Services Tax (“GST”) claimed for the purchase of a fixed asset, which was not supported with a Tax Invoice issued under the name of our Group. The event was a one-off incident resulting from management’s oversight in relation to the GST treatment for that particular transaction. This incident will not have any significant operational and/or financial impact on our Group as the amount involved was immaterial.	— The management has reversed the purchase and will submit the relevant documentation to Royal Malaysian Customs Department by 31 August 2017.

The internal control consultant also performed a follow-up review (the “Follow-up Review”) in August 2017 to review the status of implementation of the action plans by our Company to address the major findings of the review.

Our Directors confirmed that the corresponding action plans have been implemented according to the recommendations of the internal control consultant and accordingly the Follow-up Review did not identify any material findings. We will continuously monitor and improve the procedures to ensure that effective operation of the internal control policies, and are in line with the growth of our business and good corporate governance practice. As such, our Directors are of the view that, and the Sponsor concurs, the internal control measures are adequate and effective.

In the course of conducting business, our Group is exposed to various types of risks, including operational risks, market risks, liquidity risk, credit risks and regulatory risks, the details of which have been disclosed under the section headed “Risk Factors” in this prospectus. Our Group has established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The following table sets out some of the primary risks our Group faces that may materially and adversely affect our Group’s business, financial condition and results of operation and our risk management measures:

Primary operational risks	Risk management measures
Risk of dependent on the availability/supply of raw materials	Our Group maintains good working relationships with our suppliers and has multiple sources of raw materials sources to avoid unanticipated stock outs. Our strong relationships with suppliers also help us to plan ahead, with advice from them on market trends and potential price changes.

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Primary operational risks	Risk management measures
Risk of workplace hazards at production plant	Our Group follows the health and safety-related rules and regulations set out in the Occupational Safety and Health Act 1994. To ensure our employees work in a safe and healthy environment, our Group has implemented a Health, Safety and Environment induction programme to brief new employees on safety precautions and best practices. We also have a Safety & Health Officer who provides in-house training for our employees and arrange certified training mandated by the Malaysian government.
Risk of breakdown of machinery at production plant	Our Group conducts scheduled maintenance to perform checks on our machinery and its spare parts on a regular basis. This is a preventive measure to reduce breakdown of machinery.

In addition, our Group faces financial risks, which have been disclosed in paragraphs 3 and 12 of the section headed “Financial Information” in this prospectus.

22.1 On-going measures to implement the risk management policies

In order to continually improve our Group’s internal control and risk management system upon Listing, our Group has established an on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

- segregating duties and functions of the respective operational departments of our Group;
- reviewing systems and procedures to identify, measure, manage and control risks; and
- updating the staff handbook, internal control manual and compliance manual where there are changes to business environment or regulatory guidelines.

Our Group will continually monitor and improve our risk management measures to ensure that these measures work in line with the growth of our business.

DIRECTORS AND SENIOR MANAGEMENT

1. BOARD OF DIRECTORS

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into service contracts with each of our executive Directors and we have also entered into letters of appointment with each of our independent non-executive Directors.

The table below sets forth certain information in respect of members of our Board and senior management:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors
Mr. Tan Woon Chay	53	8 March 2004	13 April 2017	Executive Director	Overall direction of our Group and managing matters of our Group	Nil
Mr. Ong Yoong Nyock	64	8 August 1997	21 April 2017	Executive Director	Providing strategic advice and business development of our Group	Nil
Mr. Teoh Cheng Tun	42	25 August 2017	25 August 2017	Independent non-executive Director	Supervising and providing independent judgment to our Board	Nil
Mr. Liew Weng Keat	42	25 August 2017	25 August 2017	Independent non-executive Director	Supervising and providing independent judgment to our Board	Nil
Mr. Choy Wing Keung David	52	25 August 2017	25 August 2017	Independent non-executive Director	Supervising and providing independent judgment to our Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Members of our senior management

Name	Age	Date of joining our Group	Position	Roles and Responsibilities
Mr. Leonard Narayan s/o Thangavelu	50	24 October 2015	Technical director	Overseeing our Group's quality assurance department
Mr. Tan Kim Chwee	53	22 October 2013	Operations general manager	Overseeing the operations of our Group
Mr. Yong Hong Kai	39	9 May 2016	Marketing general manager	Overseeing the marketing of our Group
Ms. Tan Dee Peng	40	15 October 2001	Senior purchasing manager	Overseeing the sourcing of suppliers in the purchasing department of our Group
Mr. Tan Teck Sen	35	13 July 2015	Corporate development manager	Overseeing the business development of our Group
Mr. Tan Shiann Shye	52	1 April 2017	Finance manager	Overseeing the financial matters of our Group
Mr. Tan Geng	33	1 July 2015	Human resources and general affairs manager	Overseeing the human resources and general affairs of our Group

1.1 Executive Directors

Mr. Tan Woon Chay (also known as Mr. Andrew Tan), aged 53, was appointed as a Director of our Company on 13 April 2017 and redesignated as our executive Director on 21 April 2017. He joined our Group as marketing director in March 2004 and was appointed as managing director in March 2007. Mr. Andrew Tan has been responsible for the overall direction of our Group. From 2000 to 2004, Mr. Andrew Tan worked at Zaid Ibrahim & Co, a law firm in Malaysia, where he last held the position of senior associate. Mr. Andrew Tan received a bachelor's degree in law and economics from the University of Kent at Canterbury in the United Kingdom in July 1988. He was admitted as a member of the Honourable Society of the Inner Temple, London in January 1986 and was called to the bar by the said society in July 1991. He was also admitted to practice as an advocate and solicitor of the High Court in Malaya in December 1999.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ong Yoong Nyock, aged 64, was appointed as a Director of our Company on 21 April 2017 and redesignated as our executive Director on the same day. He has been serving as a director of our Group since 8 August 1997. He is a seasoned entrepreneur with investments in various industries. Mr. Ong has 19 years of experience in the printing industry. Since January 1990, he has been serving as the managing director of Tiong Nam Logistics Holdings Bhd, a company listed on the Kuala Lumpur Stock Exchange (stock code: 8397) which is principally engaged in logistics and warehousing services where he is responsible for developing the company into a well-established total logistics company covering all the major routes of peninsular Malaysia and east Malaysia. Mr. Ong received his secondary school education from Sekolah Menengah Kebangsaan Gajah Berang, Melaka, Malaysia.

1.2 Independent Non-executive Directors

Mr. Liew Weng Keat, aged 42, was appointed as an independent non-executive Director of our Company on 25 August 2017. Mr. Liew joined International Trading Room Software Ltd (now known as ITRS Group Limited) in London in May 1999 before being transferred to ITRS America from 2001 to 2006, with the last position being the vice president. Having spent five years in New York, Mr. Liew then relocated to Hong Kong to start-up ITRS Asia's business for Asia Pacific from February 2006 to August 2008. From August 2008 to May 2009, Mr. Liew was the head of sales of North East Asia at Financial Innovative Technology International Pte. Ltd. From June 2009 to March 2010, he was a technology director at ITRS Asia Limited. Since November 2009, Mr. Liew has been the global account director at ITRS Asia Limited, responsible for business development for the Asia Pacific region. He also serves as an independent non-executive director for Worldgate Global Logistics Ltd., a company listed on the Stock Exchange which is principally engaged in the provision of air and sea freight forwarding and related services (stock code: 8292) and is the chairman of its nomination committee. Mr. Liew received a bachelor's degree of engineering and a bachelor's degree of science in mechanical engineering from the University of Manchester in the United Kingdom in July 1997 and received a master's degree of business administration from Richmond, The American International University in London in the United Kingdom in December 1999.

Mr. Teoh Cheng Tun, aged 42, was appointed as an independent non-executive Director of our Company on 25 August 2017. He started his career as an associate at Zaid Ibrahim & Co, a legal services provider from 1999 to 2000. He served as an analyst at Rating Agency Malaysia Berhad (now known as RAM Holdings Group), a rating agency from 2001 to 2003 where he was involved in corporate credit rating. In 2004, he resumed practicing law by joining AB Teoh & Co. (now known as AB Teoh & Shariza) as a partner. He then founded CT Teoh & Partners (now known as Teoh & Teoh) in 2013 where he has been advising on property, banking, commercial and intellectual property related matters. Mr. Teoh received a bachelor's degree of commerce and a bachelor's degree of laws from the University of New South Wales in Australia in April 1998 and June 1999, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Choy Wing Keung David, aged 52, was appointed as an independent non-executive Director of our Company on 25 August 2017. He founded David Choy & Co., an accounting firm in 1997 where he has been a certified public accountant, providing audit, assurance and taxation. He also previously served as an independent non-executive director for Perfectech International Holdings Limited, a company listed on the Stock Exchange which is principally engaged in manufacturing and selling toy products (stock code: 765) from May 2007 to November 2016. Mr. Choy graduated from the Hong Kong Shue Yan College (now known as the Hong Kong Shue Yan University) in Hong Kong with a diploma in accountancy in 1989. He has been a practicing certified public accountant since 1997 and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He was also admitted as an associate of the Chartered Association of Certified Accountants (now known as the Association of Chartered Certified Accountants).

Save as disclosed, each of our Directors confirmed with respect to himself that: (i) apart from our Company, he has not been a director in other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the date of this prospectus; (ii) save as disclosed in the paragraph headed “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders” in Appendix V to this prospectus, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

1.3 Senior Management

Mr. Leonard Narayan s/o Thangavelu, aged 50, joined our Group in October 2015 and was appointed as technical director of our Group. Mr. Thangavelu is responsible for our Group’s quality assurance department. In 2000, Mr. Thangavelu joined Distribution Alliance International Pte Ltd, where he was the regional director. He joined Craft Print International Ltd in 2001, a company principally engaged in commercial printing as a business development manager. In 2013, he joined Markono Document Solutions Pte Ltd, a company principally engaged in the provision of business consulting services as a director where he remained until joining our Group. Mr. Thangavelu received a bachelor’s degree in management from the University of Lethbridge in Canada in May 1996.

Mr. Tan Kim Chwee, aged 53, joined our Group in October 2013 and is the operations general manager of our Group, responsible for overseeing the operations of our Group. In 2001, Mr. Tan started at Beyonics Resources Limited, a company principally engaged in electronic manufacturing where his last held position was senior manufacturing engineering manager. Mr. Tan received a bachelor’s degree in business and commerce which was provided through a distance learning course from the University of Western Sydney in Australia in

DIRECTORS AND SENIOR MANAGEMENT

October 2000. He also received a master's degree of business administration which was provided through a distance learning course from the Southern Cross University in Australia in November 2003.

Mr. Yong Hong Kai, aged 39, joined our Group in May 2016 and is the marketing general manager of our Group. He is responsible for overseeing the marketing of our Group. In 2007, he joined CEVA Freight Holdings (Malaysia) Sdn. Bhd., a company principally engaged in logistics business where his last held position was assistant manager of business development. In 2009, he worked at HT Lubricant Sdn. Bhd., a company principally engaged in lubricant distribution where he held the position of industrial sales manager. In 2011, he joined our Group as the general marketing manager but left in 2015 and rejoined our Group with the same position in 2016. Mr. Yong completed the course requirements of a bachelor's degree of engineering (infomechatronics) from the Queensland University of Technology in Australia in February 2003.

Ms. Tan Dee Peng, aged 40, first joined our Group in October 2001 and is the senior purchasing manager of our Group, responsible for sourcing suppliers in the purchasing department of our Group. Ms. Tan started her career in 2001 as a production planner with our Group. She left our Group in April 2004 and rejoined in May the same year as a marketing executive. Ms. Tan received a bachelor's degree in economics from the Universiti Putra Malaysia in Malaysia in August 2001.

Mr. Tan Teck Sen, aged 35, joined our Group in July 2015 and is the corporate development manager of our Group, responsible for overseeing the corporate development of our Group. Mr. Tan started his professional career in 2005 as a graduate (finance and accounting) with Kerry Ingredients (M) Sdn Bhd, a company principally engaged in manufacturing and distributing application specific ingredients and flavours. In 2013, he worked at Kerry Group Business Services (ASPAC) Sdn Bhd, a company principally engaged in management services as a senior project accountant and was responsible for financial reporting. Mr. Tan received a bachelor's degree in accounting and marketing from the Curtin University of Technology in Australia in January 2005.

Mr. Tan Shiann Shye, aged 52, joined our Group in April 2017 and is the finance manager of our Group, responsible for overseeing the finance department of our Group. In 2013, Mr. Tan started as a finance manager with GF Equipment Rental Sdn Bhd, a company principally engaged in material handling equipment leasing services. In 2014, he joined Tiong Nam Holdings Sdn Bhd, a company principally involved in logistics as a finance manager. Mr. Tan sat for the Malaysia Higher School Certificate examinations and obtained Malaysia Higher School Certificate in 1985.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan Geng, aged 33, joined our Group in July 2015 and is the human resources and general affairs manager of our Group, responsible for overseeing the human resources and general affairs of our Group. Mr. Tan started his professional career in 2005 as a management trainee in the personnel and administration department of Tai Wah Garments Industry Sdn. Bhd., a company principally engaged in garment manufacturing where he was responsible for human resources. From 2008 to 2013, he was an assistant treasury executive with PGEO Group Sdn Bhd, a company principally engaged in the manufacturing of edible oils where he was responsible for the management of corporate cash flow. Mr. Tan received a bachelor's degree of business from the University of Technology, Sydney in Australia in May 2005.

None of our senior management members has been a director of other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the date of this prospectus.

1.4 Company secretary

Mr. Lam Wing Tai, aged 51, was appointed as the company secretary of our Group on 21 April 2017. Mr. Lam was admitted as a certified practicing accountant of the Certified Practicing Accountants Australia in May 1995 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 1996.

1.5 Compliance officer

Mr. Andrew Tan was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 21 April 2017. Please refer to the paragraph headed "1.1 Executive Directors" above in this section for details about Mr. Andrew Tan's qualifications.

1.6 Authorised representatives

Mr. Andrew Tan and Mr. Lam Wing Tai are the authorised representatives of our Company.

2. BOARD COMMITTEES

2.1 Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 25 August 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the audit committee are mainly to make recommendations to our Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Group. At present, the audit committee of our Company consists of three members who are Mr. Liew Weng Keat, Mr. Teoh Cheng Tun and Mr. Choy Wing Keung David. Mr. Choy Wing Keung David is the chairperson of the audit committee.

2.2 Remuneration committee

Our Company established a remuneration committee on 25 August 2017 with written terms of reference in compliance with paragraph B.1.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members who are Mr. Andrew Tan, Mr. Choy Wing Keung David and Mr. Teoh Cheng Tun. Mr. Teoh Cheng Tun is the chairperson of the remuneration committee.

2.3 Nomination committee

Our Company established a nomination committee on 25 August 2017 with written terms of reference in compliance with paragraph A.5.2 of the Code of Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination committee consists of three members who are Mr. Andrew Tan, Mr. Teoh Cheng Tun and Mr. Liew Weng Keat. Mr. Liew Weng Keat is the chairperson of the nomination committee.

3. REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective service contracts and letters of appointment with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations. Our Board regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of salaries 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 responsibilities, workload, the time devoted to our Group and the performance of our Group.

The aggregate amount of emoluments including salaries, allowances, other benefits and contributions to retirement benefits scheme paid to our Directors for the two years ended 31 August 2016 and the nine months ended 31 May 2017 were approximately RM605,000, RM957,000 and RM977,000, respectively.

The aggregate amounts of remuneration including salaries, allowances and contributions to retirement benefits scheme which were paid by our Group to our five highest paid individuals, including Directors, for the two years ended 31 August 2016 and the nine months ended 31 May 2017 were approximately RM1,081,000, RM1,474,000 and RM1,734,000, respectively.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. There was no arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 13 to our combined financial statements, included in the Accountant's Report set out in Appendix I to this prospectus.

4. COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Ample Capital to be the compliance adviser, who will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the 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 Group 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 its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier. Such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors as of the Latest Practicable Date, the following persons will, immediately prior to and following the completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised) have beneficial interests or short positions in our Shares or underlying Shares which will fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held prior to the completion of the Reorganisation and Share Offer and Capitalisation Issue ⁽¹⁾		Shares held immediately following the completion of the Share Offer and the Capitalisation Issue ⁽¹⁾	
		Number	Percentage	Number	Percentage
Linocraft Investment	Beneficial owner	36(L)	80%	480,000,000(L)	60%
Charlecote Sdn. Bhd. ⁽²⁾	Interest of a controlled corporation	36(L)	80%	480,000,000(L)	60%
Mr. Ong ⁽³⁾	Interest of a controlled corporation and spouse interest	36(L)	80%	480,000,000(L)	60%
Mrs. Ong ⁽³⁾	Interest of a controlled corporation and spouse interest	36(L)	80%	480,000,000(L)	60%
Stan Cam	Beneficial owner	9(L)	20%	120,000,000(L)	15%
Ralexi Investment Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	9(L)	20%	120,000,000(L)	15%
Mr. Gan ⁽⁵⁾	Interest of a controlled corporation	9(L)	20%	120,000,000(L)	15%
Mrs. Amy Ong Lai Fong ⁽⁶⁾	Spouse interest	9(L)	20%	120,000,000(L)	15%

Notes:

- (1) The letter “L” denotes long position in the Shares.
- (2) Charlecote Sdn. Bhd. holds 70% of the issued share capital of Linocraft Investment, which in turn owns 60% of our Company. By virtue of the SFO, Charlecote Sdn. Bhd. is deemed to be interested in the Shares held by Linocraft Investment.
- (3) Charlecote Sdn. Bhd., which owns 70% of the issued share capital of Linocraft Investment, is held as to 50% by Mr. Ong and as to 50% by Mrs. Ong. Linocraft Investment owns 60% of the issued share capital of our Company. By virtue of the SFO, Mr. Ong is deemed to be interested in the Shares held by Linocraft Investment; and Mrs. Ong is deemed to be interested in the Shares held by Linocraft Investment.
- (4) Stan Cam is owned as to 75% by Ralexi Investment Holdings Limited. By virtue of the SFO, Ralexi Investment Holdings Limited is deemed to be interested in the Shares held by Stan Cam.
- (5) Stan Cam is owned as to 75% by Ralexi Investment Holdings Limited. Ralexi Investment Holdings Limited is wholly-owned by Mr. Gan. By virtue of the SFO, Mr. Gan is deemed to be interested in the Shares held by Stan Cam.
- (6) Mrs. Amy Ong Lai Fong is the spouse of Mr. Gan. By virtue of the SFO, she is deemed to be interested in the Shares held by Mr. Gan.

SUBSTANTIAL SHAREHOLDERS

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Share Offer and Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised), have interests or short positions in our Shares or underlying Shares which will fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group. As of the Latest Practicable Date, our Directors were not aware of any arrangement which might at a subsequent date result in a change of control of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

1. OVERVIEW

Immediately upon completion of the Share Offer and the Capitalisation Issue, Mr. Ong and Mrs. Ong will, via Charlecote Sdn. Bhd., and Linocraft Investment indirectly and beneficially own in total approximately 60% of the issued Shares.

For the purpose of the GEM Listing Rules, Mr. Ong, Mrs. Ong, Charlecote Sdn. Bhd. and Linocraft Investment are our Controlling Shareholders. Each of Charlecote Sdn. Bhd. and Linocraft Investment is an investment holding company. Mrs. Ong is the spouse of Mr. Ong. For the background of Mr. Ong, please refer to the section headed “Directors and Senior Management” in this prospectus.

Apart from our Group’s business, our Controlling Shareholders and their close associates are currently operating other businesses such as land and property investment, logistics and warehouse services (the “**Excluded Businesses**”). The Excluded Businesses do not, and will not, form part of our Group before and after the Listing for the reasons as set forth in the paragraph headed “Delineation of Business” in this section of the prospectus.

None of our Controlling Shareholders is interested in any business which competes or may compete with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

2. DELINEATION OF BUSINESS

Our Directors are of the view that there is a clear delineation between the Excluded Businesses and our business, as a result of which none of the Excluded Businesses will compete, or is expected to compete, directly or indirectly, with our core business. None of the companies which are excluded from our Group (the “**Excluded Group**”) are engaged in any that competes or may compete with us. The Excluded Businesses were not included in our Group for the following reasons:

- (a) we would like to focus on those lines of our business which are printing and packaging services;
- (b) the Excluded Businesses do not form part of our core business and are unrelated to and unable to provide synergy to our business; and
- (c) we would like to impress a more distinctive business scope so as to highlight our strategic direction and development plan.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Group is principally engaged in the printing and manufacture of instruction manuals, packaging products and printed paper labels whereas the Excluded Businesses comprise principally land and property investment, logistics and warehouse services. Given the different nature of our business and the Excluded Businesses, our Directors do not expect there to be any overlap or competition of the Excluded Businesses and our Group's business after the Listing.

3. NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the “**Restricted Activity**”), or hold shares or interest in any companies or business that competes directly or indirectly with the business engaged by our Group from time to time, except where our Controlling Shareholders and/or his/her/its close associates hold less than 5% of the total issued shares of any company (whose shares are listed on the Stock Exchange or other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days (or such later time as our independent non-executive Directors may agree) of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has an actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision making process in relation to such Competing Business Opportunity at the cost of our Company;
- the Independent Board shall, within 30 business days (or such later time as our independent non-executive Directors may agree) of receipt of the Offer Notice referred to above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days' period (or such later time as our independent non-executive Directors may agree) mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates directly or indirectly through subsidiaries, associate companies or any other persons own less than 30% of our issued Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that he/she/it will, and will procure his/her/its associates to provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the GEM Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- we will disclose the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he/she/it may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

4. INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of, and at arm's length from the Excluded Business, our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

4.1 Competing Interests

As confirmed by our Directors, our Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group.

4.2 Management Independence

Our Board comprises two executive Directors and three independent non-executive Directors. Other than Mr. Ong, no other Controlling Shareholder holds any directorship in our Company. Mr. Ong is the director of certain members of the Excluded Group. Each of our Directors is aware of his fiduciary duties as a director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Listing.

In the event that each of Mr. Ong and Mr. Andrew Tan is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with the Excluded Group, our remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the directorship of Mr. Ong and Mr. Andrew Tan in the Excluded Group, our Directors, including our independent non-executive Directors, are of the view that our Board is able to manage our business on a full-time basis independently from the Excluded Group for the following reasons:

- (a) none of our businesses undertaken or carried on by the Excluded Group competes with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles assumed by Mr. Ong and Mr. Andrew Tan will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (b) we have three independent non-executive Directors, and certain matters of our Company, including matters referred to in the Deed of Non-competition, details of which are set out in paragraph 3 in this section must always be referred to our independent non-executive Directors for their review. This could enhance the independence of our management from that of the Excluded Group;
- (c) in the event of a conflict of interests, each of Mr. Ong and Mr. Andrew Tan will abstain from voting, will not be present in the relevant Board meetings and will be excluded from deliberation by our Board. Hence, each of Mr. Ong and Mr. Andrew Tan will not be able to influence our Board in making decisions on matters in which he is, or may be, interested. We believe all of our Directors, including our independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interests. Please refer to the section headed “Directors and Senior Management” in this prospectus for a summary of the relevant experience and qualifications of our Directors;
- (d) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and our Shareholders as a whole; and
- (e) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom currently holds any senior managerial position or directorship position within the Excluded Group.

4.3 Operational Independence

Although we entered into certain continuing connected transactions for our Company which will continue after Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. Please refer to the section headed “Connected Transactions” in this prospectus for the details of the connected transactions that will continue after Listing.

Having considered those transactions and that (a) we do not share other operational capabilities with our Controlling Shareholders; (b) we have independent access to renders and clients; (c) an independent management team to handle our day-to-day operations; and (d) we hold all the relevant licenses necessary to carry on and operate our business, our Directors consider that our Group can operate independently from our Controlling Shareholders.

4.4 Financial Independence

All loans, advances and balances due from our Controlling Shareholders and their respective close associates and all loans, advances and balances due to our Controlling Shareholders will be repaid before Listing. All share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group’s borrowing will also be fully released upon Listing. Accordingly, our Directors believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

In addition, we have our own internal control systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

5. CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act as our Shareholders’ best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Share Offer, we have amended our Articles of Association to comply with the GEM Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest, nor shall such Director be counted in the quorum present at the meeting;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the meetings of the Board on matters in which such Director or any of his close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of our independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Please refer to the section headed “Directors and Senior Management” in this prospectus for the background of the independent non-executive Directors; and
- (d) we have appointed Ample Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and corporate governance.

OVERVIEW

Pursuant to Chapter 20 of the GEM Listing Rules, our Directors, substantial shareholders and chief executive officer or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 20 of the GEM Listing Rules.

Our Directors confirm that the following transactions which will continue after the Listing will constitute continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTION

1. Master IT Services Agreement

On 25 August 2017, our Company entered into a master IT services agreement (the “**Master IT Services Agreement**”) with Vynos Technology Sdn Bhd (“**Vynos Technology**”), pursuant to which Vynos Technology agreed to provide IT services to our Group. The Master IT Services Agreement has a term of three years commencing from 1 September 2017 to 31 August 2020. For the two years ended 31 August 2016 and the nine months ended 31 May 2017, the total fee paid by our Group to Vynos Technology amounted to approximately RM26,360, RM25,440 and RM19,080, respectively.

Our Directors estimate that the maximum transaction amounts under the Master IT Services Agreement for the years ending 31 August 2018, 2019 and 2020 will not exceed RM29,126, RM31,165 and RM33,347, respectively. The terms of the IT Services Agreement have been arrived at after arm’s length negotiation between our Company and Vynos Technology with reference to the prevailing market price for such IT services by other providers comparable with Vynos Technology. The estimated fee for IT services to be paid by our Group to Vynos Technology under the Master IT Services Agreement was determined with reference to (a) the historical transaction amounts for the two years ended 31 August 2016 and the nine months ended 31 May 2017; (b) the price at which comparable IT services are provided by independent suppliers to our Group under normal commercial terms in the ordinary course of its business with such price being no less favourable to our Group than is available from independent suppliers; and (c) the projected demand for the IT services in the next three years. In considering whether to engage the services of Vynos Technology in the future, our Group will seek quotations from at least two independent third party suppliers offering the same or comparable IT services. Our Group will retain IT services from Vynos Technology if the price and quality of the IT services offered are comparable to or more favourable to our Group than those offered by independent third party suppliers.

CONNECTED TRANSACTIONS

Vyos Technology is owned as to 46.5% by Mr. Chua Sui Keng, one of the directors of Linocraft Malaysia. As such, Vyos Technology is a connected person of our Company for the purpose of the GEM Listing Rules. Accordingly, the transactions under the Master IT Services Agreement will constitute a continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

The Master IT Services Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual retainers may be required to be entered into between our Group and Vyos Technology. Each individual retainer will set out the relevant IT services retained by our Group from Vyos Technology, the fee of the IT services to be paid by our Group and any detailed specifications which may be relevant to those retainers. The individual retainers may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master IT Services Agreement. As the individual retainers are simply further elaborations on the retainers contemplated by the Master IT Services Agreement, they do not constitute new categories of connected transactions as far as the GEM Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Master IT Services Agreement is less than 0.1% on an annual basis, the transactions contemplated under Master IT Services Agreement are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

2. Master Logistics Services Agreement

On 25 August 2017, our Company entered into a master logistics services agreement (the “**Master Logistics Services Agreement**”) with Tiong Nam Logistics Solutions Sdn Bhd (“**Tiong Nam**”), pursuant to which our Company agreed to engage Tiong Nam or its associate companies to provide logistics services to our Group for a term three years commencing from 1 September 2017 to 31 August 2020. For the two years ended 31 August 2016 and the nine months ended 31 May 2017, the total logistics fee paid by our Group to Tiong Nam or its associate companies for the logistic services amounted to approximately RM3.2 million, RM2.8 million and RM2.9 million, respectively.

Our Directors estimate that the maximum transaction amounts under the Master Logistics Services Agreement for the years ending 31 August 2018, 2019 and 2020 will not exceed RM3.7 million, RM4.0 million and RM4.4 million, respectively. The terms of the Master Logistics Services Agreement have been arrived at after arm's length negotiation between our Company and Tiong Nam, with reference to the prevailing market price for such logistic services by other providers comparable with Tiong Nam. The estimated fee for the logistics services to be paid by our Group to Tiong Nam or its associate companies to our Group was determined with reference to (a) the historical transaction amounts for the two years ended 31 August 2016 and the nine months

CONNECTED TRANSACTIONS

ended 31 May 2017; (b) the projected demand for the logistics arrangement of our Company's products in the next three years; (c) the prevailing market price of such logistics services in the open market; and (d) the expected growth in the demand for our Company's printing and packaging services in the next three years. In considering whether to engage the services of Tiong Nam in the future, our Group will seek quotations from at least two other independent comparable suppliers in the open market. Our Group will retain logistics services from Tiong Nam if the price and quality of its services offered are comparable to or more favourable than those offered by independent third party suppliers to our Group for the relevant transactions contemplated under the relevant agreement.

Tiong Nam is owned as to 70% by Mr. Ong, our executive Director and one of our Controlling Shareholders. As such, Tiong Nam is a connected person of our Company for the purpose of the GEM Listing Rules. Accordingly, the transactions under the Master Logistics Services Agreement will constitute continuing connected transactions for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

The Master Logistics Services Agreement is a framework agreement which provides the mechanism for the operation of the connected transactions described therein. It is envisaged that from time to time and as required, individual retainers may be required to be entered into between our Group and Tiong Nam or its associate companies. Each individual retainer will set out the relevant logistics services to be provided by Tiong Nam or its associate companies to our Group, the fee for the logistics services to be paid by our Group and any detailed specifications which may be relevant to those retainers. The individual retainers may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Logistics Services Agreement. As the individual retainers are simply further elaborations on the retainers contemplated by the Master Logistics Services Agreement, they do not constitute new categories of connected transactions as far as the GEM Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for Master Logistics Services Agreement is expected to be more than 5%, the transactions contemplated under Master Logistics Services Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

ONE-OFF CONNECTED TRANSACTIONS

3. The Sale and Purchase Agreements

On 14 March 2016, Linocraft Malaysia entered into two sale and purchase agreements (the "**Sale and Purchase Agreements**") with Terminal Perintis Sdn. Bhd. ("**Terminal Perintis**"), pursuant to which Terminal Perintis agreed to sell and Linocraft Malaysia agreed to purchase, two service apartments with one accompanying carpark each at a total consideration of RM4,935,925 for the purpose of investment. The service apartments have a built-up area of (i) approximately 88.76 square meters; and (ii) approximately 164.16 square metres, respectively as described in the Sale and Purchase Agreements. Terminal Perintis is owned as to 70% by Mr. Ong, our executive

CONNECTED TRANSACTIONS

Director and one of our Controlling Shareholders. As such, Terminal Perintis is a connected person of our Company and constitutes a connected transaction for the purpose of the GEM Listing Rules. As at the Latest Practicable Date, the service apartments and accompanying car parks were still under construction and the transactions under the Sale and Purchase Agreements have not been completed, and a deposit in the total amount of RM987,185 has been paid to Terminal Perintis. It is expected that the remaining portion of the consideration will be settled by a mortgage loan and as at the Latest Practicable Date, Linocraft Malaysia was in the process of obtaining terms of mortgage from certain banks for consideration, which is expected to be drawn down in or around late 2017 or early 2018. Such purchase of service apartments are one-off connected transactions by Linocraft Malaysia which will not lead to any future connected transactions. Accordingly, the transactions under the Sale and Purchase Agreements are regarded as one-off connected transactions. Therefore, the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules are not applicable to the Sale and Purchase Agreements.

WAIVERS

The transactions described in paragraph 1 above will constitute exempt continuing connected transactions under the GEM Listing Rules.

The transactions described in paragraph 2 above constitute non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules. The applicable percentage ratios are those as defined in Rule 19.07 of the GEM Listing Rules. In respect of the transactions described in paragraph 2, the percentage ratios calculated with reference to the proposed annual caps each of the years shown above are more than 5.0% on an annual basis. As such, the continuing connected transactions in paragraph 2 above would be subject to reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements pursuant to Rule 20.103 of the GEM Listing Rules in respect of the continuing connected transactions as disclosed in paragraph 2 subject to the aggregate value of such non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap amount set forth in the respective caps stated above.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, consider that all the continuing connected transactions above are conducted on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors, including the independent non-executive Directors, are also of the view that the annual caps of the non-exempted continuing connected transactions above are fair and reasonable and in the interests of our Shareholders, as a whole.

CONNECTED TRANSACTIONS

SPONSOR'S VIEW

The Sponsor is of the view that the non-exempt continuing connected transactions as disclosed in paragraph 2 and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of their businesses, on normal commercial terms or better that are fair and reasonable and in the interest of our Shareholders as a whole.

FUTURE PLANS AND USE OF PROCEEDS

1. BUSINESS OBJECTIVES AND STRATEGIES

For a detailed description of our future plans, please refer to paragraph 3 of the section headed “Business” in this prospectus.

2. IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, our Group has prepared an implementation plan to carry out our business strategies from the Latest Practicable Date to 31 August 2019. It should be noted that the implementation plan is formulated on bases and assumptions which are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus.

2.1 For the six months ending 28 February 2018

<u>Business Strategy</u>	<u>Implementation Activities</u>	<u>Source of Funding</u>
1. Diversified customer industry — continue to expand business in other industries such as FMCG, medical & cosmetics and food & beverage	— Recruitment of brand manager in Malaysia	0.4% of the net proceeds of approximately HK\$0.2 million
	— Additional warehouse for Malaysia operations (Phase 1)	3.9% of the net proceeds of approximately HK\$1.8 million
2. Geographical expansion — gain access to new markets	— Setting up full production facilities at Production Plant 2	7.3% of the net proceeds of approximately HK\$3.4 million
	— Renovation of Production Plant 2 at Light Industry & Science Park III in the Philippines	6.5% of the net proceeds of approximately HK\$3.0 million
	— Balance payment for VVLF offset printing press for Philippine operations	20.5% of the net proceeds of approximately HK\$9.5 million
	— Purchase of lorries for Philippine operations	1.9% of the net proceeds of approximately HK\$0.9 million
	— Recruitment of staff for Philippine team	1.3% of the net proceeds of approximately HK\$0.6 million
	— Hostel for Philippine team	0.4% of the net proceeds of approximately HK\$0.2 million

FUTURE PLANS AND USE OF PROCEEDS

2.2 For the six months ending 31 August 2018

<u>Business Strategy</u>	<u>Implementation Activities</u>	<u>Source of Funding</u>
1. Diversified customer industry — continue to expand business in other industries such as FMCG, medical & cosmetics and food & beverage	— Additional warehouse for Malaysia operations (Phase 2)	3.9% of the net proceeds of approximately HK\$1.8 million
2. Product line expansion — develop new products/services to increase revenue stream	— Development of new product line — adhesive labels in Malaysia	1.9% of the net proceeds of approximately HK\$0.9 million
	— Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 1)	1.9% of the net proceeds of approximately HK\$0.9 million
3. Geographical expansion — gain access to new markets	— Setting up of plant in northern part of Malaysia, with post-press production facilities (finishing only)	7.8% of the net proceeds of approximately HK\$3.6 million

2.3 For the six months ending 28 February 2019

<u>Business Strategy</u>	<u>Implementation Activities</u>	<u>Source of Funding</u>
1. Product line expansion — develop new products/services to increase revenue stream	— Renovation and improvement of factory in Malaysia	3.9% of the net proceeds of approximately HK\$1.8 million
	— Setting up of low dust facilities in Malaysia for medical and cosmetics, and food and beverage packaging products (phase 2)	3.9% of the net proceeds of approximately HK\$1.8 million
	— Setting up of sample show room in Malaysia	0.9% of the net proceeds of approximately HK\$0.4 million
	— Replacement of equipment for Malaysia operations	5.8% of the net proceeds of approximately HK\$2.7 million
	— Purchase of new printing machine(s)	3.0% of the net proceeds of approximately HK\$1.4 million
	— Expansion of rigid box assembly line in Malaysia	1.9% of the net proceeds of approximately HK\$0.9 million

FUTURE PLANS AND USE OF PROCEEDS

2.4 For the six months ending 31 August 2019

Business Strategy	Implementation Activities	Source of Funding
1. Diversified customer industry — continue to expand business in other industries such as FMCG, medical & cosmetics and food & beverage	— Expansion of design and solutions and quality assurance facilities in Malaysia	1.9% of the net proceeds of approximately HK\$0.9 million

3. BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- our Group will be able to retain key staff in the management and the main operational departments;
- there will be no significant changes in our Group’s business relationships with our major customers;
- our Group will be able to continue our operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out the development plans without disruptions adversely affecting our operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus. There can be no assurance that our plans will materialise in accordance with the expected time frame or that the business objective of our Group will be accomplished at all.

4. USE OF PROCEEDS

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deduction of the underwriting fees and commissions and other estimated expenses borne by our Group in connection with the Share Offer:

	Assuming the Offer Size Adjustment Option is not exercised	Assuming the Offer Size Adjustment Option is exercised in full
If the Offer Price is fixed at HK\$0.25 per Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK\$32 million	Approximately HK\$39 million
If the Offer Price is fixed at HK\$0.325 per Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK\$46 million	Approximately HK\$56 million
If the Offer Price is fixed at HK\$0.40 per Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK\$61 million	Approximately HK\$72 million

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses borne by our Group in connection with the Share Offer and assuming that the Offer Size Adjustment Option is not exercised at all and an Offer Price of HK\$0.325 per Share, being the mid-point of the Offer Price range, of approximately HK\$46.3 million as follows:

- (i) approximately 10.1% of the total estimated net proceeds, or approximately HK\$4.7 million, will be used for expansion of business into other industries such as FMCG, medical and cosmetics, and food and beverage;
- (ii) approximately 23.3% of the total estimated net proceeds, or approximately HK\$10.8 million, will be used for product line expansion to increase our product offering;
- (iii) approximately 45.8% of the total estimated net proceeds, or approximately HK\$21.2 million, will be used for geographical expansion in order to gain access to new markets;

FUTURE PLANS AND USE OF PROCEEDS

- (iv) approximately 11.7% of the total estimated net proceeds, or approximately HK\$5.4 million, will be used to repay a portion of outstanding bank loans with interest rate of approximately 5.0% (based on interest rate as at the Latest Practicable Date) and maturity date ranging from 2018 to 2024. Part of the loans to be discharged was incurred in December 2016, the borrowings were used for purchase of equipment and machinery and working capital; and
- (v) approximately 9.1% of total estimated net proceeds, or approximately HK\$4.2 million will be used as our working capital and other general corporate uses.

For illustration purpose, for the period from the 1 September 2017 to 31 August 2019, our net proceeds from the Share Offer will be used as follows:

	For the six months ending				Total	Percentage
	28 February 2018	31 August 2018	28 February 2019	31 August 2019		
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	%
Diversified customer industry — expansion into other industries	2.0	1.8	—	0.9	4.7	10.1
Product line expansion	—	1.8	9.0	—	10.8	23.3
Geographical expansion	17.6	3.6	—	—	21.2	45.8
Repayment of bank loan	5.4	—	—	—	5.4	11.7
General working capital	4.2	—	—	—	4.2	9.1
	<u>29.2</u>	<u>7.2</u>	<u>9.0</u>	<u>0.9</u>	<u>46.3</u>	<u>100.0</u>

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Group will receive additional net proceeds of the Share Offer of approximately HK\$15 million when compared to the net proceeds receivable by our Group with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK\$14 million when compared to the net proceeds receivable by our Group with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Group will reduce our allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Offer Size Adjustment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK\$10 million, assuming an Offer Price of HK\$0.325 per Share, being the mid-point of the Offer Price range stated in this prospectus. The additional net proceeds received from the exercise of the Offer Size Adjustment Option will be applied pro rata to the above mentioned purposes. If the Offer Size Adjustment Option is exercised at the higher or lower end of the Offer Price range stated in this prospectus, we will adjust our allocation of the net proceeds for the above mentioned purposes on a pro rata basis.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds of the Share Offer which we will receive are not immediately applied for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong and/or Malaysia.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as set out above.

SHARE CAPITAL

The following is a description of the authorised share capital as at the Latest Practicable Date and the issued share capital of our Company (including Shares in issue and to be issued as fully paid or credited as fully paid) immediately following the completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised):

		<u>Nominal Value</u>
		HK\$
<i>Authorised share capital as at the Latest Practicable Date:</i>		
<u>5,000,000,000</u>	Shares of par value of HK\$0.01 each	<u>50,000,000</u>
		<u>Nominal Value</u>
		HK\$
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
45	Share in issue as at the date of this prospectus	0.45
599,999,955	Shares to be issued pursuant to the Capitalisation Issue	5,999,999.55
<u>200,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>800,000,000</u>	Total	<u>8,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Share Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of the Offer Size Adjustment Option.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting. Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about our Group — 3. Resolutions in writing of our Shareholders passed on 25 August 2017" in Appendix V to this prospectus.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to buy back Shares with a total nominal amount of not more than 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option).

This mandate only relates to buy backs made on the Stock Exchange or 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. A summary of the relevant GEM Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about our Group — 6. Buy backs of our Shares" in Appendix V to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting. Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about our Group — 3. Resolutions in writing of our Shareholders passed on 25 August 2017" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce or redeem its share capital by shareholders' special resolution. For more details, please see the section headed "Summary of the Constitution of the Company and the Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of Capital" in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see the section headed "Summary of the Constitution of the Company and the Cayman Islands Companies Law — 2. Articles of Association — (d) Variation of Rights of existing Shares or classes of Shares" in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis together with the audited combined financial statements of our Group and the notes thereto as of and for the two years ended 31 August 2016 and the nine months ended 31 May 2017, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with Hong Kong Financial Reporting Standards.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Directors in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate under the circumstances. Our Group's business and financial performance are subject to substantial risks and uncertainties and the future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the section headed "Risk Factors" in this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

1. OVERVIEW

Our Group is a well-established integrated offset printing and packaging solutions provider in Malaysia with more than 45 years of experience. We principally provide offset printing services and packaging boxes, instruction manuals and inserts to our customers. Our Directors consider that our Group's business is built on a customer-oriented culture, and focus on establishing relationships with reputable customers by providing quality and cost effective packaging products. With our proven track record in the printing industry, our Group has established a sizeable customer base comprising customers from various industries, including electronic and electrical, food and beverage, medical, and FMCG. For illustration purpose, amounts denominated in RM in this section can be translated into HKD at the exchange rate of approximately RM1.00 = HK\$1.80.

2. BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 April 2017 under the Companies Law. The companies now comprising our Group underwent a series of reorganisation steps. Details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus. The financial information presented in the Accountant's Report as set out in Appendix I to this prospectus includes combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, and have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever is the shorter period. The combined statements of financial

FINANCIAL INFORMATION

position of our Group as at 31 August 2015 and 2016 and nine months ended 31 May 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at the respective dates.

3. SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

The results of operations and financial conditions are most significantly affected by a number of factors, many of which are beyond control, including those set forth below.

3.1 Economic conditions and market demand for packaging products

The progress and developments in the global economy plays a vital role in influencing the demand for packaging printing in the global upfront. The growth in packaging printing segment is mainly driven by consumer spending and demand for attractive and informative product packaging. Our Group's revenue is mainly attributable to our customers who procures packaging products from us. Hence, the results of our Group's operations are dependent on the market demand for our customers' products. There is no assurance that the demand for such goods will not decrease in the future. In the event of an economic downturn, it is likely that consumer spending will be reduced and result in reduced demand for our customers' products. Such reduction in demand, which in turn may lead to lesser demand for packaging products and affect the results of our Group's operations.

3.2 USD/RM exchange rate

Our Group derives majority of our revenue in RM and a portion of that in USD and SGD, as some of our customers are companies headquartered in the US and Singapore, who prefer to use their local currencies to settle payment. Most of our Group's major customers are contract manufacturers based in Malaysia and settles payment in RM. Quotations from suppliers and payments made to them are generally in RM and USD.

The following tables set forth the breakdown of our Group's revenue and cost of sales settled in different major foreign currencies, in equivalent RM, during the Track Record Period:

	For the year ended 31 August		For the nine months ended
	2015	2016	31 May
	RM'000	RM'000	2017
			RM'000
Revenue			
USD	10,865	9,985	14,438
SGD	6,748	3,596	1,651

FINANCIAL INFORMATION

	For the year ended 31 August		For the nine months ended 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Cost of sales			
USD	22,885	26,334	25,531
SGD	8	—	—

As approximately RM10.9 million, RM10.0 million, and RM14.4 million of the revenue and approximately RM22.9 million, RM26.3 million and RM25.5 million of the cost of sales were settled in USD for the two years ended 31 August 2016 and the nine months ended 31 May 2017, respectively, our Group is exposed to foreign exchange risk.

During the Track Record Period, our Group recorded (i) realised gain/(loss) on foreign exchange of approximately RM0.3 million, RM(0.8) million and RM(0.3) million and (ii) unrealised gain/(loss) on foreign exchange of approximately RM0.4 million, RM(0.3) million and RM(0.2) million for the two years ended 31 August 2016 and the nine months ended 31 May 2017, respectively. There is no assurance that the foreign exchange rate will go in the direction that is favourable to our Group and may result in foreign exchange loss and negatively affect our Group's results of operations and other comprehensive income.

The following tables set forth the aggregate amount of foreign currencies forward contracts entered with the banks, in equivalent RM, and percentage of our Group's revenue and cost of sales denominated in the respective foreign currencies that has been entered into trade related forward contracts to hedge its currency exposure during the Track Record Period:

	For the year ended 31 August				For the nine months ended 31 May	
	2015		2016		2017	
	RM'000	%	RM'000	%	RM'000	%
Bank buy						
USD	6,240	57.4	397	4.0	—	—
SGD	—	—	1,107	30.8	—	—
Bank sell						
USD	792	3.5	1,890	7.2	—	—
SGD	—	—	—	—	—	—

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The forward contracts that we entered into with the banks were trade related USD/RM forward contracts that were supported by documents related to trade transactions. The major terms of the outstanding foreign exchange forward contracts of our Group which had not been designated as hedging instruments were as follows:

	As at 31 August		As at
	2015	2016	31 May 2017
Notional amount	USD733,000	—	—
Average contract rate	USD1: RM3.81	—	—
Maturity date	From 13 Oct 2015 to 12 Nov 2015	—	—

As at 31 August 2015, the derivative financial instruments are measured at fair value and are with financial institutions. The fair values of the foreign exchange forward contracts are determined based on the quoted market prices. As at 31 August 2016 and 31 May 2017, our Group had no opened derivative financial instrument. The net gain on change in fair value of derivative financial instruments of RM333,000 and RM59,000 had been recognised in profit or loss for the financial years 31 August 2015 and 31 August 2016.

The following sensitivity analysis illustrates the approximate change in our Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which our Group has significant exposure at the end of each of the Track Record Period. Please refer to paragraph 38(d) of the Accountant's Report set forth in Appendix I to this prospectus for further information.

	For the year ended		For the nine
	31 August		months ended
	2015	2016	31 May
	RM'000	RM'000	2017
Hypothetical fluctuation in USD/RM			
Increase/decrease			
in profit for the year	+/- 5%	+/-173	+/-179
and retained profits	+/- 10%	+/-346	+/-358
			+/-190
			+/-380

During the Track Record Period, our Group had entered into trade-related USD/RM forward contracts with the banks for trade that were supported by documents related to trade transactions. At the times when we experienced currency fluctuation, we entered into forward contracts by considering (i) the extent of the exchange rate fluctuations in the market; (ii) the exposure period before settlement of our purchases in foreign currency; and (iii) the contract amount of the purchase in foreign currency. Our Directors confirmed that we did not use any hedging contracts to engage in speculative activities.

In September 2015, our Group entered into an agreement with Company D which included a “currency escalator” clause to allow both parties to agree on the revision of the prices if the calendar monthly average USD/RM exchange rate varies by more than 6% versus the reference exchange rate stated in the agreement. In the event that the predetermined percentage barrier is exceeded, both parties will mutually agree on a price adjustment. Once a new exchange rate is agreed upon, the new exchange rate becomes the revised reference exchange rate. In December 2016, the USD appreciated against the RM by more than 6 %, which triggered the “currency escalator” clause agreed between Company D and our Group and a new exchange rate was agreed upon in January 2017. Our Directors are of the view that the effect of currency fluctuation on our raw materials and profit has been largely mitigated after entering into the “currency escalator” clause with Company D. In addition, our Group recorded a realised gain/(loss) on foreign exchange of approximately RM0.3 million, RM(0.8) million and RM(0.3) million during the Track Record Period. Our Directors are of the view that the foreign exchange gain or loss is not significant to our operations. Taking into consideration of the potential costs in managing forward contracts, we have no plan to enter into any foreign currency hedging instrument after Listing.

3.3 Price fluctuations of raw materials used in our production

The cost of raw materials represents a significant part of our Group’s cost of sales. As such, any significant fluctuation in the price of raw materials may have a significant impact on our Group’s profitability. Our Group’s raw materials comprise paper, facer, glue, chemical and plates. The cost of raw materials represented approximately 65%, 66% and 66% of our Group’s total cost of sales in each of the two years ended 31 August 2016 and the nine months ended 31 May 2017, respectively.

According to the Ipsos Report, prices of raw materials has been increasing in the last few years due to inflation. For example, increasing cost of raw materials such as kraft paper used in the production of corrugated boxes has hindered the growth of paper and paperboard packaging market as paper mills increased their price to cope with the increasing costs, thus leading to increased costs of production and lower profit margins for printing companies.

The demand and supply of raw materials will affect the price of such materials and may adversely affect our results of operations if there is a significant increase in the prices of raw materials and if we are unable to source for alternatives. The price increase of raw materials will lead to an increase in our cost of production and there is no assurance that we will be able to pass on the increased cost to all our customers.

3.4 Reliance on a limited number of customers

During the Track Record Period, our Group derived a substantial portion of our revenue from a small number of customers. For the two years ended 31 August 2016, and the nine months ended 31 May 2017, sales to the five largest customers accounted for approximately RM69.5 million, RM83.0 million and RM67.7 million of our Group’s total revenue, respectively, and sales to these same customers accounted for 78.6%, 82.1% and 74.4% of

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our total revenue, respectively. Most of the five largest customers are contract manufacturers of Company D. For the two years ended 31 August 2016, and the nine months ended 31 May 2017, sales to the contract manufacturers of Company D accounted for approximately RM65.7 million, RM81.9 million and RM73.5 million of our Group's total revenue, respectively, and sales to these same customers accounted for 74.3%, 81.0% and 80.9% of our total revenue, respectively. Please refer to paragraph 7 of the section headed "Business" in this prospectus for further details of our relationship with Company D.

There is no assurance that the customers will continue to place orders with our Group, or that their future orders will be as comparable level as in previous years. If any of our major customers cease to place orders with our Group or reduce its order size, our Group's business, financial condition and results of operations could be adversely affected.

Our Group has invested in new machines and channelled our sales force to focus on bringing in more new customers to expand our customer base. Please refer to paragraph 3.1 of the section headed "Business" in this prospectus for further details.

3.5 Demand from customers in the electronics and electrical industry

Many of our Group's customers are in the electronic and electrical industry. A severe downturn in the industry may adversely affect the ability of our Group's customers to main their performance and hence their business with our Group. The slowdown in demand for the key products may adversely affect the volume that is required for packaging. Hence, the demand for our Group's products may be reduced and may negative affect our Group's business and financial results.

Our Group has put in efforts to expand our customer base during the past few years. Apart from the electronics and electrical industry, our Group also maintains a diversified customer base across various industries including FMCG, medical, and food and beverage.

Our marketing team endeavours to approach customers in different industries and had successfully obtained recurring business from new customers from different industries during the Track Record Period.

4. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group was prepared in accordance with Hong Kong Financial Reporting Standards, which require our Group to adopt accounting policies and make estimates and assumptions that the management believes are appropriate in the circumstances for the purposes of giving a true and fair view of the results and financial position of our Group. These significant accounting policies are important for understanding the financial position and results of operation of our Group and such accounting policies are set out in the Accountant's Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as judgment related to accounting items. Our Directors base our estimates on historical experience and other assumptions which our Directors believe to be reasonable under the

circumstances. Results may differ under different assumptions and conditions. Our Directors have identified below accounting policies that are most critical to the preparation of the combined financial statements.

4.1 Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

4.2 Foreign currency

Transactions entered into by our Group entities in currencies other than Malaysian ringgit are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Please refer to paragraph 4(k) of the Accountant's Report as disclosed in Appendix I to this prospectus for more details.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis.

Our Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Our Directors confirm that there is no change in estimated useful lives of property, plants and equipment during the Track Record Period except that the estimated useful lives of equipment, furniture and fittings was reduced from 20 years to 10 years in November 2016.

At the end of each reporting period, our Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. Our Directors confirm that none of property, plants and equipment has suffered any impairment loss or an impairment loss previously recognised no longer exists or decrease during the Track Record Period.

4.4 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases. Please refer to paragraph 9.3 of this section for more details.

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

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The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

5. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth the combined statements of comprehensive income for the periods indicated, as derived from the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 August		For the nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (Unaudited)	RM'000
Revenue	88,448	101,120	73,737	90,926
Cost of sales	<u>(76,239)</u>	<u>(78,898)</u>	<u>(58,165)</u>	<u>(76,504)</u>
Gross profit	12,209	22,222	15,572	14,422
Other operating income/(loss)	3,873	2,174	1,674	2,731
Distribution costs	(6,177)	(6,929)	(5,263)	(6,844)
Administrative expenses	(2,787)	(3,837)	(2,655)	(6,421)
Other operating expenses	<u>(114)</u>	<u>(26)</u>	<u>(96)</u>	<u>(89)</u>
Profit from operation	7,004	13,604	9,232	3,799
Finance costs	(2,597)	(2,363)	(1,766)	(1,871)
Share of (loss)/profit of an associate	(11)	41	50	1
Share of profit of a joint venture	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>
Profit before income tax	4,396	11,282	7,516	1,930
Income tax expense	<u>(1,769)</u>	<u>(2,820)</u>	<u>(1,913)</u>	<u>(1,984)</u>
Profit/(Loss) for the year/period	2,627	8,462	5,603	(54)
Other comprehensive income, net of tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating to profit or loss	<u>(96)</u>	<u>(5)</u>	<u>46</u>	<u>17</u>
Total comprehensive income for the year/period	<u><u>2,531</u></u>	<u><u>8,457</u></u>	<u><u>5,649</u></u>	<u><u>(37)</u></u>

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5.1 Revenue

Our Group is an offset printing and packaging solutions provider in Malaysia. Our Group offers a wide range of packaging products to meet our customers' packaging needs. These products can be broadly categorised into (i) packaging; (ii) instruction manuals; (iii) inserts; and (iv) labels.

The following table sets forth the details of our Group's revenue by types of products:

	For the year ended 31 August				For the nine months ended 31 May			
	2015		2016		2016		2017	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	(Unaudited)							
Sales of production products:								
— Packaging	59,843	67.7	60,022	59.4	43,611	59.1	54,055	59.5
— Instruction manuals	14,137	16.0	21,863	21.6	16,021	21.7	19,640	21.6
— Inserts	13,447	15.2	18,289	18.1	13,314	18.1	16,634	18.3
— Labels	1,021	1.1	946	0.9	791	1.1	597	0.6
	<u>88,448</u>	<u>100.0</u>	<u>101,120</u>	<u>100.0</u>	<u>73,737</u>	<u>100.0</u>	<u>90,926</u>	<u>100.0</u>

Revenue

Our Group's total revenue amounted to approximately RM88.4 million, RM101.1 million, RM73.7 million and RM90.9 million for the two years ended 31 August 2016 and the nine months ended 31 May 2016 and 2017, respectively. Over 90% of our revenue was attributable to our customers in Malaysia, with the remaining from Singapore and the Philippines during the Track Record Period.

Our revenue from the production of packaging were approximately RM59.8 million, RM60.0 million, RM43.6 million and RM54.1 million for the two years ended 31 August 2016 and the nine months ended 31 May 2016 and 2017 respectively, representing approximately 67.7%, 59.4%, 59.1% and 59.5% of our total revenue, respectively.

Our revenue from the production of instruction manuals were approximately RM14.1 million, RM21.9 million, RM16.0 million and RM19.6 million for the two years ended 31 August 2016 and the nine months ended 31 May 2016 and 2017 respectively, representing approximately 16.0%, 21.6%, 21.7% and 21.6% of our total revenue, respectively.

Our revenue from the production of inserts were approximately RM13.4 million, RM18.3 million, RM13.3 million and RM16.6 million for the two years ended 31 August 2016 and the nine months ended 31 May 2016 and 2017 respectively, representing approximately 15.2%, 18.1%, 18.1% and 18.3% of our total revenue, respectively.

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Our revenue from the production of labels were approximately RM1.0 million, RM0.9 million, RM0.8 million and RM0.6 million for the two years ended 31 August 2016 and the nine months ended 31 May 2016 and 2017 respectively, representing approximately 1.1%, 0.9%, 1.1% and 0.6% of our total revenue, respectively.

Year ended 31 August 2015 compared to year ended 31 August 2016

Revenue for the year ended 31 August 2016 increased by approximately 14.3% or approximately RM12.7 million as compared to that of the previous year. It was mainly due to the increase in sales of instruction manuals and inserts. The sales of instruction manuals and inserts increased by 54.7% and 36.0%, respectively, as compared to that of the previous year and the increase is largely contributed by our top four customers, contract manufacturers of Company D. Revenue from those contract manufacturers increased significantly from approximately RM65.7 million for the year ended 31 August 2015 to RM81.9 million for the year ended 31 August 2016.

Nine months ended 31 May 2016 compared to nine months ended 31 May 2017

Revenue for the nine months ended 31 May 2017 increased by approximately 23.3% or approximately RM17.2 million as compared to that of the previous year. The increase in revenue was mainly due to the increase in sales of packaging, where there was an increase in demand derived from Customer 5. Other factors which led to the increase in revenue for packaging, instruction manual and inserts, were the growth in volume from the contract manufacturers in Malaysia and new projects from a contract manufacturer in the Philippines. The revenue contributed by the top five customers increased from approximately RM59.9 million for the nine months ended 31 May 2016 to RM67.7 million for the nine months ended 31 May 2017, which accounted for 81.3% and 74.4% of our total revenue for the corresponding periods, respectively.

5.2 Cost of sales

	<u>For the year ended 31 August</u>		<u>For the nine months ended</u>	
	<u>2015</u>	<u>2016</u>	<u>31 May</u>	<u>2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Material cost	49,807	52,134	39,040	50,621
Direct labour	11,930	12,031	8,657	11,510
Manufacturing overhead	<u>14,502</u>	<u>14,733</u>	<u>10,468</u>	<u>14,373</u>
	<u>76,239</u>	<u>78,898</u>	<u>58,165</u>	<u>76,504</u>

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Cost of sales comprises mainly (i) material costs (paper, facer, glue, chemical and plates); (ii) direct labour; and (iii) manufacturing overheads (utilities costs, depreciations expenses and repair and maintenance costs).

Year ended 31 August 2015 compared to year ended 31 August 2016

Cost of sales for the year ended 31 August 2016 increased by approximately 3.5% or RM2.7 million as compared to that of the previous year. The increase is mainly due to increase in purchases of raw materials, which was due to the increase in revenue from the sales of instruction manuals and inserts. The increase in revenue is primarily contributed by the contract manufacturers. The 3.5% increase in cost of sales was much lower than the increase in revenue of 14.3% during the period mainly due to increase in volume and hence decrease in unit cost of our products. Please refer to paragraph 5.3 below for further details.

Nine months ended 31 May 2016 compared to nine months ended 31 May 2017

Cost of sales for the nine months ended 31 May 2017 increased by approximately 31.5% or RM18.3 million as compared to that of the same corresponding period in 2016. The increase is largely due to increase in purchase of raw materials for (i) increase in demand derived from Customer 5; and (ii) the increase in demand from contract manufacturers in Malaysia and the Philippines. Cost of sales increased at a faster rate than increase in turnover mainly due to (i) an increase in the cost of raw materials and the appreciation of USD against RM during the period; (ii) increase in subcontracting works such as die-cutting and coating to Independent Third Parties; and (iii) increase in number of foreign workers supplied by third party agents engaged by us.

5.3 Gross Profit and Gross Profit Margin

	<u>For the year ended 31 August</u>		<u>For the nine months ended 31 May</u>	
	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
	<u>RM'000/%</u>	<u>RM'000/%</u>	<u>RM'000/%</u>	<u>RM'000/%</u>
Gross profit	12,209	22,222	15,572	14,422
Gross profit margin	13.8%	22.0%	21.1%	15.9%

Year ended 31 August 2015 compared to year ended 31 August 2016

Our gross profit increased about 82.0% from RM12.2 million for the year ended 31 August 2015 to RM22.2 million for the year ended 31 August 2016. Our overall gross profit margin increased by 8.2% from approximately 13.8% for the year ended 31 August 2015 to approximately 22.0% for the year ended 31 August 2016. The increase in gross profit margin was mainly due to cost reduction from (i) increase in production volume, which led to decrease in unit cost; and (ii) investment in automation, which reduces the involvement of manpower.

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Nine months ended 31 May 2016 compared to nine months ended 31 May 2017

Our gross profit decreased about 7.4% from RM15.6 million for the nine months ended 31 May 2016 to RM14.4 million for the nine months ended 31 May 2017. Our overall gross profit margin decreased from approximately 21.1% for the nine months ended 31 May 2016 to approximately 15.9% for the nine months ended 31 May 2017.

In December 2016, USD appreciated against RM more than the predetermined percentage of 6%, which triggered the “currency escalator” clause agreed between Company D and our Group. Company D raised the price of our packaging products by approximately 8.8% of the raw material cost with effect from 1 February 2017. Please refer to paragraph 6.2 of the section headed “Business” in this prospectus for more details.

The decrease in our gross profit and gross profit margin was mainly attributable to (i) increase in the cost of raw materials and the appreciation of USD against RM; (ii) increase in subcontracting works such as die-cutting and coating to Independent Third Parties; and (iii) increase in number of foreign workers supplied by third party agents engaged by us.

5.4 Other Revenue

Other revenue of approximately RM3.9 million, RM2.2 million, RM1.7 million and RM2.7 million for the two years ended 31 August 2016, and the nine months ended 31 May 2016 and 2017 respectively, including doubtful debts recovered, gain or loss on foreign exchange and sales of scrap materials.

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5.5 Distribution costs

Our distribution expenses mainly consist of (i) salary expenses and staff benefit which mainly represents the expenses in salary and staff benefits payable to our marketing department; (ii) sales commission (iii) entertainment and promotional expenses; and (iv) travelling and transport expenses. Our distribution expenses increased about 30.0% from RM5.3 million for the nine months ended 31 May 2016 to RM6.8 million for the nine months ended 31 May 2017, which was mainly caused by the increase in transport expenses due to (i) the transportation of products to fulfill orders of the contract manufacturer of Company D in the Philippines and (ii) increase in demand from our customers located in Penang and Ipoh. The following table sets forth the breakdown of our distribution costs during the Track Record Period:

	For the year ended 31 August		For the nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
Salary expense and staff benefits	1,490	1,887	1,284	1,753
Sales commission	389	482	355	331
Entertainment and promotional expenses	967	1,059	1,078	123
Transport expenses	2,900	2,797	2,009	3,908
Others	431	704	537	729
	<u>6,177</u>	<u>6,929</u>	<u>5,263</u>	<u>6,844</u>

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5.6 Administrative expenses

Our administrative expenses mainly consist of (i) salary expenses and staff benefits which mainly represents the expenses in salary and staff benefits payable to our administrative staff including our Directors; (ii) listing expenses; (iii) professional fees such as legal consultancy fees; and (iv) others such as repair and maintenance for office equipment, bank charges and depreciation which mainly represents the depreciation expenses for our office equipment. The increase of administrative expenses from approximately RM2.7 million for the nine months ended 31 May 2016 to approximately RM6.4 million for the nine months ended 31 May 2017 was mainly due to the combined effect of the one-off listing expenses and increase in salary expense of our staff and the set up of Linocraft Philippines. The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 August		For the nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
Salary expense and staff benefits	1,987	2,472	1,756	2,424
Listing expenses	—	—	—	2,453
Professional and management fees	442	545	397	403
Others	358	820	502	1,141
	<u>2,787</u>	<u>3,837</u>	<u>2,655</u>	<u>6,421</u>

5.7 Employee costs

	For the year ended 31 August		For the nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
Salary expense and staff benefits (Cost of sales)	10,079	10,429	7,542	7,985
Salary expense and staff benefits (Distribution costs)	1,490	1,887	1,284	1,753
Salary expense and staff benefits (Administrative expenses)	1,987	2,472	1,756	2,424
	<u>13,556</u>	<u>14,788</u>	<u>10,582</u>	<u>12,162</u>

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Year ended 31 August 2015 compared to year ended 31 August 2016

Employee costs consist primarily of wages and salaries, retirement benefit scheme, and other allowance and benefits. Employee costs increased by approximately RM1.2 million or 9.1% from RM13.6 million for the year ended 31 August 2015 to approximately RM14.8 million for the year ended 31 August 2016. The increase was primarily attributable to the hiring of senior management staff.

Nine months ended 31 May 2016 compared to nine months ended 31 May 2017

Employee costs increased by approximately RM1.6 million or 14.9% from RM10.6 million for the nine months ended 31 May 2016 to approximately RM12.2 million for the nine months ended 31 May 2017. The increase was primarily attributable to yearly increment, higher direct staff cost due to increase in sales and employment of a senior staff.

Our Directors expect that employee costs will increase as our Group will employ more full-time staff to expand our business in the forthcoming years.

5.8 Depreciation of property, plant and equipment

	For the year ended 31 August		For the nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
Depreciation (Cost of sales)	2,857	2,796	1,910	2,738
Depreciation (Distribution costs)	25	77	57	59
Depreciation (Administrative expenses)	<u>22</u>	<u>23</u>	<u>17</u>	<u>46</u>
	<u><u>2,904</u></u>	<u><u>2,896</u></u>	<u><u>1,984</u></u>	<u><u>2,843</u></u>

For the two years ended 31 August 2016, depreciation of property, plant and equipment amounted to approximately RM2.9 million and RM2.9 million, respectively. Property, plant and equipment are depreciated on a straight-line basis and depreciation expenses mainly include the depreciation of printing and packaging machineries over a period of 10 to 13 years.

For the nine months ended 31 May 2016 and 31 May 2017, depreciation of property, plant and equipment amounted to approximately RM2.0 million and RM2.8 million, respectively. The increase in depreciation cost of 43.3% or 0.8 million is mainly due to purchase of new printing and packaging machineries during the nine months period ended 31 May 2016.

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Our Directors believe that depreciation cost will further increase in the forthcoming years as our Group envisages to further increase our equipment and machinery to support our business expansion.

5.9 Taxation

Malaysian income tax is calculated at the statutory rate of 25%, 24%, 24% and 24% of the estimated taxable profit for the two years ended 31 August 2016, and the nine months ended 31 May 2016 and 2017, respectively. Certain companies of our Group with a paid-up share capital of RM2,500,000 and below, enjoy tax rate of 20%, 19%, 19% and 18% on the first RM500,000 and remaining balance of the estimated taxable profit at their statutory rate as above in respective financial year/period. For the two years ended 31 August 2016, and the nine months ended 31 May 2016 and 2017, the tax expenses incurred by our Group amounted to approximately RM1.8 million, RM2.8 million, RM1.9 million and RM2.0 million, respectively. Please refer to note 15 of the Accountant's Report as disclosed in Appendix I to this prospectus for details.

5.10 Listing expenses

It is expected that the total listing expenses, which are non-recurring in nature, will amount to approximately RM10.4 million (approximately HK\$18.7 million), assuming an Offer Price of HK\$0.325 per Share, being the mid-point of the Offer Price range, of which approximately RM2.6 million is directly attributable to the issue of new Shares in the Listing and to be accounted for as a deduction from equity upon completion of Share Offer. Approximately RM2.5 million has been recognised and charged to the combined statement of comprehensive income during the nine months ended 31 May 2017. The remaining estimated listing expenses of approximately RM5.3 million will be charged to the combined statement of comprehensive income upon Listing. Accordingly, the financial results of our Group for the year ending 31 August 2017 are expected to be materially affected by the estimated expenses in relation to the Listing. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the combined statement of comprehensive income of our Group for the year ending 31 August 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

5.11 Finance costs

Finance costs represented interest on bank overdraft, bank borrowings, finance lease and borrowings from related companies.

For the two years ended 31 August 2016, financial cost amounted to approximately RM2.6 million and RM2.4 million, respectively. The decrease is mainly due to (i) reduction in bank overdraft as we achieved better sales performance and had better control of our cashflow and improved trade receivables collection; (ii) completion of a hire purchase agreement; (iii)

reduction of outstanding balances of bank borrowings and finance leases; and (iv) reduction of loan amount due to related companies. For the nine months ended 31 May 2016 and 2017, financial cost amounted to approximately RM1.8 million and RM1.9 million, respectively.

5.12 Share of (loss)/profit of the associate/joint venture

Our Group has 25% equity interest in Linocraft Singapore since 2010 and it engages in trading business for packaging and printing related products. In January 2017, our Group further acquired 25% equity interest in Linocraft Singapore and became a 50% joint venture of our Group. Our Group's share of the net assets of the associate/joint venture amounted to approximately RM81,000, RM0.1 million and RM0.2 million for the two years ended 31 August 2016 and the nine months ended 31 May 2017 respectively. Our Group's share in its net (loss)/profit amounted to approximately RM(11,000), RM41,000 and RM2,000 respectively.

5.13 Net profit and net profit margin

As a result of the foregoing, our Group's net profit increased about 222.1% from approximately RM2.6 million for the year ended 31 August 2015 to approximately RM8.5 million for the year ended 31 August 2016. The net profit margin increased from approximately 3.0% to approximately 8.4% for the same corresponding periods.

The Directors believe that the increase in net profit and net profit margin was mainly attributable to (i) increase in turnover as a result of increase demand in packaging, instructional manuals and inserts from the contract manufacturers; and (ii) improved gross profit margin of our product.

Our Group's net profit was RM5.6 million for the nine months ended 31 May 2016 and we recorded a net loss of approximately RM54,000 for the same corresponding period in 2017. The decrease was mainly due to (i) decrease in our gross profit and gross profit margin; (ii) loss of approximately RM0.8 million was incurred in the start-up operation of our Philippine subsidiary; and (iii) one-off listing expenditure of approximately RM2.5 million.

Please refer to paragraph 5.3 of this section for more details.

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6. LIQUIDITY AND CAPITAL RESOURCES

Our Group finances our liquidity requirements primarily through current cash and cash equivalents, cash flows from operations and banking facilities. Upon Listing, sources of liquidity will be satisfied using a combination of cash generated from operating activities, banking facilities and net proceeds from the Share Offer.

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
			(Unaudited)	
Net cash generated from /(used in)				
operating activities	1,866	11,510	2,801	(6,437)
Net cash used in investing activities	(1,296)	(10,678)	(2,743)	(5,598)
Net cash generated from financing activities	<u>46</u>	<u>3,458</u>	<u>705</u>	<u>7,036</u>
Net increase/(decrease) in cash and cash equivalents	616	4,290	763	(4,999)
Cash and cash equivalents at beginning of year/period	<u>(1,248)</u>	<u>(632)</u>	<u>(632)</u>	<u>3,658</u>
Cash and cash equivalents at end of year/period	<u><u>(632)</u></u>	<u><u>3,658</u></u>	<u><u>131</u></u>	<u><u>(1,341)</u></u>

6.1 Net cash flow from operating activities

Year ended 31 August 2015

Net cash from operating activities was approximately RM1.9 million for the year ended 31 August 2015, primarily as a result of operating cash flows of approximately RM9.6 million before net negative changes in working capital of approximately RM5.1 million, interest payment of approximately RM2.6 million. Change in working capital primarily consisted of combined effects of (i) the increase in inventories of approximately RM2.4 million; (ii) the increase in trade and other receivables of approximately RM4.4 million; and (iii) the increase in trade and other payables of approximately RM1.7 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in paragraph 9 of this section.

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Year ended 31 August 2016

Net cash from operating activities was approximately RM11.5 million for the year ended 31 August 2016, primarily as a result of operating cash flows of approximately RM17.3 million before net negative changes in working capital of approximately RM3.4 million, interest payment of approximately RM2.4 million. Change in working capital primarily consisted of combined effects of (i) the increase in inventories of approximately RM6.0 million; (ii) the decrease in trade and other receivables of approximately RM1.0 million; and (iii) the increase in trade and other payables and accrued expenses of approximately RM2.1 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph 9 of this section.

Nine months ended 31 May 2016

Net cash from operating activities was approximately RM2.8 million for the nine months ended 31 May 2016, primarily as a result of operating cash flows of approximately RM11.6 million before net negative changes in working capital of approximately RM7.0 million, interest payment of approximately RM1.8 million. Change in working capital primarily consisted of combined effects of (i) the decrease in inventories of approximately RM0.7 million; (ii) the increase in trade and other receivables of approximately RM8.9 million; and (iii) the increase in trade and other payables and accrued expenses of approximately RM1.2 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph 9 of this section.

Nine months ended 31 May 2017

Net cash used in operating activities was approximately RM6.4 million for the nine months ended 31 May 2017, primarily as a result of operating cash flows of approximately RM6.6 million before net negative changes in working capital of approximately RM11.0 million, interest payment of approximately RM1.9 million and income tax payment of approximately RM0.1 million. Change in working capital primarily consisted of combined effects of (i) the increase in inventories of approximately RM2.9 million; (ii) the increase in trade and other receivables of approximately RM13.4 million; and (iii) the increase in trade and other payables and accrued expenses of approximately RM5.3 million. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph 9 of this section.

6.2 Net cash flow for investing activities***Year ended 31 August 2015***

Net cash used in investing activities was approximately RM1.3 million for the year ended 31 August 2015, primarily attributable to the purchase of new machinery such as rigid box machine and digital cutting machine with an aggregate amount of approximately RM1.1 million.

Year ended 31 August 2016

Net cash used in investing activities was approximately RM10.7 million for the year ended 31 August 2016, primarily attributable to the purchase of new machinery such as computer-to-plate machine, KBA Rapida 105 6-colour printing press of an aggregate amount of approximately RMB10.2 million and renovation of our factory and office of approximately RM0.5 million.

Nine months ended 31 May 2016

Net cash used in investing activities was approximately RM2.7 million for the nine months ended 31 May 2016, primarily attributable to combined effects of (i) the purchase of new machinery such as folder gluer machine with new an aggregate amount of approximately RM4.0 million; and (ii) collection from related parties of approximately RM1.3 million.

Nine months ended 31 May 2017

Net cash used in investing activities was approximately RM5.6 million for the nine months ended 31 May 2017, primarily attributable to the purchase of new machinery such as sheeter, die-cutting machine, rigid box machine and cardboard cutter machine of approximately RM5.6 million.

6.3 Net cash flow from/for financing activities***Year ended 31 August 2015***

Net cash generated from financing activities was approximately RM0.05 million for the year ended 31 August 2015, primarily due to the combined effects of (i) proceed from bank borrowings of approximately RM2.7 million; (ii) repayment of bank borrowings and finance lease obligation of approximately RM3.8 million; and (iii) increase in amount due to related companies of approximately RM1.1 million.

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Year ended 31 August 2016

Net cash generated from financing activities was approximately RM3.5 million for the year ended 31 August 2016, primarily due to the combined effects of (i) proceed from bank borrowings of approximately RM11.9 million mainly for the purchase of KBA Rapida 105 6-colour printing press; (ii) repayment of bank borrowings and finance lease obligation of approximately RM3.9 million; (iii) dividend payment of approximately RM1.5 million; and (iv) decrease in amount due to related companies of approximately RM3.0 million.

Nine months ended 31 May 2016

Net cash generated from financing activities was approximately RM0.7 million for the nine months ended 31 May 2016, primarily due to the combined effects of (i) dividend payment of approximately RM1.5 million; (ii) repayment of bank borrowings and finance lease obligation of approximately RM2.9 million; (iii) decrease in amount due to related companies of approximately RM1.9 million; and (iv) proceed from bank borrowing of approximately RM7.1 million.

Nine months ended 31 May 2017

Net cash generated from financing activities was approximately RM7.0 million for the nine months ended 31 May 2017, primarily due to the combined effects of (i) proceed from bank borrowings of approximately RM7.6 million; (ii) repayment of bank borrowings and finance lease obligation of approximately RM3.5 million; and (iii) decrease in amount due to related companies of approximately RM3.7 million.

7. ANALYSIS OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

7.1 Property, plant and equipment

	As at 31 August 2015	As at 31 August 2016	As at 31 May 2017
	RM'000	RM'000	RM'000
Freehold land and buildings	26,002	25,899	25,825
Plant and machinery	13,617	21,617	26,328
Equipment, furniture and fittings	874	1,790	2,577
Renovation	755	1,056	1,259
Motor vehicles	324	257	207
Total	<u>41,572</u>	<u>50,619</u>	<u>56,196</u>

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Property, plant and equipment mainly represented (i) freehold land and buildings; (ii) plant and machinery (iii) equipment, furniture and fittings; (iv) renovation (v) motor vehicles which, in aggregate, amounted to approximately RM41.6 million, RM50.6 million and RM56.2 million as at 31 August 2015, 31 August 2016 and 31 May 2017, respectively.

The increase of approximately RM9.0 million or 21.8% from RM41.6million as at 31 August 2015 to RM50.6million as at 31 August 2016 was mainly due to (i) purchase of KBA Rapida 105 6-colour printing press of approximately RM7.3 million; and (ii) purchase of equipment such as air conditioner and computers of approximately RM0.9 million.

The increase of approximately RM5.6 million or 11.0% from RM50.6 million as at 31 August 2016 to RM56.2 million as at 31 May 2017 was mainly due to the combine effects of (i) purchase of plant and equipment such as sheeter, die-cutting machine, rigid box machine, and cardboard cutter machine of approximately RM7.0 million; (ii) renovation of rigid box production premises of approximately RM0.2 million; and (iii) depreciation charge for the period of approximately RM2.8 million.

7.2 Trade and other receivables

Trade and other receivables mainly represented the balances due from customers, prepayments, deposits and other receivables which amounted to approximately RM29.2 million, RM27.9 million and RM40.5 million as at 31 August 2015, 31 August 2016 and 31 May 2017, respectively.

The following table sets forth our Group's trade, prepayments and other receivables as at the dates indicated:

	As at 31 August		As at
	2015	2016	31 May
	RM'000	RM'000	2017
			RM'000
Trade receivables from:			
— Associate	1,990	505	—
— Joint venture	—	—	568
— Third parties	24,679	24,421	33,959
	26,669	24,926	34,527
Deposits and prepayments	1,332	1,576	2,726
Loans and advances	1,021	849	1,029
GST recoverable	189	538	2,213
	29,211	27,889	40,495

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Trade receivables

The trade receivables decreased from approximately RM 26.7 million to RM24.9 million as at 31 August 2015 and 2016 respectively. The decrease was mainly due to improvement in trade receivables collection.

The trade receivables increased from approximately RM24.9 million to RM34.5 million as at 31 August 2016 and 31 May 2017 respectively. The increase was in line with the increase in revenue generated by our Group in the corresponding period.

Included in trade and other receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as of the end of Track Record Period:

	<u>As at 31 August</u>		<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 May</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>2017</u>
			<u>RM'000</u>
Within 1 month	8,001	9,890	11,050
1 to 2 months	8,850	7,601	10,732
2 to 3 months	6,288	6,426	11,710
Over 3 months	<u>3,530</u>	<u>1,009</u>	<u>1,035</u>
	<u>26,669</u>	<u>24,926</u>	<u>34,527</u>

The following table sets out the aged analysis of trade receivables, which are past due but not impaired, as at the dates indicated:

	<u>As at 31 August</u>		<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 May</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>2017</u>
			<u>RM'000</u>
Past due but not impaired:			
Less than 1 month	6,971	6,436	10,218
1 to 3 months	2,884	966	4,216
More than 3 months but less than 12 months	<u>204</u>	<u>47</u>	<u>860</u>
	<u>10,059</u>	<u>7,449</u>	<u>15,294</u>

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The following table sets out the trade receivables turnover days for the Track Record Period:

	<u>For the year ended 31 August</u>		For the nine months ended
	<u>2015</u>	<u>2016</u>	31 May
			<u>2017</u>
Trade receivables turnover days			
(Note)	94	93	89

Note: Trade receivables turnover day equals average of opening and closing balances of trade receivables divided by revenue for the relevant year multiplied by the number of days in the relevant year/period.

Our Group generally grants its customers a credit period of 0–90 days from the invoice date. Trade receivables turnover days for the two years ended 31 August 2016 and the nine months ended 31 May 2017 were 94, 93 and 89 days, respectively. Trade receivables turnover days roughly equal to our Group’s maximum credit period of 90 days as our Group had experienced delayed settlement from certain top customers. Based on the fact that these customers have been continuously settling its bills without default, the Directors considered that there was no collectability issue in relation to such outstanding trade receivables and, accordingly, no provision had been made. The Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material default in payment from its customers.

As at 30 June 2017, 24.4% of our Group’s trade receivables as at 31 May 2017 were subsequently settled.

The policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables, which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances, which indicate that the balances may not be collectible. Our Group will monitor its trade receivables balance and any overdue balances on an ongoing basis, and assessments are made on the both an individual and collective basis.

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The below table reconciled the impairment loss of trade debtors as at the dates indicated:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Beginning of the year/period	875	837	683
Impairment loss recognised	100	11	52
Recovery of impairment loss previously recognised	(138)	(174)	(13)
Disposal of a subsidiary	—	—	(644)
Classified as held for sale	—	—	(17)
Bad debts written off	—	9	—
	<u>—</u>	<u>9</u>	<u>—</u>
End of the year/period	<u>837</u>	<u>683</u>	<u>61</u>

Prepayment, deposits and other receivables

Deposits and prepayments mainly represented the prepayment for the purchase of property, plant and equipment and deposits for utilities and rental. The increase in deposit and prepayments from approximately RM1.6 million as at 31 August 2016 to RM2.7 million as at 31 May 2017 was mainly due to the increase in prepaid administrative expenses in relation to the listing expenses and professional and management fees. The GST recoverable increased from approximately RM0.5 million as at 31 August 2016 to approximately RM2.2 million as at 31 May 2017. The accumulated GST recoverable as at 31 May 2017, was due to a delay of repayment from the relevant authority for the GST recoverable of certain months since October 2016, all of the amount was subsequently received in July 2017.

7.3 Inventory control

Our Group's inventories mainly comprise raw materials, work in progress and finished goods. The inventory level of raw materials is closely monitored through our manufacturing resource planning system. Requisition of raw materials or finished goods are recorded with physical stock take to reduce risk of excess or shortage of stock. The inventories are retrieved on a first-in-first-out principle and proper approvals are required for inventories retrievals. Stock take of random samples is conducted on a monthly basis and a comprehensive stock take is done on a yearly basis. Our Directors believe that our inventory turnover is well managed.

For the two years ended 31 August 2016, and the nine months ended 31 May 2017, our Group's inventories, comprising raw materials, work in progress and finished goods, amounted to approximately RM15.0 million, RM20.4 million and RM23.6 million, respectively. During

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the Track Record Period, the average inventory turnover days of our Group were approximately 67, 82 and 79 days, respectively. The average inventory turnover days ranging from 67 days to 79 days, which is in line with our Group's inventory management policy of maintaining 90 days stock balances. The increase in stock balances during the Track Record Period was mainly due to expansion of our Philippines business. Since our Philippines subsidiary has not commenced full operation, Linocraft Malaysia has therefore increased its inventory level to support the potential demand of printing products in the Philippines. The allowances for obsolete inventories were approximately RM1.1 million, RM1.8 million and RM1.5 million for the two years ended 31 August 2016 and nine months ended 31 May 2017 respectively.

As at 30 June 2017, approximately 41.6% of the inventories as at 31 May 2017 was subsequently sold.

7.4 Trade and other payables

Trade and other payables primarily relate to the payables to suppliers, and other payables and accrued expenses. Trade and other payables and accrued expenses amounted to approximately RM16.9 million, RM19.0 million and RM24.0 million as at 31 August 2015, 31 August 2016 and 31 May 2017, respectively.

The following table sets forth the age analysis of trade creditors based on the invoice date as at the dates indicated:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Current or less than 1 month	6,390	3,981	4,961
1 to 3 months	5,878	4,831	6,186
More than 3 months			
but less than 12 months	84	2,539	3,513
More than 12 months	186	150	256
	<u>12,538</u>	<u>11,501</u>	<u>14,916</u>

Trade payables

Trade payables decreased from approximately RM12.5 million as at 31 August 2015 to approximately RM11.5 million as at 31 August 2016, which was mainly due to prompt payment in trade payables.

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Trade payables increased from approximately RM11.5 million as at 31 August 2016 to approximately RM14.9 million as at 31 May 2017 which was in line with the increase in purchases in the same corresponding period.

The following table sets out the trade payables turnover days for the Track Record Period:

	For the year ended 31 August		For the nine months ended 31 May
	2015	2016	2017
Trade payables turnover days			
(Note)	90	79	70

Note: Trade payables turnover day equals the average of the opening and closing balances of trade payables divided by total purchase for the relevant year multiplied by the number of days in the relevant year/period.

Trade payables turnover days for the two years ended 31 August 2016 and the nine months ended 31 May 2017 were 90 days, 79 days and 70 days, respectively. The credit terms offered by major suppliers was normally 0–90 days while our Group endeavours to maintain favourable bargaining power over a few major suppliers who will provide better terms for our Group due to the long-term working relationship.

As at 30 June 2017, 32.8% of our Group's trade payables as at 31 May 2017 were subsequently settled.

Other payables, accrued expenses and deposit received

Other payables, accrued expenses and deposit received mainly included payables relating to logistics services, maintenance and servicing, sundry payables which amounted to approximately RM4.3 million, RM7.5 million and RM9.1 million for the two years ended 31 August 2016 and the nine months ended 31 May 2017, respectively.

During the Track Record Period, our Group had not experienced material defaults in payment of trade and other payables and accrued expenses.

7.5 Amount due from related parties

The amounts due from related companies were non-trade related, unsecured, interest free and repayable on demand, and the amounts of RM28,000 will be fully settled before Listing. Please refer to note 24 of Appendix I of this prospectus for more details.

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8. NET CURRENT ASSETS/(LIABILITIES)

	As at 31 August		As at 31 May	As at 30 June
	2015	2016	2017	2017
	RM'000	RM'000	RM'000	RM'000 (Unaudited)
Current assets				
Inventories	15,017	20,383	23,602	24,585
Trade and other receivables	29,211	27,889	40,495	45,168
Amounts due from related companies	1,265	—	28	87
Derivative financial instruments	351	—	—	—
Cash and cash equivalents	<u>2,060</u>	<u>4,032</u>	<u>6,389</u>	<u>3,970</u>
	47,904	52,304	70,514	73,810
Assets of a disposal group classified as held for sale	<u>—</u>	<u>—</u>	<u>31</u>	<u>29</u>
Total current assets	<u><u>47,904</u></u>	<u><u>52,304</u></u>	<u><u>70,545</u></u>	<u><u>73,839</u></u>
Current liabilities				
Trade and other payables	16,886	18,970	24,035	26,042
Bank borrowings	19,712	29,425	36,988	40,713
Amounts due to related companies	21,049	18,032	14,338	14,356
Finance lease obligations	287	306	868	873
Derivative financial instruments	18	—	—	—
Tax payables	<u>—</u>	<u>127</u>	<u>383</u>	<u>229</u>
	57,952	66,860	76,612	82,213
Liabilities of a disposal group classified as held for sale	<u>—</u>	<u>—</u>	<u>466</u>	<u>464</u>
Total current liabilities	<u><u>57,952</u></u>	<u><u>66,860</u></u>	<u><u>77,078</u></u>	<u><u>82,677</u></u>
Net current liabilities	<u><u>(10,048)</u></u>	<u><u>(14,556)</u></u>	<u><u>(6,533)</u></u>	<u><u>(8,838)</u></u>

Net current liabilities increased by approximately RM4.6 million or 44.9% from approximately RM10.0 million as at 31 August 2015 to approximately RM14.6 million as at 31 August 2016. The increase was mainly due to combined effects of (i) increase in bank borrowings of RM9.7 million; (ii) increase in inventory of approximately RM5.4 million.

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Net current liabilities decreased by approximately RM8.0 million or 55.1% from approximately RM14.6 million as at 31 August 2016 to approximately RM6.5 million as at 31 May 2017. The decrease is mainly due to the combined effects of (i) increase in trade and other receivables of approximately RM12.6 million; (ii) increase in trade and other payables of approximately RM5.1 million; and (iii) increase in bank borrowings of approximately RM7.6 million.

As at 30 June 2017, net current liabilities increased by approximately RM2.3 million or 35.3% to approximately RM8.8 million from approximately RM6.5 million as at 31 May 2017. The increase is mainly due to the combined effects of (i) increase in trade and other receivables of approximately RM4.7 million; (ii) decrease in cash and cash equivalents of approximately RM2.4 million; (iii) increase in trade and other payables of approximately RM2.0 million; and (iv) increase in bank borrowing of approximately RM3.7 million.

As at 31 May 2017 and 30 June 2017, the amount due to related companies was approximately RM14.3 million and RM14.4 million respectively. The non-trade amount of approximately RM13.2 million as at 30 June 2017 related companies loans will be fully settled before Listing. Upon full settlement, our Directors believe that our Group is expected to have a net current assets position.

8.1. Measures to improve our net current liabilities position and plans to service indebtedness and capital commitments

We have taken and will continue to take the following measures to improve our liquidity, service our indebtedness and finance our capital requirements:

(i) *Repayment of bank borrowings by the proceeds to be received upon Listing*

Whilst our net liabilities position will be substantially improved by approximately the amount of the net proceeds we will receive, we have plans to repay the bank borrowing after the Listing. As set out in the section headed “Future Plans and Use of Proceeds” of this prospectus, we plan to partially repay our bank borrowings for an amount of approximately HK\$5.4 million by utilising part of the net proceeds to be received upon the Listing.

(ii) *Plan and monitor our cash flow situation on a regular basis*

We intend to implement annual budget planning to ensure the cash flow of our Group remains healthy. Annual budget planning shall be reviewed and approved by our Board. At the operational level, we have assigned both our finance and assistant finance managers to monitor the financial status of our Group. Monthly management accounts will be prepared for the Board’s review and necessary steps will be taken to maintain our Group’s cash flow and liquidity positions. In order to have a better control of our cash flow position, Mr. Andrew Tan convenes regular internal meetings with both our finance

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and assistant finance managers to discuss our Group's financial performance, which is benchmarked against the budget, including reasons for unusual cost increase in order to ensure that cost would be effectively controlled.

Furthermore, we continuously monitor the collections and payments from our customers. Our finance department follows a set of procedures to ensure that over-due debt are followed-up and collected. We also review the recoverable amount of each individual transaction and other receivables regularly at the end of each reporting period to ensure that no excessive credit terms are given to customers and customers who do not pay us timely will have their credit terms reduced.

(iii) *Maintain stable relationships with our principal banks*

We will continue to maintain stable relationships with our principal banks with a view to timely renewing maturing bank borrowings if so required and on acceptable or better terms to our Group.

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9. INDEBTEDNESS

9.1 Bank Borrowings

	As at 31 August		As at 31 May	As at 30 June
	2015	2016	2017	2017
	RM'000	RM'000	RM'000	RM'000 (unaudited)
Secured				
Secured and interest-bearing				
bank borrowings	27,514	35,747	40,208	39,765
Bank overdraft	<u>2,692</u>	<u>374</u>	<u>7,730</u>	<u>11,232</u>
	<u>30,206</u>	<u>36,121</u>	<u>47,938</u>	<u>50,997</u>
 Bank borrowings are repayable as follows:				
— on demand or within				
one year	19,712	29,425	36,988	40,181
— more than one year, but				
not exceeding two years	3,799	1,575	1,733	1,698
— more than two years, but				
not exceeding five years	2,774	1,781	4,960	4,976
— after five years	<u>3,921</u>	<u>3,340</u>	<u>4,257</u>	<u>4,142</u>
	<u>30,206</u>	<u>36,121</u>	<u>47,938</u>	<u>50,997</u>
 Amount due within one year				
included in current liabilities	19,712	29,425	36,988	40,181
Amount include in non-current				
liabilities	10,494	6,696	10,950	10,816

Bank borrowings are interest bearing at the banks' base lending rate adjusted by certain basis points per annum. The interest rates of our Group's bank borrowings as at 31 August 2015, 31 August 2016, 31 May 2017 and 30 June 2017 granted under banking facilities ranged from approximately 3.8% to 8.6%, 3.8% to 8.6%, 3.8% to 8.6% and 3.8% to 8.6% per annum, respectively.

As at 31 August 2015, 31 August 2016, 31 May 2017 and 30 June 2017, the carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounting to approximately RM10,494,000,

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RM6,696,000, RM10,950,000 and RM10,816,000, respectively. Please refer to note 28(b) of the Accountant's Report in Appendix I to this prospectus for details of classification of current liabilities and non-current liabilities.

Our Group's bank borrowings and banking facilities are secured by the followings:

- Land and buildings with net carrying amount of RM26,002,000, RM25,899,000, RM25,825,000 and RM25,800,000 as at 31 August 2015, 31 August 2016, 31 May 2017 and 30 June 2017, respectively;
- Plant and machinery with net carrying amount of RM7,693,000, RM6,788,000, RM12,849,000 and RM12,727,000 as at 31 August 2015, 31 August 2016, 31 May 2017 and 30 June 2017, respectively; and
- Personal guarantees from Mr. Ong, Mr. Andrew Tan and Mr. Chua Sui Keng, a director of Linocraft Malaysia, such guarantees will be released or the loans will be fully repaid upon listing.

As at 30 June 2017, the amount of unutilised bank facilities was approximately RM22.4 million. Such unutilised bank facilities mainly included RM19.5 million of foreign currency contract, and the remaining comprised bank overdraft and trade-related facilities. Our Directors are of the view that the effect of currency fluctuation on our raw materials and profit has been largely mitigated after entering into the "currency escalator" clause with Company D. Our Directors are of the view that the foreign exchange gain or loss is not significant to our operations. Taking into the consideration of the potential costs in managing forward contracts, we have no intention to use the foreign currency contract after Listing.

9.2 Amounts due to related companies

As at 31 August 2015, 31 August 2016, 31 May 2017 and 30 June 2017, the amounts due to related companies in which Mr. Ong, an executive Director, has interests are unsecured, with no fixed terms of repayment and interest free, except for the borrowings amounting to RM16,702,000, RM14,398,000, RM11,448,000 and RM11,528,000 with interest charged at 5% per annum and amounting to RM3,100,000, RM2,467,000, RM1,687,000 and RM1,712,000 with interest charged at 8.5% per annum, respectively.

The non-trade amount of approximately RM13.1 million and RM13.2 million due to related companies as at 31 May 2017 and 30 June 2017, respectively, will be fully settled before Listing.

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9.3 Contractual commitments

9.3.1 Capital Commitments

The capital commitments of our Group are related to purchase of two service apartments, plant and equipment from a company in which Mr. Ong has interests. The details of our Group's capital commitments are set forth in the table below:

	As at 31 August		As at 31 May	As at 30 June
	2015	2016	2017	2017
	RM'000	RM'000	RM'000	RM'000 (unaudited)
1) Commitments for the acquisition of:				
Investment property	—	3,949	3,949	3,949
2) Property, plant and equipment	—	656	—	11,741
	—	4,605	3,949	15,690

Please refer to paragraph 3 of the section headed “Connected Transactions” in this prospectus for more details.

9.3.2 Finance Lease Commitments

The contractual commitments of our Group's finance leases are related to plant and machinery and motor vehicles. The tenure of the hire purchase agreements ranges from three to five years. The details of our Group's finance lease commitments are set forth in the tables below:

As at 31 August 2015	Minimum lease payments	Interest	Present value
	RM'000	RM'000	RM'000
Not later than one year	347	60	287
Later than one year and not later than two years	347	41	306
Later than two years and not later than five years	568	30	538
	1,262	131	1,131

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As at 31 August 2016	<u>Minimum lease payments</u> RM'000	<u>Interest</u> RM'000	<u>Present value</u> RM'000
Not later than one year	347	41	306
Later than one year and not later than two years	347	23	324
Later than two years and not later than five years	<u>250</u>	<u>7</u>	<u>243</u>
	<u>944</u>	<u>71</u>	<u>873</u>
As at 31 May 2017	<u>Minimum lease payments</u> RM'000	<u>Interest</u> RM'000	<u>Present value</u> RM'000
Not later than one year	1,043	175	868
Later than one year and not later than two years	907	115	792
Later than two years and not later than five years	<u>1,820</u>	<u>122</u>	<u>1,698</u>
	<u>3,770</u>	<u>412</u>	<u>3,358</u>
As at 30 June 2017	<u>Minimum lease payments</u> RM'000	<u>Interest</u> RM'000	<u>Present value</u> RM'000
Not later than one year	1,044	171	873
Later than one year and not later than two years	884	111	773
Later than two years and not later than five years	<u>1,759</u>	<u>114</u>	<u>1,645</u>
	<u>3,687</u>	<u>396</u>	<u>3,291</u>

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The present value of future lease payments are analysed as follows:

	<u>As at 31 August</u>		<u>As at</u>	<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 May</u>	<u>30 June</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>2017</u>	<u>2017</u>
			<u>RM'000</u>	<u>RM'000</u>
				<u>(unaudited)</u>
Current liabilities	287	306	868	873
Non-current liabilities	<u>844</u>	<u>567</u>	<u>2,490</u>	<u>2,418</u>
	<u>1,131</u>	<u>873</u>	<u>3,358</u>	<u>3,291</u>

9.3.3 Operating Lease Commitments

Operating lease payments represent rentals payable by our Group for certain of our leased properties. Leases are negotiated for terms between 1 year to 5 years at fixed rentals.

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Our Group's operating lease commitments amounted to approximately RM0.7 million, RM0.3 million, RM1.3 million and RM1.3 million as at 31 August 2015, 31 August 2016, 31 May 2017 and 30 June 2017, respectively. The following table sets out the future minimum lease payments payable by our Group as at the dates indicated under operating leases.

	<u>As at 31 August</u>		<u>As at</u>	<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 May</u>	<u>30 June</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>2017</u>	<u>2017</u>
			<u>RM'000</u>	<u>RM'000</u>
				<u>(unaudited)</u>
Rented premises				
Not later than one year	377	179	691	724
Later than one year and not later than two years	179	—	356	325
Later than two years and not later than five years	<u>—</u>	<u>—</u>	<u>144</u>	<u>136</u>
	<u>556</u>	<u>179</u>	<u>1,191</u>	<u>1,185</u>
Plant, machinery and equipment				
Not later than one year	35	39	45	96
Later than one year and not later than two years	35	39	43	42
Later than two years and not later than five years	<u>68</u>	<u>43</u>	<u>27</u>	<u>25</u>
	<u>138</u>	<u>121</u>	<u>115</u>	<u>163</u>
	<u>694</u>	<u>300</u>	<u>1,306</u>	<u>1,348</u>

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and accrued charges, our Group did not have any outstanding borrowings and indebtedness such as loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities at the close of business as at the Latest Practicable Date.

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10. MAJOR FINANCIAL RATIOS

	For the year ended 31 August		For the nine months ended 31 May
	2015	2016	2017
Key financial ratios			
Gross profit margin	13.8%	22.0%	15.9%
Net profit margin	3.0%	8.4%	N/A
Current ratio ⁽¹⁾	0.8	0.8	0.9
Gearing ratio ⁽²⁾	73%	69%	68%
Interest coverage ⁽³⁾	2.7	5.8	2.0
Return on total assets ⁽⁴⁾	2.8%	8.0%	N/A
Return on equity ⁽⁵⁾	10.5%	26.5%	N/A

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.
2. Gearing ratio is calculated based on the net debt divided by the adjusted capital plus net debt as at the respective year/period end.
3. Interest coverage ratio is calculated by profit before interest and tax divided by interest expense for the respective year/period end.
4. Return on total assets is calculated by net profit for the year/period divided by the total assets and multiplied by 100%.
5. Return on equity is calculated by net profit for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%.

10.1 Profit Margin

Our gross profit margin for the two years ended 31 August 2016 were approximately 13.8%, 22.0% and dropped to 15.9% for the nine months ended 31 May 2017. For further information in relation to our gross profit margin, please refer to paragraph 5.3 of this section of the prospectus.

Our net profit margin for the two years ended 31 August 2016 were approximately 3.0%, 8.4% and our Group incurred loss for the nine months ended 31 May 2017. For further information in relation to our net profit margin, please refer to paragraph 5.13 of this section of the prospectus.

10.2 Current Ratio

Our Group's current ratio remained stable during the Track Record Period, which was approximately 0.8 times, 0.8 times and 0.9 times as at 31 August 2015, 31 August 2016 and 31 May 2017 respectively. The low current ratio was mainly due to the related party loans of about RM13.1 million in aggregate as at 31 May 2017 which have no fixed repayment term and were classified as current liabilities. These loans are expected to be fully repaid before listing. Our Directors believe that the current ratio will be improved upon full settlement of the related party loans.

10.3 Gearing Ratio

Our Group's gearing ratio decreased from approximately 73% as at 31 August 2015 to approximately 69% as at 31 August 2016, which was mainly due to the increase in total equity from approximately RM25.0 million to approximately RM32.0 million during the corresponding period. The increase is due to the combine effects of (i) profit for the year of approximately RM8.5 million; and dividend payment of RM1.5 million. Our Group's gearing ratio remained at 68% as at 31 May 2017.

Our gearing ratio was at the level of around 70% during the Track Record Period. This was mainly due to (i) bank borrowings of approximately RM47.9 million as at 31 May 2017; and (ii) high capital investment needed to establish a proper setup for our printing business, especially in the niche segment of VLF/VVLF printing. We invested in our own factory and warehouse premises in Johor, Malaysia, which had an aggregate carrying value of approximately RM25.8 million as at 31 May 2017. As we regularly upgrade our machinery, our plant and machinery has increased to an aggregate carrying value of approximately RM26.3 million as at 31 May 2017. We normally obtain bank financing for the acquisition of properties and machinery; therefore, we are quite heavily leveraged. However, our Directors believe that our gearing ratio will be lowered upon Listing when our equity base expands.

10.4 Interest coverage

Our Group's interest coverage were approximately 2.7 times, 5.8 times and 2.0 times as at 31 August 2015, 31 August 2016 and 31 May 2017, respectively. The increase from approximately 2.7 times as at 31 August 2015 to approximately 5.8 times as at 31 August 2016 was primarily due to the increase in profit before income tax.

The decrease from approximately 5.8 times as at 31 August 2016 to approximately 2.0 times as at 31 May 2017 was mainly attributable to the decrease in profit before income tax.

10.5 Return on total assets

Our Group's return on total assets were approximately 2.8% and 8.0% as at 31 August 2015 and 2016 respectively.

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The increase from approximately 2.8% as at 31 August 2015 to approximately 8.0% as at 31 August 2016 was primarily attributable to increase in profit due to the increase in revenue and the improvement in profit margin because of the economies of scale. We recorded a net loss attributable to equity holders of our Group for the period ended 31 May 2017.

10.6 Return on equity

Our Group's return on equity were approximately 10.5% and 26.5% as at 31 August 2015 and 2016 respectively. The increase from approximately 10.5% as at 31 August 2015 to approximately 26.5% as at 31 August 2016 was primarily attributable to the increase in profit due to the increase in revenue and the improvement in profit margin because of the economies of scale.

Our Group did not record a return on equity due to the net loss for the period ended 31 May 2017.

11. OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed in paragraph 3.2 of this section or otherwise disclosed herein, our Group does not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to our Group or engages in leasing or hedging or research and development or other services with it. Our Group has not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

12. FINANCIAL RISKS

12.1 Credit risk

Our Group's credit risk is primarily attributable to our trade and other receivables. We have a credit policy in place and the exposure to such credit risk is monitored on an ongoing basis. Please refer to paragraph 6.3 of the section headed "Business" and note 38(a) of the Accountant's Report in Appendix I to this prospectus for details.

As at 31 August 2015 and 2016, and 31 May 2017 our Group has concentration of credit risk as 16.2%, 19.3% and 14.0%, respectively, of the total trade receivables was due from our Group's largest customer. Our Group's concentration of credit risk on the top five largest customers accounted for approximately 79.5%, 82.1% and 64.3% of the total trade receivables as at 31 August 2015 and 2016, and 31 May 2017, respectively. Our Directors considered the credit risk of amounts due from these customers is insignificant after considering their historical settlement records, credit quality and financial positions.

12.2 Liquidity risk

In most cases, our Group grants a credit period of 0-90 days from the invoice date, while our Group's suppliers generally offer a credit period of 0-90 days to our Group as paper suppliers generally do not grant credit term. In this regard, our Directors put great emphasis

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on cash flow management. Our finance department monitors the payments of our customers via aging report and works closely with our marketing department to follow up with customers on overdue payments. Please refer to paragraph 6.3 of the section headed “Business” in this prospectus for more details.

Our Group’s policy will monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Our Group had net current liabilities of approximately RM10.0 million, RM14.6 million and RM6.5 million as at 31 August 2015, 31 August 2016 and 31 May 2017, respectively. The net current liabilities position was mainly due to our Group being heavily leveraged with bank borrowings and related companies loans to finance our property, plant and equipment as well as the working capital due to the growth in sales. The non-trade amount of approximately RM13.1 million due to related companies as at 31 May 2017 will be fully settled before listing. Our Directors believe that our Group is expected to attain a net current assets position upon full settlement of related party loans. Please refer to paragraph 8.1 of this section for details.

12.3 Interest rate risk

Please refer to note 38(c) in the Accountant’s Report in Appendix I to this prospectus for details on the interest rate profile of our Group’s financial assets and liabilities.

12.4 Foreign exchange risk

Our Group operates mainly in Malaysia, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to USD and SGD.

Please refer to paragraph 3.2 of this section and note 38(d) in the Accountant’s Report in Appendix I to this prospectus for more details.

13. RECENT FINANCIAL DEVELOPMENTS

On 2 December 2016, Central Bank of Malaysia issued a supplementary notice (the “Notice”) (effective on 5 Dec 2016) that sets out a set of measures in respect of foreign exchange administration (FEA) rules. One of the measures is that licensed onshore bank is required to facilitate a resident (in this case, our Group) to retain up to 25% of the resident’s export proceeds of goods in foreign currency in the Trade Foreign Currency Account. The balance of such export proceeds shall be converted into RM. However, the exporters (in this case, our Group) may request to simultaneously reconvert export proceeds into foreign currency at the same rate for the following: (a) up to the value of 6 months of import foreign currency loan obligations; and (b) current international transactions. In this regard, our Directors believe the USD received that are required to be converted into RM can be simultaneously reconverted back into USD at the same

rate for the settlement of the USD payment up to the value of 6 months of import materials. Therefore, our Directors expect that the new foreign exchange measures would not have material adverse impact on our Group's operation. Furthermore, there is no restriction on the payment of dividend from a resident (i.e. our Group) to a non-resident under the Notice.

14. FUTURE PROSPECTS AND OUTLOOK OF OUR GROUP'S BUSINESS

Our Group continues to focus strengthening its market position in the offset printing and packaging industry. Currently, we are negotiating with a number of reputable international brands from different industries to grow our business in Malaysia and the Philippines. We have successfully clinched a deal with a major new customer specialising in audio products and secured a new project from a customer in the computing hardware and peripherals business which offers a higher profit margin.

Our Group has set up Production Plant 1, performing post-press processes, namely laminating and die-cutting, in the Philippines, which is expected to commence production around October 2017. Currently, the orders from the contract manufacturer of Company D in the Philippines are fulfilled by our production plant in Malaysia and a local printing and packaging subcontractor engaged by our Group. Our Group has purchased one KBA Rapida 164, a VVLF offset printing press for our Production Plant 2 and it is expected to start full production around first quarter of 2018.

According to the Ipsos Report, Malaysian printing industry has over the years played major roles as the main media for communication, dissemination of knowledge and information and most recently in the packaging industry. It is expected that the industry will continue to progress positively as the industry is constantly working to improve processes, turnaround time, quality and productivity. By 2021, paper packaging printing in Malaysia is expected to reach RM1.7 billion, at a CAGR of 9.6% over 2017 to 2021, attributed by the constant demand for paper and corrugated packaging products of above RM3 billion each year. By 2021, paper packaging printing in the Philippines is expected to reach PHP3.1 billion, at a CAGR of 6.9% over 2017 to 2021.

The packaging printing market in the Asia-Pacific region is projected to grow at a CAGR of 10.0% from 2017 to 2021, in terms of value and volume. The rising middle-class population of the region, high disposable incomes and high demands for the packaging industry, are all drivers for the growth of the packaging printing market. By 2021, packaging printing is expected to reach approximately USD 186 billion.

In view of the positive progress in packaging printing market, our Directors expect the trends to have a positive impact on our Group's overall business in Malaysia and the Philippines.

15. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the internally generated funds, available facilities and the estimated net proceeds of the Share Offer, our Directors are of the opinion that our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of the prospectus.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; (iii) has not had any delay or default in repayment of trade and non-trade payables and bank borrowings; and (iv) has not breached of any finance covenants except for the leverage covenant.

16. NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 May 2017, being the date of the last audited financial statement as set out in Appendix I in this prospectus, up to the date of this prospectus.

17. RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 34 to the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on arm's length basis and on normal commercial terms. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

18. DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

19. DISTRIBUTABLE RESERVES

The aggregate amount of the distributable reserves as at 31 August 2015, 31 August 2016 and 31 May 2017 of our Group were approximately RM23.3 million, RM30.2 million and RM30.2 million, respectively.

20. DIVIDEND

Our Group currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay any dividend would require the approval of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

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Distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that our Board may consider relevant, and is subject to our Board's discretion. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

No dividend has been paid or declared by our Company since its incorporation. For the purpose of the Financial Statements, the final dividends for the year ended 31 August 2015 amounting to RM1,500,000 represented final dividends declared by certain group entities to our then shareholders.

21. PROPERTY INTERESTS

Nawawi Tie Leung Property Consultants Sdn Bhd (Formerly known as DTZ Nawawi Tie Leung Property Consultants Sdn Bhd), an independent property valuer to our Company, has valued the properties located in Malaysia as at 30 June 2017. The texts of its letter, summary of valuation and the valuation certificates are set out in Appendix III to this prospectus.

The following table sets forth the reconciliation between the net book value of the relevant properties as at 31 May 2017 as extracted from our Accountant's Report set forth in Appendix I to this prospectus and the property valuation report as at 30 June 2017 as set forth in Appendix III to this prospectus:

	RM'000
Net book value of our Group's property interests as at 31 May 2017	25,825
Less: Depreciation of leasehold land and building during the period from 1 June 2017 to 30 June 2017	<u>(25)</u>
Net book value of our Group's property interest as at 30 June 2017	25,800
Net valuation surplus	<u>34,100</u>
Valuation of the relevant properties as at 30 June 2017 as set forth in the property valuation report included in Appendix III to this prospectus	<u><u>59,900</u></u>

22. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for further details.

UNDERWRITING

1. PUBLIC OFFER UNDERWRITERS

Ample Orient Capital Limited
ChaoShang Securities Limited
Convoy Investment Services Limited
Long Asia Securities Limited
Pacific Foundation Securities Limited
China-Hong Kong Link Securities Company Limited

2. UNDERWRITING ARRANGEMENTS AND EXPENSES

2.1 Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 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.

Subject to, among other matters, the Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Offer Price having been determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or prior to Thursday, 7 September 2017 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event not later than Monday, 11 September 2017, the Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

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 Sole Global Coordinator may in its sole and absolute discretion terminate the

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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 (the “**Termination Time**”) if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or any event or series of events resulting in any material change or material deterioration of any existing or pre-existing in local, national, regional or international, financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
 - (b) any new laws or any change (whether or not forming part of a series of changes) in existing laws relevant to our Group or any change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
 - (c) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
 - (d) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by the Stock Exchange or by such system or by order of any regulatory or governmental authority or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the Cayman Islands, the BVI or any other Relevant Jurisdictions or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
 - (e) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

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- (f) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, severe snow or hail storms, flooding, explosion, earthquake, hurricanes, tornadoes, volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout), any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis in or affecting any of the Relevant Jurisdictions; or
- (g) any materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (h) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (i) save as disclosed in this prospectus, a contravention by any Group company of the GEM Listing Rules or applicable laws; or
- (j) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling the Shares (including the Shares which may be issued pursuant to the Offer Size Adjustment Option) pursuant to the terms of the Share Offer; or
- (k) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws; or
- (l) other than with the prior approval of the Sole Global Coordinator (for itself and on behalf of other Public Offer Underwriters), the issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (m) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or

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- (n) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being instigated against any Group company; or
- (o) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from being a director or from taking part in the management of a company; or
- (p) the chairman or president of our Company vacating his office; or
- (q) the commencement by any governmental, regulatory or judicial body or organisation in any of the Relevant Jurisdiction of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation in any of the Relevant Jurisdiction that it intends to take any such action; or
- (r) our Company withdraws any of this prospectus or the Application Forms (and/or any other documents used in connected with the contemplated subscription of the Offer Shares); or
- (s) any person (other than the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and any of the Public Offer Underwriters and their legal advisers) has withdrawn or sought to withdraw its consent to being named in any of this prospectus and the Application Forms, or to the issue of any such documents; or
- (t) any material breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which, whether individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator:

- (a) has or will or is likely to have a material adverse effect on the business or in the earnings, operations, financial, trading or other condition or prospects of our Group taken as a whole; or
- (b) has or will or is likely to have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (c) is or will or is likely to make it impracticable, inadvisable or inexpedient (i) for any material part of the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus; or

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- (ii) the Public Offer Underwriters shall become aware of the fact that:
- (a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (b) any statement contained in this prospectus, the Application Forms, the formal notice or any announcement issued by our Company in respect of the Share Offer (including any supplemental or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sole Global Coordinator (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Share Offer (including any supplemental or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (c) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Directors of any of the provisions of the Public Offer Underwriting Agreement as determined by the Sole Global Coordinator (in its sole and absolute discretion).

Lock-up undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company undertakes to and covenants with the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Public Offer Underwriters, and each of our executive Directors and our Controlling Shareholders jointly and severally undertakes to and covenants with the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Public Offer Underwriters to procure that, save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed), or save pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option), our Company will not, within the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six Month Period**”):

- (a) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed)); or

UNDERWRITING

- (b) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company; or
- (c) purchase any securities of our Company; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so.

Undertakings by our Controlling Shareholders

Under the Public Offer Underwriting Agreement,

- (i) each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Public Offer Underwriters and the Stock Exchange that, save as permitted under the GEM Listing Rules, he/she/it shall not and shall procure his, her or its associates and the relevant registered holders shall not:
 - (a) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on the First Six Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (the “**Encumbrances**”) in respect of any of the Shares in respect of which he/she/it is shown in this prospectus to be the beneficial owner(s); or
 - (b) in the six month period immediately following the expiry of the First Six Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares under sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/she/it would, either individually or taken together with the others of them, cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

provided that the restrictions in this paragraph (i) shall not apply to any Shares which our Controlling Shareholders or any of his/her/its respective associates may acquire or become interested in following the Listing Date.

UNDERWRITING

- (ii) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Public Offer Underwriters and the Stock Exchange that:
 - (a) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (i) above, he/she/it must inform our Company, the Sponsor, the Sole Global Coordinator, the Bookrunner and the Lead Manager as soon as practicable thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
 - (b) having pledged or charged any of his/her/its interest in the Shares under subparagraph (a) above, he/she/it must inform our Company, the Sponsor, the Sole Global Coordinator, the Bookrunner and the Lead Manager as soon as practicable in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event as described in the paragraph headed “2. Underwriting Arrangements and Expenses — Lock-up undertakings pursuant to the Public Offer Underwriting Agreement” above and shall make a public disclosure by way of announcement in accordance with the GEM Listing Rules.

Lock-up undertakings to the Stock Exchange pursuant to the GEM Listing Rules

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

In accordance with Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and the Offer Size Adjustment Option or unless in compliance with the requirements of the GEM Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not,

- (i) at any time during the period commencing on the date by reference to which disclosure of its or his shareholding in our Company is made in the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which it or he is shown by this prospectus to be the beneficial owner; and
- (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

Our Controlling Shareholders have further undertaken to us and the Stock Exchange that it or he will, within a period of commencing on the date by reference to which disclosure of its or his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution and the number of such Shares or other securities of our Company so pledged or charged; and
- (b) when it or he or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

2.2 Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, 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.

UNDERWRITING

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 180,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, 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 “2. Underwriting Arrangements and Expenses — Lock-up undertakings pursuant to the Public Offer Underwriting Agreement” above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Our Company is expected to grant to the Placing Underwriters the Offer Size Adjustment Option exercisable with the consent of our Company by the Sole Global Coordinator, on behalf of the Placing Underwriters, at any time before 5:00 p.m. on the business day before the date of announcement of the results of application and the basis of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 30,000,000 additional Placing Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under the Share Offer, solely to cover over allocations, if any, in the Placing.

2.3 Commission and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive underwriting commissions of 3.5% of the aggregate offer Price payable for the Public Offer Shares, out of which the Public Offer Underwriters may pay any sub-underwriting commission in connection with the Share Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares initially offered under the Placing. Based on the Offer Price of HK\$0.325 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$18.7 million in total (assuming the Offer Size Adjustment Option is not exercised). We will also pay for all expenses in connection with any exercise of the Offer Size Adjustment Option.

3. SPONSOR’S AND UNDERWRITERS’ INTEREST IN OUR COMPANY

The Sponsor will receive a documentation fee. The Sole Global Coordinator and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “2.3 Commission and expenses” above.

UNDERWRITING

We have appointed Ample Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply 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.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of 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 securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

4. MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

1. THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 200,000,000 Offer Shares (subject to Offer Size Adjustment Option) will be made available under the Share Offer, of which 180,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 20,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

1.1 The Placing

Our Company is expected to offer initially 180,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private 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. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that is not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders.

Our Company, our Directors, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “6. Conditions of the Share Offer” in this section.

1.2 The Public Offer

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.40 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares initially available for subscription will be rejected. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

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. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

2. REALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 80,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Placing Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

3. OFFER SIZE ADJUSTMENT OPTION

Our Company is expected to grant the Offer Size Adjustment Option to the Placing Underwriters, exercisable by the Sole Global Coordinator or its agent (for itself and on behalf of the Placing Underwriters) at any time before 5:00 p.m. on the business day immediately before the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares, to require our Company to allot and issue at the Offer Price up to an aggregate of 30,000,000 additional Placing Shares, representing 15% of the number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Future (Price Stabilizing) Rules of the SFO. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised with the consent of our Company, the Sole Global Coordinator may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional 30,000,000 Shares and the Offer Shares will represent approximately 3.6% and 27.7%, respectively, of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Sole Global Coordinator on behalf of the Placing Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

4. DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Thursday, 7 September 2017.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that 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 reduction, 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.linocraftprinters.com notices of reduction

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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 as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.linocraftprinters.com of a reduction in the number of the Offer Shares and/or 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 Sole Global Coordinator (for itself 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.

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, 11 September 2017, the Share Offer will not proceed and will lapse.

Announcement of the 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 is expected to be published on or before Thursday, 14 September 2017.

5. PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.40 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,232.25 per board lot of 8,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.40 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.

Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

6. CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

6.1 Listing

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 and the Capitalisation Issue and Shares which fall to be allotted and issued upon any exercise of the Offer Size Adjustment Option (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

6.2 Underwriting Agreements

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

6.3 Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed “How to Apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; 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 Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents 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 apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

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, the Sole Global Coordinator (or its agents or nominees) may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service 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 its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

3.1 Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

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, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR PUBLIC OFFER SHARES

3.2 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 Thursday, 31 August 2017 to 12:00 noon on Wednesday, 6 September 2017 from:

- (i) the office of the following parties:

Ample Orient Capital Limited	Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong
ChaoShang Securities Limited	Rooms 4001–4002, 40/F China Resources Building 26 Harbour Road Wanchai Hong Kong
Convoy Investment Services Limited	21/F, Tesbury Centre 28 Queen's Road East Admiralty Hong Kong
Long Asia Securities Limited	Unit A, 23rd Floor, The Wellington 198 Wellington Street Sheung Wan Hong Kong
Pacific Foundation Securities Limited	11/F, New World Tower II 16–18 Queen's Road Central Hong Kong
China-Hong Kong Link Securities Company Limited	19/F, 80 Gloucester Road Wan Chai Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4–4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38–40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
New Territories	Metroplaza Branch	Shop No. 175, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 31 August 2017 until 12:00 noon on Wednesday, 6 September 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

3.3 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 "Horsford Nominees Limited — Linocraft Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

Thursday, 31 August 2017	—	9:00 a.m. to 5:00 p.m.
Friday, 1 September 2017	—	9:00 a.m. to 5:00 p.m.
Saturday, 2 September 2017	—	9:00 a.m. to 1:00 p.m.
Monday, 4 September 2017	—	9:00 a.m. to 5:00 p.m.
Tuesday, 5 September 2017	—	9:00 a.m. to 5:00 p.m.
Wednesday, 6 September 2017	—	9:00 a.m. to 12:00 noon

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The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 6 September 2017, the last application day or such later time as described in the paragraph headed “10. 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 or applying through the **HK eIPO White Form** service, 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 and/or the Sole Global Coordinator (or its 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 Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and 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 Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, 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 Placing Shares under the Placing nor participated in the Placing;

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- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Global Coordinator, the Bookrunners, the Lead Manager, 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 Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager 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 the 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 send any share certificate(s) and/or any e-Auto Refund payment instructions 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 are eligible 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;

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- (xvii) understand that our Company, the Sponsor and the Sole Global Coordinator, and any of their respective directors, officers, or representatives or any other person or parties involved in the Share Offer 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 to the **HK eIPO White Form** Service Provider by you or by any one as your agent 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 THROUGH HK eIPO WHITE FORM SERVICE

5.1 General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

5.2 Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 31 August 2017 until 11:30 a.m. on Wednesday, 6 September 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 6 September 2017 or such later time under the paragraph headed “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

5.3 No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

5.4 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 applicant 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).

5.5 Environmental Protection

The advantage of **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process. Our Company and the Sponsor encourage you to utilise this application channel should you desire the Public Offer Shares to be issued under your own name.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

6.1 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).

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HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center

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 Sole Global Coordinator and our Hong Kong Branch Share Registrar.

6.2 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;

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- confirm that you understand that our Company, our Directors, the Sponsor and the Sole Global Coordinator 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 Sponsor, the Sole Global Coordinator, the Bookrunner, the Lead Manager, 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 Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Global Coordinator, 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

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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 Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

6.3 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

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- 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.

6.4 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 8,000 Public Offer Shares. Instructions for more than 8,000 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.

6.5 Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 31 August 2017	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 1 September 2017	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 2 September 2017	—	8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 4 September 2017	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 5 September 2017	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 6 September 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 Thursday, 31 August 2017 until 12:00 noon on Wednesday, 6 September 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 Wednesday, 6 September 2017, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

6.6 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.

6.7 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).

6.8 Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, 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.

7. 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. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. 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. Our Company, our Directors, the Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** Service Provider 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 Wednesday, 6 September 2017.

8. 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,

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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 or through the **HK eIPO White Form** service, 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).

9. 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 Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 8,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

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).

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For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer — 4. Determining the Offer Price” in this prospectus.

10. 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 Wednesday, 6 September 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 Wednesday, 6 September 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.

11. PUBLICATION OF RESULTS

Our Company expects to announce the 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 Shares on Thursday, 14 September 2017 on our Company’s website at www.linocraftprinters.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer 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.linocraftprinters.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 14 September 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 Thursday, 14 September 2017 to 12:00 mid-night on Wednesday, 20 September 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 14 September 2017 to Tuesday, 19 September 2017 (excluding Saturday and Sunday or public holiday in Hong Kong);

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- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 14 September 2017 to Monday, 18 September 2017 at all the designated branches of the receiving bank.

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” in 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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED 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 or to the **HK eIPO White Form** Service Provider, 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

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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:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider 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 Committee 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 Committee 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 **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- 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 Sole Global Coordinator 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 20,000,000 of Public Offer Shares.

13. 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\$0.40 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 section headed “Structure and Conditions of the Share Offer — 6. 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 Thursday, 14 September 2017.

14. 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 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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or about Thursday, 14 September 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 Friday, 15 September 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.

14.1 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 our Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 September 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 our Hong Kong Branch 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 Thursday, 14 September 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 Thursday, 14 September 2017, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Thursday, 14 September 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) *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 CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(iv) *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. 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 Thursday, 14 September 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.

(v) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 September 2017, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 14 September 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(vi) *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 Thursday, 14 September 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our 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 the paragraph headed "11. Publication of Results" above on Thursday, 14 September 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 September 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 Thursday, 14 September 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Thursday, 14 September 2017.

15. 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 set out on pages I-1 to I-54, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



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31 August 2017

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LINO CRAFT HOLDINGS LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of Linocraft Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-4 to I-54, which comprises the combined statements of financial position of the Group as at 31 August 2015, 31 August 2016 and 31 May 2017, the statement of financial position of the Company as at 31 May 2017, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"), together with the comparative financial information of the Group including the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the nine months ended 31 May 2016 (the "Comparative Financial Information"). The Historical Financial Information set out on pages I-4 to I-54 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 August 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 (the "GEM").

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 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 Historical 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 accountant's 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 accountant considers 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 2 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 accountant's report, a true and fair view of the Company's financial position as at 31 May 2017, the Group's financial position as at 31 August 2015, 31 August 2016 and 31 May 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 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 statements of combined comprehensive income, changes in equity and cash flows for the nine 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 in accordance with the basis of preparation and presentation set out in Note 2 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 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 purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the GEM Listing Rules 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 10 to the Historical Financial Information which stated that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

BDO Limited

Certified Public Accountants

Pak Tak Lun

Practising Certificate number: P06170

Hong Kong

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 accountant's report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accounts (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Malaysian ringgit and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Combined Statements of Comprehensive Income

	Notes	Year ended 31 August		Nine months ended 31 May	
		2015	2016	2016	2017
		RM'000	RM'000	RM'000 (Unaudited)	RM'000
Revenue	7	88,448	101,120	73,737	90,926
Cost of sales		<u>(76,239)</u>	<u>(78,898)</u>	<u>(58,165)</u>	<u>(76,504)</u>
Gross profit		12,209	22,222	15,572	14,422
Other operating income/(loss)	8	3,873	2,174	1,674	2,731
Distribution costs		(6,177)	(6,929)	(5,263)	(6,844)
Administrative expenses		(2,787)	(3,837)	(2,655)	(6,421)
Other operating expenses		<u>(114)</u>	<u>(26)</u>	<u>(96)</u>	<u>(89)</u>
Profit from operation		7,004	13,604	9,232	3,799
Finance costs	14	(2,597)	(2,363)	(1,766)	(1,871)
Share of (loss)/profit of an associate	18	(11)	41	50	1
Share of profit of a joint venture	19	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>
Profit before income tax expense	9	4,396	11,282	7,516	1,930
Income tax expense	15	<u>(1,769)</u>	<u>(2,820)</u>	<u>(1,913)</u>	<u>(1,984)</u>
Profit/(Loss) for the year/period		2,627	8,462	5,603	(54)
Other comprehensive income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating to profit or loss		<u>(96)</u>	<u>(5)</u>	<u>46</u>	<u>17</u>
Total comprehensive income for the year/period		<u>2,531</u>	<u>8,457</u>	<u>5,649</u>	<u>(37)</u>

Combined Statements of Financial Position

	Notes	As at 31 August		As at 31 May
		2015	2016	2017
		RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	17	41,572	50,619	56,196
Interest in an associate	18	81	130	—
Interest in a joint venture	19	—	—	204
Investment in golf club membership	20	—	—	—
Prepayment for acquisition of property, plant and equipment		—	987	1,722
Deferred tax assets	21	4,761	2,068	467
Total non-current assets		46,414	53,804	58,589
Current assets				
Inventories	22	15,017	20,383	23,602
Trade and other receivables	23	29,211	27,889	40,495
Amounts due from related companies	24	1,265	—	28
Derivative financial instruments	25	351	—	—
Cash and cash equivalents		2,060	4,032	6,389
		47,904	52,304	70,514
Assets of a disposal group classified as held for sale	26	—	—	31
Total current assets		47,904	52,304	70,545
Current liabilities				
Trade and other payables	27	16,886	18,970	24,035
Bank borrowings	28	19,712	29,425	36,988
Amounts due to related companies	29	21,049	18,032	14,338
Finance lease obligations	30	287	306	868
Derivative financial instruments	25	18	—	—
Tax payables		—	127	383
		57,952	66,860	76,612
Liabilities of a disposal group classified as held for sale	26	—	—	466
Total current liabilities		57,952	66,860	77,078
Net current liabilities		(10,048)	(14,556)	(6,533)
Total assets less current liabilities		36,366	39,248	52,056
Non-current liabilities				
Bank borrowings	28	10,494	6,696	10,950
Finance lease obligations	30	844	567	2,490
Total non-current liabilities		11,338	7,263	13,440
NET ASSETS		25,028	31,985	38,616
Capital and reserves				
Share capital	31	2,000	2,000	2,081
Reserves	32	23,028	29,985	36,535
TOTAL EQUITY		25,028	31,985	38,616

Statement of Financial Position of the Company

		As at 31 May 2017
	<i>Note</i>	RM'000
Current assets		
Other receivables		*
Net current assets		*
NET ASSETS		*
Capital and reserves		
Share capital	31	*
TOTAL EQUITY		*

* Represents amount less than RM1,000

Combined Statements of Changes in Equity

	Reserves				Total RM'000
	Share capital	Share premium	Exchange reserve	Retained earnings	
	RM'000 (Note 31)	RM'000 (Note 32)	RM'000 (Note 32)	RM'000	
Balance at 1 September 2014	2,000	—	(154)	20,651	22,497
Profit for the year	—	—	—	2,627	2,627
Other comprehensive income	—	—	(96)	—	(96)
Total comprehensive income for the year	—	—	(96)	2,627	2,531
Balance at 31 August 2015 and 1 September 2015	2,000	—	(250)	23,278	25,028
Dividends paid (Note 10)	—	—	—	(1,500)	(1,500)
Profit for the year	—	—	—	8,462	8,462
Other comprehensive income	—	—	(5)	—	(5)
Total comprehensive income for the year	—	—	(5)	8,462	8,457
Balance at 31 August 2016 and 1 September 2016	2,000	—	(255)	30,240	31,985
Loss for the period	—	—	—	(54)	(54)
Other comprehensive income	—	—	17	—	17
Total comprehensive income for the period	—	—	17	(54)	(37)
Issuance of new shares related to pre-IPO investment	81	6,587	—	—	6,668
Balance at 31 May 2017	2,081	6,587	(238)	30,186	38,616
Balance at 1 September 2015	2,000	—	(250)	23,278	25,028
Dividends paid (Note 10)	—	—	—	(1,500)	(1,500)
Profit for the period	—	—	—	5,603	5,603
Other comprehensive income	—	—	46	—	46
Total comprehensive income for the period	—	—	46	5,603	5,649
Balance at 31 May 2016 (Unaudited)	2,000	—	(204)	27,381	29,177

Combined Statements of Cash Flows

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (Unaudited)	RM'000
Cash flows from operating activities				
Profit before income tax expense	4,396	11,282	7,516	1,930
Adjustments for:				
Allowance/(reversal of) for obsolete inventories	484	643	581	(300)
Depreciation of property, plant and equipment	2,904	2,896	1,984	2,843
Bad debts written off	—	9	—	—
Doubtful debts recovered	(138)	(174)	(98)	(13)
Provision for doubtful debts	100	11	95	52
Finance costs	2,597	2,363	1,766	1,871
Share of loss/(profit) in an associate	11	(41)	(50)	(1)
Share of profit in a joint venture	—	—	—	(1)
Unrealised (gain)/loss on foreign exchange	(435)	333	(134)	167
Change in fair value of derivative financial instruments	(333)	(59)	(59)	—
Loss on disposal of property, plant and equipment	—	—	—	23
Gain on disposal of subsidiary	—	—	—	(21)
Operating profit before working capital changes	9,586	17,263	11,601	6,550
(Increase)/decrease in inventories	(2,420)	(6,009)	746	(2,918)
(Increase)/decrease in trade and other receivables	(4,356)	549	(8,940)	(13,411)
Increase in trade and other payables	1,653	2,070	1,160	5,340
Cash generated from/(used in) operations	4,463	13,873	4,567	(4,439)
Interest paid	(2,597)	(2,363)	(1,766)	(1,871)
Income taxes paid	—	—	—	(127)
Net cash generated from/(used in) operating activities	1,866	11,510	2,801	(6,437)
Cash flows from investing activities				
Decrease in amounts due from related companies	—	1,265	1,265	—
Purchase of property, plant and equipment	(1,296)	(11,943)	(4,008)	(5,601)
Proceeds from disposal of property, plant and equipment	—	—	—	12
Disposal of subsidiary	—	—	—	(9)
Net cash used in investing activities	(1,296)	(10,678)	(2,743)	(5,598)

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (Unaudited)	RM'000
Cash flows from financing activities				
Dividends paid	—	(1,500)	(1,500)	—
Proceeds from issue of shares	—	—	—	6,668
Proceeds from bank borrowings	2,733	11,923	7,054	7,610
Increase/(decrease) in amounts due to related companies	1,142	(3,017)	(1,910)	(3,723)
Repayment of term loans	(3,408)	(3,690)	(2,755)	(3,149)
Repayment of hire purchases payables	(421)	(258)	(184)	(370)
Net cash generated from financing activities	<u>46</u>	<u>3,458</u>	<u>705</u>	<u>7,036</u>
Net increase/(decrease) in cash and cash equivalents	616	4,290	763	(4,999)
Cash and cash equivalents at beginning of year/period	<u>(1,248)</u>	<u>(632)</u>	<u>(632)</u>	<u>3,658</u>
Cash and cash equivalents at end of year/period	<u><u>(632)</u></u>	<u><u>3,658</u></u>	<u><u>131</u></u>	<u><u>(1,341)</u></u>

An analysis of balances of cash and cash equivalents

	As at 31 August		As at 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Bank and cash balances	2,060	4,032	1,252	6,389
Bank overdrafts	<u>(2,692)</u>	<u>(374)</u>	<u>(1,121)</u>	<u>(7,730)</u>
	<u><u>(632)</u></u>	<u><u>3,658</u></u>	<u><u>131</u></u>	<u><u>(1,341)</u></u>

II. NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND REORGANISATION

(a) Corporate information

The Company is a limited liability company incorporated in the Cayman Islands on 13 April 2017 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business are disclosed in the section "Corporate Information" in the Prospectus.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganization mentioned below in (b). The Company and its subsidiaries (together, "the Group") are principally engaged in printing and manufacture of instruction manuals, packaging products and printed paper labels (the "Listing Business").

Through a group reorganisation, as more fully explained in the Section headed "History, Development and Corporate Structure" in the Prospectus (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 31 July 2017.

(b) Reorganisation

Pursuant to a group reorganisation carried out by the Group in preparation for the listing of shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 31 July 2017. Details of the Reorganisation are as set out in the section headed "History, Development and Corporate Structure" in this Prospectus issued by the Company.

Upon completion of the Reorganisation and as of the date of this report, the Company had direct or indirect interests in the following subsidiaries with limited liability:

Name	Country and date of incorporation	Place of operation and principal activities	Particulars of issued and fully paid up share capital/ registered capital	Percentage of ownership interests/ voting rights/ profit share	
				Directly	Indirectly
Linocraft International Limited	The British Virgin Islands (the "BVI"), 26 January 2017	BVI, Investment holdings	US\$10,000	100%	—
Linocraft Group Limited	The BVI, 14 February 2017	BVI, Investment holdings	US\$1,000	—	100%
Linocraft Printers Sdn. Bhd. (the "Linocraft Malaysia")	Malaysia, 28 June 1972	Malaysia, printing and manufacture of instruction manuals, packaging products and printed paper labels	RM2,000,000	—	100%

Name	Country and date of incorporation	Place of operation and principal activities	Particulars of issued and fully paid up share capital/ registered capital	Percentage of ownership interests/ voting rights/ profit share	
				Directly	Indirectly
Linocraft Printers Philippines Inc.	Philippines, 9 June 2016	Philippines, printing and manufacture of instruction manuals, packaging products and printed paper labels	Peso10,000,000	—	99%
Grace Key Limited	BVI, 16 August 2016	BVI, Investment holdings	US\$1,000	—	100%
Eden Grace Hong Kong Limited	Hong Kong, 12 October 2016	Hong Kong, Provide supporting services to other Group's entities	HK\$100,000	—	100%

The statutory financial statements of the Linocraft Malaysia for the years ended 31 August 2015 and 2016 were prepared under Private Entity Reporting Standards in Malaysia and audited by SKW Associates (AF0312).

No audited statutory financial statements have been issued for Eden Grace Hong Kong Limited as it is newly incorporated.

No audited financial statements have been issued for other entities as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Listing Business was carried out by Linocraft Printers Sdn. Bhd. and its subsidiaries which were under the control of the Charlecote Sdn. Bhd.. Pursuant to the Reorganisation, Linocraft Printers Sdn. Bhd. and its subsidiaries are under the effective control of Linocraft International Limited, and ultimately the Company.

The Company has not been involved in any other business prior to the Reorganisation and its operations do not meet the definition of business. The Reorganisation is merely a reorganisation of the Listing Business and does not result in any change in business substance, nor in any management or controlling shareholder of the Listing Business, before and after the Reorganisation. Accordingly, the financial information of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presents.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards ("HKASs") and related interpretations, promulgated by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures requirement by the GEM Listing Rules.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments that have been measured at fair value.

As at 31 August 2015, 31 August 2016 and 31 May 2017, the Group's current liabilities exceeded its current assets by RM10,048,000, RM14,556,000 and RM6,533,000 respectively. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The directors have taken account of the following to maintain the Group as a going concern:

- The Group is in the process of application of long-term bank loan facilities from a reputable bank to finance an existing bank loan and the amounts due to related companies. As at the date of these financial statements, the directors had signed a letter of offer with a reputable bank in Malaysia of which, subject to the approval of listing of the Company's shares in the GEM market in Hong Kong, a 10 years term loan facility and a 5 years term loan facility of up to RM6,000,000 and RM13,450,000 shall be granted to the Company to redeem one of its existing short-term bank loan and also to finance the entire amount of due to related companies, respectively; and
- The directors obtained written agreement from the related parties who agreed not demand repayments of the amount due to related companies prior to the long term bank borrowings has been granted.

The directors consider that after taking into account the above, the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The principal activities of the Group are expressed in Malaysian ringgit ("RM"), and all are rounded to the nearest thousand except when otherwise indicated. Accordingly, the Group uses RM as its reporting currency.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information, the Group has adopted all applicable new/revised HKFRSs effective for the accounting periods commencing from 1 September 2015 throughout the Track Record Period.

The following new/revised HKFRSs, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRS 2	Share-Based Payment ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 — Share-based Payment

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected credit loss model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Group has reviewed the Group’s financial assets as at 31 May 2017 and anticipates that the application of the expected credit loss model of HKFRS 9 in the future will result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group’s existing business model.

The above assessments were made based on an analysis of the Group’s financial assets and financial liabilities as at 31 May 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 September 2018, the assessment of the potential impact is subject to change.

HKFRS 15 — Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Management has performed a preliminary assessment and expects that the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Amendments HKFRS 15 — Clarifications to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “ Leases ” and related interpretations, introduces a single lessee 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. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the 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 finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 May 2017, the Group has non-cancellable operating lease commitments of RM1,306,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether they will result in substantial changes to the Group's accounting policies and financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

Subsidiaries other than from reorganisation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Merger accounting for common control combination

The Historical Financial Information incorporates the financial statements of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) Joint arrangements

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as Joint ventures where the group has rights to only the net assets of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method — see Note 4(c)).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Freehold land	Not depreciated
Buildings	50 years
Plant and machinery	10–13 years
Equipment, furniture and fittings	10–20 years
Renovation	10 years
Motor vehicles	5 years

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

(g) Financial Instruments**(i) Financial assets**

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivative, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, bank borrowings and finance lease obligations are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents 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.

(i) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Malaysia ringgit) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(l) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(m) *Impairment of assets (other than financial assets)*

At the end of each reporting periods, the Group reviews the carrying amounts of assets such as property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which 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.

(o) *Segment reporting*

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(p) *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 key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
- (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 the employees of 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 key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a 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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

(a) Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

(b) Impairment of loans and receivables

The Group assess at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(c) Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Classification of bank borrowings

The Group entered into term loan agreements with certain registered banks in Malaysia that are governed by and construed in accordance with the laws of Malaysia and the said agreements include repayment on demand clauses. Judgement is involved in determining whether the Group has unconditional right to defer settlement of these bank borrowings for at least twelve months after the reporting period. The Group, with reference to court decisions on certain legal cases in Malaysia and legal opinion obtained, determines that demand clauses on these bank borrowings shall not have an effect to the Group's ability to defer settlement of its liabilities to these banks for at least twelve months after the reporting period as these clauses would not override other terms and conditions provided in these banking facilities.

The Group classifies its fixed term bank borrowings with these registered banks in Malaysia as current and non-current liabilities in accordance with terms and conditions as stated in respective bank loan agreements.

6. SEGMENT INFORMATION**(a) Business segment**

The Group has been operating in one operating and reportable segment, being printing and manufacture of instruction manuals, packaging products and printed paper labels. The chief operating decision maker make decisions based on the historical financial information of the Group prepared in accordance with HKFRS about resources allocation and performance assessment.

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, investment in golf club membership, interest in an associate, interest in a joint venture, prepayment for acquisition of property, plant and equipment and deferred tax assets ("Specified non-current assets").

	Revenue from external customers			
	As at 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Malaysia	81,692	97,489	70,564	84,633
Singapore	6,756	3,631	3,173	2,207
Philippines	—	—	—	4,086
	<u>88,448</u>	<u>101,120</u>	<u>73,737</u>	<u>90,926</u>
	Specified non-current assets			
	As at 31 August		As at 31 May	
	2015	2016	2017	
	RM'000	RM'000	RM'000	
Malaysia	41,572	50,619	56,071	
Philippines	—	—	125	
	<u>41,572</u>	<u>50,619</u>	<u>56,196</u>	

(c) Information about major customers

Revenue from customers individually contributing 10% or more of the Group's revenue are as follow:

	Revenue from external customers			
	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Customer A	21,858	27,336	20,499	17,282
Customer B	17,645	18,458	13,577	16,921
Customer C	12,174	16,144	12,284	15,479
Customer D	<u>10,898</u>	<u>16,074</u>	<u>9,884</u>	<u>11,481</u>

7. REVENUE

Revenue includes the net invoiced value of goods sold earned by the Group. The amounts of revenue recognised during the Track Record Period are as follows:

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Sales of production products:				
— Instruction manual	14,137	21,863	16,021	19,640
— Label	1,021	946	791	597
— Insert	13,447	18,289	13,314	16,634
— Packaging	59,843	60,022	43,611	54,055
	<u>88,448</u>	<u>101,120</u>	<u>73,737</u>	<u>90,926</u>

8. OTHER OPERATING INCOME/(LOSS)

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Reversal of allowance for obsolete inventories	—	—	—	378
Doubtful debts recovered	138	174	98	13
Change in fair value of derivative financial instruments	333	59	59	—
Gain/(loss) on foreign exchange				
— realised	319	(814)	(793)	(285)
— unrealised	435	(333)	134	(167)
Sales of scrap materials	2,300	2,432	1,771	2,184
Gain on disposal of a subsidiary	—	—	—	21
Other income	348	656	405	587
	<u>3,873</u>	<u>2,174</u>	<u>1,674</u>	<u>2,731</u>

9. PROFIT BEFORE INCOME TAX EXPENSE

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Profit before income tax expense is arrived at after charging/(crediting):				
Cost of inventories sold*	76,239	78,898	58,165	76,504
Allowance for obsolete inventories	484	643	581	78
Auditor's remuneration	21	21	11	13
Depreciation of property, plant and equipment				
— Owned	2,714	2,727	1,857	2,617
— Held under finance lease	190	169	127	226
Provision for doubtful debts	100	11	95	52
Bad debts written off	—	9	—	—
Doubtful debts recovered	(138)	(174)	(98)	(13)
Loss on disposal of property, plant and equipment (<i>Note 36</i>)	—	—	—	23
Employee costs (<i>Note 11</i>)	13,556	14,788	10,582	12,162
Minimum lease payments under operating lease				
— Rental of equipment	980	933	663	647
— Rental of premises	422	376	270	602
Listing expenses (including professional fees and other expenses)	—	—	—	2,453

* For the years ended 31 August 2015, 31 August 2016, nine months period ended 31 May 2016 and 31 May 2017, cost of inventories sold comprise RM12,936,000, RM13,225,000, RM9,452,000 and RM10,724,000 relating to employee benefit expenses and depreciation charges, which are also included in the respective total amounts disclosed separately above.

10. DIVIDENDS

	As at 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
Final dividends attributable to the owners of the company	—	1,500	—	—

For the purpose of the financial statements, the final dividends for the year ended 31 August 2015 amounting to RM1,500,000 represented final dividends proposed by an entity with the Group to its then shareholders.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Historical Financial Information.

11. EMPLOYEE COSTS

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Employee costs (including directors) comprise:				
Wages and salaries	12,586	13,798	9,903	11,353
Short-term non-monetary benefits	61	101	92	42
Contributions to retirement benefit schemes	909	889	587	767
	<u>13,556</u>	<u>14,788</u>	<u>10,582</u>	<u>12,162</u>

12. DIRECTORS' EMOLUMENTS

Directors' emoluments is disclosed as follows:

Year ended 31 August 2015:

	Fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	RM'000	RM'000	RM'000	RM'000
<i>Executive directors</i>				
Ong Yoong Nyock	—	240	29	269
Tan Woon Chay	—	300	36	336
	<u>—</u>	<u>540</u>	<u>65</u>	<u>605</u>

Year ended 31 August 2016:

	Fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	RM'000	RM'000	RM'000	RM'000
<i>Executive directors</i>				
Ong Yoong Nyock	—	422	51	473
Tan Woon Chay	—	432	52	484
	<u>—</u>	<u>854</u>	<u>103</u>	<u>957</u>

Nine months ended 31 May 2016 (unaudited):

	Fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	RM'000	RM'000	RM'000	RM'000
<i>Executive directors</i>				
Ong Yoong Nyock	—	285	25	310
Tan Woon Chay	—	300	28	328
	<u>—</u>	<u>585</u>	<u>53</u>	<u>638</u>

Nine months ended 31 May 2017:

	Fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	RM'000	RM'000	RM'000	RM'000
<i>Executive directors</i>				
Ong Yoong Nyock	—	444	44	488
Tan Woon Chay	—	444	45	489
	<u>—</u>	<u>888</u>	<u>89</u>	<u>977</u>

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest individuals included two directors for each of the years ended 31 August 2015 and 2016 and each of the nine months ended 31 May 2016 and 2017. The remaining three highest paid individuals for each of the years ended 31 August 2015 and 2016 and each of the nine months ended 31 May 2016 and 2017 were as follow:

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
			(unaudited)	
Salaries and other benefits	449	485	287	674
Contributions to retirement benefit schemes	27	32	37	83
	<u>476</u>	<u>517</u>	<u>324</u>	<u>757</u>

The emoluments of each of the above non-director highest paid individuals during the Track Record Period were all within the band of nil to RM546,350 (approximately nil to HK\$1,000,000), nil to RM524,243 (approximately nil to HK\$1,000,000), nil to RM571,275 (approximately nil to HK\$1,000,000) and nil to RM545,488 (approximately nil to HK\$1,000,000) during the years ended 31 August 2015, 31 August 2016, the nine months ended 31 May 2016 and 31 May 2017, respectively.

During the Track Record Period, no emolument was paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors nor the five highest paid individuals has waived or agreed to waive any emoluments during the Track Record Period.

14. FINANCE COSTS

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Interest on bank overdraft	124	69	60	96
Interest on bank borrowings	1,375	1,345	977	1,233
Interest on finance lease	106	61	48	80
Interest on amounts due to related companies	992	888	681	462
	<u>2,597</u>	<u>2,363</u>	<u>1,766</u>	<u>1,871</u>

15. INCOME TAX EXPENSE

The amount of income tax expense in the combined statements of comprehensive income represents:

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Current tax — Corporate income tax in Malaysia — charge for the year/period	<u>—</u>	<u>127</u>	<u>—</u>	<u>383</u>
Deferred tax (<i>Note 21</i>)	<u>1,769</u>	<u>2,693</u>	<u>1,913</u>	<u>1,601</u>
Income tax expense	<u>1,769</u>	<u>2,820</u>	<u>1,913</u>	<u>1,984</u>

Corporate income tax in Malaysia is calculated at the statutory rate of 25%, 24%, 24% and 24% of the estimated taxable profit for the financial year ended 31 August 2015, 31 August 2016, nine months period ended 31 May 2016 and 31 May 2017, respectively.

Certain companies of the Group in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate tax rate in Malaysia of 20%, 19%, 19% and 18% on the first RM500,000. Statutory rate as above shall be charged on chargeable income in excess of RM500,000 in respective year ended 31 August 2015, 31 August 2016, nine months period ended 31 May 2016 and 31 May 2017, respectively. In addition, for the year of assessment 2017 and 2018 in Malaysia, a further reduction in the corporate tax rate, progressively, from 24% to 20% on the incremental chargeable income of 5% to 9.99%, 10% to 14.99%, 15% to 19.99% and 20% and above as compared to the immediate preceding year of assessment is available.

No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 August 2015 and 2016, and nine months ended 31 May 2016 and 2017. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the combined statements of comprehensive income as follows:

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Profit before income tax expense	<u>4,396</u>	<u>11,282</u>	<u>7,516</u>	<u>1,930</u>
Tax calculated at the domestic tax rate	1,095	2,707	1,804	463
Tax incentive obtained from differential tax rate	—	(25)	—	(89)
Tax effect of expenses not deductible for tax purposes	938	583	565	1,649
Tax effect of revenue not taxable for tax purposes	(84)	(316)	(400)	(5)
Other	<u>(180)</u>	<u>(129)</u>	<u>(56)</u>	<u>(34)</u>
Income tax expense	<u>1,769</u>	<u>2,820</u>	<u>1,913</u>	<u>1,984</u>

16. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in Note 1 above.

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Plant and machinery	Equipment, furniture and fittings	Renovation	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 September 2014	29,163	46,055	3,669	3,107	802	82,796
Additions	—	1,053	120	148	335	1,656
Written off	—	(390)	—	—	—	(390)
At 31 August 2015	29,163	46,718	3,789	3,255	1,137	84,062
Additions	195	10,163	1,116	469	—	11,943
At 31 August 2016	29,358	56,881	4,905	3,724	1,137	96,005
Additions	153	6,951	1,013	339	—	8,456
Classified as held for sale	—	(15)	—	—	—	(15)
Disposal	—	(62)	—	—	(141)	(203)
At 31 May 2017	29,511	63,755	5,918	4,063	996	104,243
Accumulated depreciation						
At 1 September 2014	2,864	31,245	2,742	2,327	798	39,976
Charge for the year	297	2,246	173	173	15	2,904
Written off	—	(390)	—	—	—	(390)
At 31 August 2015	3,161	33,101	2,915	2,500	813	42,490
Charge for the year	298	2,163	200	168	67	2,896
At 31 August 2016	3,459	35,264	3,115	2,668	880	45,386
Charge for the period	227	2,204	226	136	50	2,843
Classified as held for sale	—	(14)	—	—	—	(14)
Disposal	—	(27)	—	—	(141)	(168)
At 31 May 2017	3,686	37,427	3,341	2,804	789	48,047
Net carrying amount						
At 31 August 2015	26,002	13,617	874	755	324	41,572
At 31 August 2016	25,899	21,617	1,790	1,056	257	50,619
At 31 May 2017	25,825	26,328	2,577	1,259	207	56,196

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and/or pledged as security for borrowings:

	As at 31 August		As at
	2015	2016	31 May
	RM'000	RM'000	2017
			RM'000
Assets held under finance leases			
— Plant and machinery	1,197	1,095	4,279
— Motor vehicles	324	257	207
	<u>1,521</u>	<u>1,352</u>	<u>4,486</u>
Assets pledged as security for borrowings (Note 28)			
— Freehold land and buildings	26,002	25,899	25,825
— Plant and machinery	<u>7,693</u>	<u>6,788</u>	<u>12,849</u>
	<u>33,695</u>	<u>32,687</u>	<u>38,674</u>

18. INTEREST IN AN ASSOCIATE

	As at 31 August		As at
	2015	2016	31 May
	RM'000	RM'000	2017
			RM'000
Represented by:			
Share of net assets	<u>81</u>	<u>130</u>	<u>—</u>

Details of the Group's associate are as follows:

Name	Place of incorporation, operation and principal activities	Percentage of ownership interests		
		As at 31 August		As at 31 May
		2015	2016	2017
Linocraft Singapore Pte. Ltd. (the “LSPL”)	General wholesale print and packing products in Singapore	25%	25%	<i>Note</i>

Note: On 26 January 2017, the Group further acquired 25% equity interest on the LSPL from a family member of Mr. Tan Woon Chay, a director of a major subsidiary. Consequently, it was classified as interest in a joint venture. Please refer to Note 19 for details.

The primary business of the LSPL is wholesale print and packing products. This is in alignment with the Group's principal activities.

Summarised financial information of the associate is presented below:

	As at 31 August	
	2015	2016
	RM'000	RM'000
Current assets	2,882	2,984
Non-current assets	—	—
Current liabilities	(2,558)	(2,464)
Non-current liabilities	—	—
Net assets	324	520
Group's share of the net assets of the associate	81	130

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000 (unaudited)	RM'000
Revenue	7,855	8,703	3,570	878
Net (loss)/profit	(44)	164	201	2
Other comprehensive income	(44)	164	201	2
Group's share of (loss)/profit of an associate	(11)	41	50	1

19. INTEREST IN A JOINT VENTURE

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Represented by:			
Share of net assets	—	—	204

As further explained on Note 18, on 26 January 2017, the Group further acquired 25% equity interest in the LSPL. Subsequent to the further acquisition, the Group contractually sharing control on the LSPL. In the opinion of directors, the LSPL has been classified as a joint venture of the Group. As at 31 May 2017, the Group has 50% interest in a joint venture, the LSPL, a separate structured vehicle incorporated and operating in Singapore. The primary activity of the LSPL is general wholesale print and packing products, which is in line with the Group's strategy to expand the printing division.

The contractual arrangement provides the group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with the LSPL. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the combined financial statements using the equity method.

Summarised financial information of the joint venture is presented below:

	As at 31 May 2017
	RM'000
Current assets	1,001
Non-current assets	—
Current liabilities	(593)
Non-current liabilities	—
Net assets	<u>408</u>
Group's share of the net assets of a joint venture	<u>204</u>

	Year ended 31 August		Nine months ended 31 May	
	2015	2016	2016	2017
	RM'000	RM'000	RM'000	RM'000
			(unaudited)	
Revenues	—	—	—	777
Net profit	—	—	—	2
Other comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>
Group share of profit of a joint venture	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>

20. INVESTMENT IN GOLF CLUB MEMBERSHIP

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Golf club membership at cost	20	20	20
Less: accumulated impairment loss	<u>(20)</u>	<u>(20)</u>	<u>(20)</u>
	<u>—</u>	<u>—</u>	<u>—</u>

21. DEFERRED TAX ASSETS

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years/ periods:

	Accelerated tax depreciation	Tax losses	Reinvestment allowance	Other	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 September 2014	(1,815)	409	7,504	432	6,530
Charge/(credit) to profit or loss for the year	(419)	(409)	(942)	1	(1,769)
At 31 August 2015 and 1 September 2015	(2,234)	—	6,562	433	4,761
Charge/(credit) to profit or loss for the year	(2,352)	—	(821)	480	(2,693)
At 31 August 2016 and 1 September 2016	(4,586)	—	5,741	913	2,068
Charge/(credit) to profit or loss for the period	(1,075)	—	(840)	314	(1,601)
At 31 May 2017	(5,661)	—	4,901	1,227	467

As at 31 August 2015, 31 August 2016 and 31 May 2017, the Group has tax losses arising in Malaysia of RM1,636,000, RMNil and RMNil, respectively, subject to agreement by the local tax authorities. The tax losses are available indefinitely for offsetting against future taxable profits of the companies from which the losses arose.

No deferred tax asset has been recognised in respect of certain unused tax losses from its subsidiaries as these subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Deferred tax assets	6,995	6,654	6,128
Deferred tax liabilities	(2,234)	(4,586)	(5,661)
	<u>4,761</u>	<u>2,068</u>	<u>467</u>

22. INVENTORIES

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Raw materials	8,030	10,582	12,048
Work-in-progress	4,998	6,104	6,820
Finished goods	3,109	5,460	6,197
	16,137	22,146	25,065
Less: allowance for obsolete inventories	(1,120)	(1,763)	(1,463)
	<u>15,017</u>	<u>20,383</u>	<u>23,602</u>

23. TRADE AND OTHER RECEIVABLES

The average credit period granted to trade debtors ranging from 0–90 days from the invoice date.

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Trade receivables from:			
— Associate	1,990	505	—
— Joint venture	—	—	568
— Third parties	24,679	24,421	33,959
	26,669	24,926	34,527
Deposits and prepayments	1,332	1,576	2,726
Loans and advances	1,021	849	1,029
GST recoverable	189	538	2,213
	<u>29,211</u>	<u>27,889</u>	<u>40,495</u>

Included in trade and other receivables are trade debtors (net of impairment losses) with the following aging analysis, based on invoice dates, as of the end of Track Record Period:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Within 1 month	8,001	9,890	11,050
1 to 2 months	8,850	7,601	10,732
2 to 3 months	6,288	6,426	11,710
Over 3 months	3,530	1,009	1,035
	<u>26,669</u>	<u>24,926</u>	<u>34,527</u>

At the end of the reporting periods, the Group reviews trade and other receivables for evidence of impairment on both an individual and collective basis. Based on the impairment assessment, impairment loss has been recognised as at 31 August 2015, 31 August 2016 and 31 May 2017. The Group did not hold any collateral as security or other credit enhancement over the trade receivables.

The aging of trade receivables which are past due but not impaired are as follow:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Past due but not impaired:			
Less than 1 month	6,971	6,436	10,218
1 to 3 months	2,884	966	4,216
More than 3 months but less than 12 months	204	47	860
	<u>10,059</u>	<u>7,449</u>	<u>15,294</u>

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

The below table reconciled the impairment loss of trade debtors for the year:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Beginning of the year/period	875	837	683
Impairment loss recognised	100	11	52
Recovery of impairment loss previously recognised	(138)	(174)	(13)
Disposal of a subsidiary	—	—	(644)
Classified as held for sale	—	—	(17)
Bad debts written off	—	9	—
End of the year/period	<u>837</u>	<u>683</u>	<u>61</u>

24. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Domain Logistics Sdn. Bhd.	665	—	—
G-Force Forwarding & Shipping Sdn. Bhd.	600	—	—
Pentino Sdn Bhd (<i>Note 36</i>)	—	—	28
	<u>1,265</u>	<u>—</u>	<u>28</u>
Maximum outstanding amount during the year/period			
— Domain Logistics Sdn. Bhd.	665	665	—
— G-Force Forwarding & Shipping Sdn. Bhd.	600	600	—
— Pentino Sdn Bhd	—	—	28
	<u>—</u>	<u>—</u>	<u>28</u>

The amounts are non-trade related, unsecured, interest-free and repayable on demand.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Derivative financial instruments			
Current assets			
— Foreign exchange forward contracts	<u>351</u>	<u>—</u>	<u>—</u>
Current liabilities			
— Foreign exchange forward contracts	<u>18</u>	<u>—</u>	<u>—</u>

The major terms of the outstanding foreign exchange forward contracts of the Group which had not been designated as hedging instruments were as follows:

	As at 31 August		As at
	2015	2016	31 May 2017
Notional amount	USD733,000	—	—
Average contract rate	USD1 : RM3.81	—	—
Maturity date	From 13 Oct 2015 to 12 Nov 2015	—	—

As at 31 August 2015, the derivative financial instruments are measured at fair value and are with financial institutions. The fair values of the foreign exchange forward contracts are determined based on the underlying conditions in the contracts and the market information at the valuation date including observable market inputs such as forward rates. As

at 31 August 2016 and 31 May 2017, the Group had no open derivative financial instrument. The net gain on change in fair value of derivative financial instruments of RM333,000 and RM59,000 had been recognised in profit or loss for the financial years ended 31 August 2015 and 31 August 2016.

26. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Referring to the section headed “History, Development and Corporate Structure” in the Prospectus, the Group will dispose the two subsidiaries, Linocraft Printers (Singapore) Pte. Ltd. and Linocraft Packaging Zhuhai Pte. Ltd. before listing in order to complete the Reorganisation. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated statement of financial position.

	Linocraft Printers (Singapore) Pte. Ltd.	Linocraft Packaging Zhuhai Pte. Ltd.
	RM'000	RM'000
Property, plant and equipment	—	1
Trade and other receivable	2	28
	<u>2</u>	<u>29</u>
Trade and other payable	—	466

In accordance with HKFRS 5 the assets and liabilities of the disposal group have been written down to their recoverable amount of RM200. This is a non-recurring fair value measurement.

There has no impairment loss recognised in administrative expenses from continuing operations on the measurement of the disposal group to fair value less costs to sell.

There is no cumulative income or expense included in other comprehensive income related to the disposal group.

27. TRADE AND OTHER PAYABLES

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Trade payables	12,538	11,501	14,916
Other payables, accruals and deposit received	<u>4,348</u>	<u>7,469</u>	<u>9,119</u>
	<u>16,886</u>	<u>18,970</u>	<u>24,035</u>

Trade payables are non-interest bearing. The Group is normally granted credit terms ranging from 0 to 90 days from the invoice date.

Included in trade and other payables are trade creditors with the following aging analysis, based on invoice dates, as of the end of Track Record Period:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Current or less than 1 month	6,390	3,981	4,961
1 to 3 months	5,878	4,831	6,186
More than 3 months but less than 12 months	84	2,539	3,513
More than 12 months	186	150	256
	<u>12,538</u>	<u>11,501</u>	<u>14,916</u>

28. BANK BORROWINGS

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Secured			
Secured and interest-bearing bank borrowings	27,514	35,747	40,208
Bank overdraft	<u>2,692</u>	<u>374</u>	<u>7,730</u>
	<u>30,206</u>	<u>36,121</u>	<u>47,938</u>

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Bank borrowings are repayable as follows:			
— on demand or within one year	19,712	29,425	36,988
— more than one year, but not exceeding two years	3,799	1,575	1,733
— more than two years, but not exceeding five years	2,774	1,781	4,960
— after five years	<u>3,921</u>	<u>3,340</u>	<u>4,257</u>
	30,206	36,121	47,938
Amount due within one year included in current liabilities	<u>(19,712)</u>	<u>(29,425)</u>	<u>(36,988)</u>
Amount include in non-current liabilities	<u>10,494</u>	<u>6,696</u>	<u>10,950</u>

Notes:

- (a) Bank borrowings are interest bearing at the banks' base lending rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 August 2015, 31 August 2016 and 31 May 2017 granted under banking facilities ranged from 3.8% to 8.6%, 3.8% to 8.6% and 3.8% to 8.6% per annum, respectively.
- (b) As at 31 August 2015, 31 August 2016 and 31 May 2017, the carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounting to RM10,494,000, RM6,696,000 and RM10,950,000, respectively.

The Director of the Group have sought legal opinion and given to understand that, in accordance with the case laws established in Malaysia, it is determined that the mere inclusion of a repayment on demand clause in a long term loan agreement governed under the laws of Malaysia would not allow the banks to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

Accordingly, the liability associated with the term loans of the Group raised in Malaysia that contained a repayable on demand clause is classified as current and/or non-current liability during the Track Record Period in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the Courts of Law in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact to the classification of the term loans of the Group.

The Group classifies its fixed term bank borrowings with certain registered banks in Malaysia as current and non-current liabilities in accordance with terms and conditions as stated in respective bank loan agreements.

- (c) The Group's bank borrowings and banking facilities are secured by the followings:
- Freehold land and buildings with net carrying amount of RM26,002,000, RM25,899,000 and RM25,825,000 as at 31 August 2015, 31 August 2016 and 31 May 2017, respectively (Note 17);
 - Plant and machinery with net carrying amount of RM7,693,000, RM6,788,000 and RM12,849,000 as at 31 August 2015, 31 August 2016 and 31 May 2017, respectively (Note 17); and
 - Personal guarantees from Mr. Ong Yoong Nyock, Mr. Tan Woon Chay and a director of Linocraft Malaysia.

29. AMOUNTS DUE TO RELATED COMPANIES

As at 31 August 2015, 31 August 2016 and 31 May 2017, the amounts due to related companies in which a director has interests are unsecured, with no fixed terms of repayment and interest free, except for the borrowings amounting to RM16,702,000, RM14,398,000 and RM11,448,000 with interest charged at 5% per annum and amounting to RM3,100,000, RM2,467,000 and RM1,687,000 with interest charged at 8.5% per annum, respectively.

The Group is in the process of application of a long-term bank loan from a reputable bank to finance the amounts due to related companies. These related companies have agreed not to demand payment prior to the bank loan is obtained.

30. FINANCE LEASE OBLIGATIONS

The Group leases certain plant and machinery and motor vehicles. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

At 31 August 2015	Minimum lease payments	Interest	Present value
	RM'000	RM'000	RM'000
Not later than one year	347	60	287
Later than one year and not later than two years	347	41	306
Later than two years and not later than five years	568	30	538
	<u>1,262</u>	<u>131</u>	<u>1,131</u>

At 31 August 2016	Minimum lease payments	Interest	Present value
	RM'000	RM'000	RM'000
Not later than one year	347	41	306
Later than one year and not later than two years	347	23	324
Later than two years and not later than five years	250	7	243
	<u>944</u>	<u>71</u>	<u>873</u>

At 31 May 2017	Minimum lease payments	Interest	Present value
	RM'000	RM'000	RM'000
Not later than one year	1,043	175	868
Later than one year and not later than two years	907	115	792
Later than two years and not later than five years	1,820	122	1,698
	<u>3,770</u>	<u>412</u>	<u>3,358</u>

The present value of future lease payments are analysed as:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Current liabilities	287	306	868
Non-current liabilities	844	567	2,490
	<u>1,131</u>	<u>873</u>	<u>3,358</u>

31. SHARE CAPITAL

	<u>As at 31 August</u>		<u>As at 31 May</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Ordinary shares			
Issued and fully paid	<u>2,000</u>	<u>2,000</u>	<u>2,081</u>

The Company was incorporated in the Cayman Islands on 13 April 2017 with an authorized share capital of HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each, of which 1 share was allotted and issued on the same date. Changes in the share capital of the Company is further detailed in the section headed “History, Development and Corporate Structure” in the Prospectus.

Upon the completion of the Reorganisation on 31 July 2017, the Company became the holding company of the Group.

As the Reorganisation was not completed as at 31 May 2017, the issued share capital of the Group as at 31 May 2017 represented the combined share capital of the group entities comprising the Group.

32. RESERVES

The following describes the nature and purpose of exchange reserve within owners' equity:

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(k).

33. OPERATING LEASES

Operating lease payments represent rentals payable by the Group for certain of its lease properties. Leases are negotiated for terms between 1 year and 5 years at fixed rentals.

At the end of each of the reporting periods, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 August		As at
	2015	2016	31 May
	RM'000	RM'000	2017
			RM'000
Rented premises			
Not later than one year	377	179	691
Later than one year and not later than two years	179	—	356
Later than two years and not later than five years	—	—	144
	<u>556</u>	<u>179</u>	<u>1,191</u>
Plant, machinery and equipment			
Not later than one year	35	39	45
Later than one year and not later than two years	35	39	43
Later than two years and not later than five years	<u>68</u>	<u>43</u>	<u>27</u>
	<u>138</u>	<u>121</u>	<u>115</u>
	<u>694</u>	<u>300</u>	<u>1,306</u>

34. RELATED PARTY TRANSACTIONS

- (a) As at 31 August 2015, 31 August 2016 and 31 May 2017, the Mr. Ong Yoong Nyock and Mr. Tan Woon Chay provide personal guarantees to secure for the bank borrowings and banking facilities (Note 28) and finance lease obligations (Note 30) grant to the Group.

At the date of this report, the Mr. Ong Yoong Nyock and Mr. Tan Woon Chay provide personal guarantees to the Group for bank borrowings and finance lease obligations. These personal guarantees will be released, discharged or replaced by corporate guarantees or other securities provided by the Group upon Listing.

- (b) The remuneration of directors and other members of key management during the Track Record Period were as follows:

	Year ended 31 August		Nine months ended	
	2015	2016	31 May	
	RM'000	RM'000	2016	2017
			RM'000	RM'000
			(unaudited)	
Wages and salaries	540	854	586	888
Contributions to retirement benefits schemes	<u>65</u>	<u>103</u>	<u>52</u>	<u>89</u>
	<u>605</u>	<u>957</u>	<u>638</u>	<u>977</u>

(c) During the Track Record Period, the Group entered into the following transactions with related parties:

Related party relationship	Common director	Interest	Name/Company name	Type of transaction	Year ended		Nine months ended	
					2015	2016	2016	2017
					RM'000	RM'000	RM'000 (unaudited)	RM'000
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM HOLDINGS SDN BHD	(a) Interest expenses paid to related companies	698	666	514	343
Ong Yoong Nyock, a director of the Company, being a member of the key management personnel of the entity	N/A	N/A	STRAITS PLUS (M) S/B		294	222	167	120
					992	888	681	463
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM HOLDINGS SDN BHD	(b) Consultancy fees paid to a related company	80	48	36	28
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM HOLDINGS SDN BHD	(c) Commission fees paid to a related company	362	402	319	226
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM HOLDINGS SDN BHD	(d) Management fees paid to a related company	300	300	225	225
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM LOGISTICS SOLUTIONS SDN BHD	(e) Transportation fees paid to a related company	3,137	2,787	1,919	2,909
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TIONG NAM LOGISTICS SDN BHD		15	1	1	—
					3,152	2,788	1,920	2,909
Ong Yoong Nyock, a director of the Company, being a member of the key management personnel of the entity	N/A	N/A	CLS RISK CONSULT SDN BHD	(f) Road tax and insurance fees paid to a related company	—	278	—	465
Chua Sui Keng, a director of Linocraft Malaysia, being a director of the entity	Chua Sui Keng	N/A	TN EQUIPMENT RENTAL (JB) SDN BHD	(g) Rental expenses of equipments paid to related companies	480	480	360	360
An entity controlled by Chua Sui Keng, a director of Linocraft Malaysia	Chua Sui Keng	25%	GF EQUIPMENT RENTAL SDN BHD		404	391	262	281
An entity controlled by Chua Sui Keng, a director of Linocraft Malaysia	Chua Sui Keng	25%	G-FORCE EQUIPMENT SERVICES SDN BHD		7	3	2	4
					891	874	624	645
An entity controlled by Ong Yoong Nyock, a director of the Company	Ong Yoong Nyock	70%	TERMINAL PERINTIS SDN BHD	(h) Purchase of property, plant and equipment	—	987	494	—
Joint venture	Tan Woon Chay	50% hold by Linocraft Printers Sdn. Bhd. (after 26 Jan 2017)	Linocraft Singapore Pte. Ltd.	Purchases from the Group	—	—	—	593
Associate	Tan Woon Chay	25% hold by Linocraft Printers Sdn. Bhd. (before 26 Jan 2017)	Linocraft Singapore Pte. Ltd.	Purchases from the Group	6,567	3,370	2,968	723

On 26 January 2017, the Group acquired 25% equity interest in Linocraft Singapore Pte. Ltd. from a family member of a director of the Group in a consideration of Singapore dollars 25,000.

As further detail in Note 36, the Group disposed a subsidiary to certain directors of the Company.

In the opinion of the directors of the company, the above transactions were conducted on arm's length basis and on normal commercial terms.

35. CAPITAL COMMITMENTS

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Commitments for the acquisition of:			
Investment property	—	3,949	3,949
Property, plant and equipment	—	656	—
	—	4,605	3,949

36. DISPOSAL OF SUBSIDIARY

On 31 May 2017, the Group entered into an equity transfer agreement with Mr. Tan Woon Chay, Mr. Ong Yoong Nyock, and Mr. Cheng Peng Hoi to dispose of its 100% equity interest in Pentino Sdn. Bhd. at a consideration of RM100, which was mutually agreed by the Group and them. Mr. Ong Yoong Nyock, and Mr. Cheng Peng Hoi are also directors of the Group. The disposal was completed on 31 May 2017. Details of the assets and liabilities of Pentino Sdn. Bhd. disposed at the disposal date are summarised as below:

	As at 31 May 2017 RM'000
Net liabilities disposed of:	
Cash and cash equivalents	9
Trade and other payables	(2)
Trade and other receivable, net of impairment	—
Amount due to immediate holding company	(28)
	(21)
Total consideration	*
Gain on disposal of a subsidiary	21
	As at 31 May 2017 RM'000
Analysis of the net cash flow arising from the disposal:	
Consideration received in cash and cash equivalents	*
Cash and cash equivalents disposed of	(9)
Net cash outflow on disposal of Pentino Sdn. Bhd.	(9)

* Represents amount less than RM1,000

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Financial assets			
Loans and receivables			
— Cash and cash equivalents	2,060	4,032	6,389
— Trade and other receivables	28,075	26,504	38,227
— Amounts due from related companies	1,265	—	28
	<u>31,400</u>	<u>30,536</u>	<u>44,644</u>
Financial liabilities measured at amortised cost			
— Trade and other payables	16,886	18,970	24,035
— Bank borrowings	30,206	36,121	47,938
— Amounts due to related companies	21,049	18,032	14,338
— Finance lease obligations	1,131	873	3,358
	<u>69,272</u>	<u>73,996</u>	<u>89,669</u>
Financial assets at fair value through profit or loss			
— Derivative financial instruments	<u>351</u>	<u>—</u>	<u>—</u>
Financial liabilities at fair value through profit or loss			
— Derivative financial instruments	<u>18</u>	<u>—</u>	<u>—</u>

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, amounts due from related companies, trade and other payables, bank borrowings, amounts due to related companies and finance lease obligations.

Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, amounts due from related companies, trade and other payables, bank borrowings, amounts due to related companies and finance lease obligations approximate fair value.

Financial instruments measured at fair value

The Group's foreign exchange forward contracts disclosed in Note 25 are measured at fair value at the end of each of the reporting periods. Their fair values are determined with reference to dealer quotes and using valuation technique that maximises the use of observable market inputs such as market currency rates.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
As at 31 August 2015				
Financial assets at fair value through profit or loss:				
— Foreign exchange forward contracts	<u>—</u>	<u>351</u>	<u>—</u>	<u>351</u>
Financial liabilities at fair value through profit or loss:				
— Foreign exchange forward contracts	<u>—</u>	<u>18</u>	<u>—</u>	<u>18</u>

There were no transfer between the levels of the fair value hierarchy during the Relevant Periods.

38. FINANCIAL RISK MANAGEMENT

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, 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 customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Trade receivables are due within 0–90 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. The default risk of the industry and country in which customers operate also has an influence on credit risk but a lesser extent. The concentration of credit risk due from the Group's largest and five largest customers are listed below:

	<u>As at 31 August</u>		<u>As at</u>
	<u>2015</u>	<u>2016</u>	<u>31 May</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>2017</u>
			<u>RM'000</u>
Largest customer	4,318	4,812	4,832
Five largest customers	<u>21,212</u>	<u>20,467</u>	<u>22,198</u>

Substantial bank deposits are held in major financial institutions which management believes are of high credit quality.

(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 Track Record Period of the Group's bank borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

<u>The Group</u>	<u>Carrying amount</u>	<u>Total contractual undiscounted cash flow</u>	<u>Within 1 year or on demand</u>	<u>More than 1 year but less than 2 years</u>	<u>More than 2 years but less than 5 years</u>	<u>More than 5 years</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 August 2015						
Trade and other payables	16,886	16,886	16,886	—	—	—
Bank borrowings	30,206	32,648	20,367	4,230	3,508	4,543
Amounts due to related companies	21,049	22,148	22,148	—	—	—
Finance lease obligations	1,131	1,262	347	347	568	—
	<u>69,272</u>	<u>72,944</u>	<u>59,748</u>	<u>4,577</u>	<u>4,076</u>	<u>4,543</u>
31 August 2016						
Trade and other payables	18,970	18,970	18,970	—	—	—
Bank borrowings	36,121	37,907	29,856	1,860	2,412	3,779
Amounts due to related companies	18,032	18,962	18,962	—	—	—
Finance lease obligations	873	944	347	347	250	—
	<u>73,996</u>	<u>76,783</u>	<u>68,135</u>	<u>2,207</u>	<u>2,662</u>	<u>3,779</u>

The Group	Carrying amount	Total contractual undiscounted cash flow	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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 May 2017						
Trade and other payables	24,035	24,035	24,035	—	—	—
Bank borrowings	47,938	50,460	37,600	2,236	5,982	4,642
Amounts due to related companies	14,338	15,054	15,054	—	—	—
Finance lease obligations	3,358	3,792	1,043	929	1,820	—
	<u>89,669</u>	<u>93,341</u>	<u>77,732</u>	<u>3,165</u>	<u>7,802</u>	<u>4,642</u>

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings and finance lease obligations. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 August 2015, 31 August 2016 and 31 May 2017 bore interest at floating rates whereas its amounts due to related companies and finance lease obligations bore interest at fixed rates. Details of bank borrowings, amounts due to related companies and finance lease obligations are disclosed in Notes 28, 29 and 30, respectively.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Group consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

At 31 August 2015, 31 August 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 decrease/increase the Group's profit for the year/period and retained profits by approximately RM115,000, RM87,000 and RM107,000, respectively. The changes in interest rates do not affect the Group's other component of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("USD").

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Trade receivables	2,606	1,765	4,127
Cash and cash equivalents	893	2,517	769
Trade payables	(37)	(700)	(1,101)
Net monetary assets	<u>3,462</u>	<u>3,582</u>	<u>3,795</u>

The following tables illustrate the approximate change in the Group's profit for the year/period and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the Track Record Period.

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
USD appreciated by 5%	<u>173</u>	<u>179</u>	<u>190</u>

The change in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchanges rates had occurred at the end of each of the Track Record Period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date.

39. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 August 2015 and 31 August 2016 and nine months ended 31 May 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 75%. Net debt includes trade and other payables, bank borrowings, amounts due to related companies and finance lease obligation, less cash and cash equivalents. Capital includes equity attributable to owners of the Group.

The gearing ratios as at 31 August 2015, 31 August 2016 and 31 May 2017 were as follows:

	As at 31 August		As at 31 May
	2015	2016	2017
	RM'000	RM'000	RM'000
Trade and other payables	16,886	18,970	24,035
Bank borrowings	30,206	36,121	47,938
Amounts due to related companies	21,049	18,032	14,338
Finance lease obligations	1,131	873	3,358
Less: Cash and cash equivalents	(2,060)	(4,032)	(6,389)
Net debts	67,212	69,964	83,280
Equity attributable to owners of the Company	25,028	31,985	38,616
Capital and net debts	92,240	101,949	121,896
Gearing ratio	73%	69%	68%

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the Track Record Period.

40. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Major non-cash transactions

For the years ended 31 August 2015, 31 August 2016 and 31 May 2017, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of leases of RM377,000, RMNil and RM3,270,000, respectively.

41. EVENTS AFTER THE REPORTING DATE

As part of the Reorganisation as mentioned in Note 2, the Group disposed of its subsidiaries Linocraft Printers (Singapore) Pte. Ltd. and Linocraft Packaging Zhuhai Pte. Ltd. which were dormant during the Track Record Period.

As part of the Reorganisation as mentioned in Note 2, Stan Cam Holdings Limited had subscribed shares in Linocraft International at a consideration of HK\$12,000,000. In the event that the listing of shares of the Company does not materialise or by no later than 31 December 2018, Mr. Ong Yoong Nyock and Mr. Tan Woon Choy shall repurchase the shares.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of 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 Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant 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 Accountant's Report set forth in Appendix I to this prospectus.



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**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET
TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the net tangible assets of the Group as at 31 May 2017 as if the Share Offer had taken place on 31 May 2017.

This unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 May 2017 or at any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared based on the combined net tangible assets of the Group as at 31 May 2017 as shown in the Accountant's Report set out in Appendix I to this prospectus, and adjusted as follows:

	Combined net tangible assets of the Group as at 31 May 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share	
	RM'000 (Note 1)	RM'000 (Note 2)	RM'000	RM (Note 3)	HK\$ (Note 4)
Based on the Offer Price of HK\$0.25 per Share	38,616	20,222	58,838	0.07	0.13
Based on the Offer Price of HK\$0.40 per Share	38,616	36,850	75,466	0.09	0.17

Notes:

- (1) The combined net tangible assets of the Group as at 31 May 2017 is extracted from the Accountant's Report set out in Appendix I to this prospectus.
- (2) A total of 200,000,000 Offer Shares representing 25% of 800,000,000 Shares expected to be in issue immediately following the completion of the Share Offer and the Capitalisation Issue and upon Listing. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.25 per Share or HK\$0.40 per Share, after deduction of the underwriting fees and related expenses (excluding listing expenses which has been accounted for prior to 31 May 2017) payable by the Company.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated based on 800,000,000 Shares expected to be in issue immediately following the completion of the Share Offer but takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group per Share are converted from Malaysian Ringgit to Hong Kong dollars at the rate of RM1.00 to HK\$1.8041. No representation is made that the amounts in Malaysian ringgit have been, could have been or could be converted into Hong Kong dollars, or vice versa, at the rate or at any other rates or at all. The amount has been rounded to the nearest thousand to conform to the presentation format of this prospectus.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2017.

**(B) INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Linocraft Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Linocraft Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Company as at 31 May 2017 and related notes as set out on pages II-1 to II-2 of Appendix II of the Company’s prospectus dated 31 August 2017 (the “Prospectus”) in connection with the proposed initial public offering of the shares of the Company (the “Share Offer”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Company’s combined financial position as at 31 May 2017 as if the Share Offer had taken place at 31 May 2017. As part of this process, information about the Company’s combined financial position has been extracted by the directors of the Company from the Company’s financial information for the 9 months period ended 31 May 2017, on which an accountant’s report set out in Appendix I of the Prospectus has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited 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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited 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 unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 May 2017 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

BDO Limited*Certified Public Accountants*

Hong Kong

31 August 2017

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from Nawawi Tie Leung Property Consultants Sdn Bhd (“NTL”), an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 30 June 2017.



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165 Jalan Ampang
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Malaysia

The Directors
Linocraft Holdings Limited
Lot 1769, Jalan Belati, Off Jalan Kempas Lama
Taman Perindustrian Maju Jaya
81300 Johor Bahru
Johor Darul Takzim
Malaysia

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value the properties held Linocraft Holdings Limited (referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in Malaysia (as more particularly described in the valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as at 30 June 2017 (the “Valuation Date”).

DEFINITION OF MARKET VALUE

Our valuations of each of the properties represent its Market Value. The definition of Market Value adopted in Malaysian Valuation Standards Fifth Edition 2015 issued by the Board of Valuers, Appraisers and Estate Agents Malaysia (“BOAVEA”) follows the International Valuation Standards published by the International Valuation Standards Council (“IVSC”). Market Value is defined by the IVSC as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION BASIS AND ASSUMPTIONS

In valuing the properties, we have complied with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited published by The Stock Exchange of the Hong Kong Limited and The Malaysian Valuation Standards Fifth Edition 2015 issued by BOAVEA, the International Valuation Standards published by the IVSC RICS-Valuation Standards (the “Red Book”) of the Royal Institution of Chartered Surveyors (“RICS”) 9th Edition 2014.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in Malaysia, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its Malaysia legal advisor, Jeff Leong, Poon & Wong, regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in Malaysia, the status of titles and grant of major certificates approvals and licences, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

METHOD OF VALUATION

In valuing the property 1 (a single storey detached factory warehouse with an annexed double storey office building known as Block A & B bearing postal address Lot No. PTD 62998, Jalan Belati, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Takzim) and property 2 (a single storey detached factory warehouse with an annexed double storey office building known as Block C & D bearing postal address Lot No. PTD 62997, Jalan Belati, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Takzim), which is held and occupied by the Group in Malaysia, we have used the Depreciated Replacement Cost Approach due to the special nature of buildings that there is no readily identifiable market sale comparable and the building cannot be valued by comparable market transactions. The Depreciated Replacement Cost Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. The Depreciated

Replacement Cost Approach generally furnishes the most reliable indication of value of property in the absence of a known market based on comparable sales. In arriving at our opinion of the Market Value of the land, we have valued it by Direct Comparison Approach by making reference to the comparable sale evidences in the relevant locality. The Depreciated Replacement Cost is subject to adequate potential profitability of the business.

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in Malaysia and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in Malaysia and extracted details of the titles particulars from private searches conducted at the relevant local land offices in respect of the properties. Besides, we are relied on the advice given by the Group's Malaysia legal advisor regarding the Group's interests in Malaysia properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

SITE INSPECTION

Our NTL valuer, Mr. Daniel Ma Jen Yi (BOAVEA Registered No. V-759 & RICS Registration No 6392087) has inspected the exterior and, whenever possible, the interior of the properties in Malaysia in 9 March 2017. Mr. Daniel Ma Jen Yi is a member of Royal Institution of Chartered Surveyors ("RICS") and has about 20 years' experience in property industry. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot,

infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all money amounts indicated in our valuations in Malaysia are Ringgit Malaysia (“RM”), which is the official currency of Malaysia. At the date of our valuation, the currency exchange rate is RM1.00 = HKD1.82.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
Nawawi Tie Leung
Property Consultants Sdn Bhd
(Formerly known as DTZ Nawawi
Tie Leung Property Consultants
Sdn Bhd)

Daniel Ma Jen Yi
Director
Registered Valuer (V-759)
B.BUS (AUS)
MRISM, MRICS

Note: Mr. Daniel Ma Jen Yi is a Director of Nawawi Tie Leung Property Consultants Sdn Bhd and a Registered Valuer who has over 20 years of experience in the valuation of properties in Malaysia.

SUMMARY OF VALUATIONS

Properties held and occupied by the Group in Malaysia

Property	Market Value in existing state as at 30 June 2017	Interest Attributable to the Group	Market Value in existing state attributable to the Group as at 30 June 2017
	(RM/HKD)	(%)	(RM/HKD)
1 A single storey detached factory warehouse with an annexed double storey office building known as Block A & B bearing postal address Lot No. PTD 62998, Jalan Belati, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Takzim	22,100,000/ 40,175,590	100	22,100,000/ 40,175,590
2 A single storey detached factory warehouse with an annexed double storey office building known as Block C & D bearing postal address Lot No. PTD 62997, Jalan Belati, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Takzim	37,800,000/ 68,716,620	100	37,800,000/ 68,716,620
Grand Total:	59,900,000/ 108,892,210		59,900,000/ 108,892,210

VALUATION CERTIFICATE

Properties held and occupied by the Group in Malaysia

Property		Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 June 2017												
1	A single storey detached factory warehouse with an annexed double storey office building known as Block A & B bearing postal address Lot No. PTD 62998, Jalan Belati, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Takzim	The property comprises a single storey detached factory warehouse with an annexed double storey office building erected on a parcel of land with a total land area of approximately 20,233.62 sq.m. The industrial premises completed in 1992. The industrial premises comprise warehouse, office building and miscellaneous structures. The property has an approximate total gross floor area with details as follows: <table><tr><th>Use</th><th>Approximate gross floor area (sq.m.)</th></tr><tr><td>Warehouse</td><td>8,292.34</td></tr><tr><td>Warehouse (Open Area)</td><td>1,224.00</td></tr><tr><td>Office</td><td>1,939.80</td></tr><tr><td>Miscellaneous structures</td><td>145.13</td></tr><tr><td>Total</td><td>11,601.27</td></tr></table> The property is held with land use rights for a freehold interest.	Use	Approximate gross floor area (sq.m.)	Warehouse	8,292.34	Warehouse (Open Area)	1,224.00	Office	1,939.80	Miscellaneous structures	145.13	Total	11,601.27	The property is occupied by the Group as manufacturing and office use.	RM22,100,000/ HKD40,175,590 (100% interest attributable to the Group: RM22,100,000/ HKD40,175,590
Use	Approximate gross floor area (sq.m.)															
Warehouse	8,292.34															
Warehouse (Open Area)	1,224.00															
Office	1,939.80															
Miscellaneous structures	145.13															
Total	11,601.27															

Notes:

- (1) According to the individual land title held under HSD 196858, PTD 62998, Mukim of Tebrau, District of Johor Bahru, State of Johor issued by local land office of Pejabat Tanah Dan Galian Johor on 26 May 1992, have been vested in Linocraft Printers Sdn Bhd.
- (2) Vide a photocopy of the Sale and Purchase Agreement ("SPA") dated 21 November 2001 made between Trans-Crest Sdn Bhd (Vendor) and Linocraft Printers Sdn Bhd (Purchaser) for the purchase consideration of RM14,500,000.

- (3) A title search conducted at local land office of Pejabat Tanah Dan Galian Johor on 06 March 2017, and the salient details are as follows:

<u>Title No./ Lot No.</u>	<u>Date of Issue</u>	<u>Category of Land Use</u>	<u>Tenure</u>	<u>Land area (sq.m.)</u>
HSD 196858, PTD 62998	26 May 1992	Industrial	Freehold	20,233.62

- (4) According to Certificate of Fitness for Occupation (“CFO”) bearing Reference No. PDJB 40/2/4 (25) and approved building plan bearing Reference No. PDJB 40/2/4 (19) issued by local authority of Pejabat Daerah Johor Bahru (“PDJB”) dated 14 May 1992, the building is fully completed and fit for occupation. We noted that the main office of the subject property has been extended to accommodate a larger office area. However, we were not provided with any letter of approval for the extension from the relevant authority and as such, we have disregarded the extension from our valuation.
- (5) According to the Business and Advertisement Licence Account No. L2002LI00377 issued by Majlis Bandaraya Johor Bahru (“MBJB”) dated 01 January 2017 to Linocraft Printers Sdn Bhd, the property is occupied for carrying out printing and advertisement activities, which is valid from 01 January 2017 to 31 December 2017.
- (6) We have been provided with a Legal Opinion on the property prepared by the Group’s Malaysia legal advisor, Jeff Leong, Poon & Wong which contains, among other things, the following information:
- (i) The registered proprietor is Linocraft Printers Sdn Bhd;
 - (ii) The express conditions for the subject land is as follow:
 - (a) This land shall be used for factory for the purpose of light industry and other related usage and to be built according to the plan approved by the relevant local authority;
 - (b) All wastes produced by and pollution arising from the carrying out of this activity shall be canceled/disposed to locations as determined by the relevant authority; and
 - (c) All policies and conditions imposed and enforced by the relevant authority shall be complied with.
 - (iii) The land is subject to the following charges created in favour of Public Bank Berhad by Linocraft Printers Sdn Bhd vide Presentation No. 9603/2010 registered on 08 February 2010.
 - (iv) The quit rent for year 2017 and the Assessment Tax for first half of year 2017 in respect of the land indicating that payment being duly made for the year.
- (7) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Land Title	Yes
Sale and Purchase Agreement	Yes
Certificate of Fitness for Occupation	Yes
Approved Building Plan	Yes
Business and Advertisement Licence	Yes

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 June 2017												
2 A single storey detached factory warehouse with an annexed double storey office building known as Block C & D bearing postal address Lot No. PTD 62997, Jalan Belati, Off Jalan Kempas Lama, Taman Perindustrian Maju Jaya, 81300 Johor Bahru, Johor Darul Takzim	The property comprises a single storey detached factory warehouse with an annexed double storey office building erected on a parcel of land with a total land area of approximately 45,482.73 sq.m. The industrial premises completed in 2003. The industrial premises comprise warehouse, office building and miscellaneous structures. The property has an approximate total gross floor area with details as follows:	The property is occupied by the Group as warehousing and office.	RM37,800,000/ HKD68,716,620 (100% interest attributable to the Group: RM37,800,000/ HKD68,716,620)												
	<table><tr><th>Use</th><th>Approximate gross floor area (sq.m.)</th></tr><tr><td>Warehouse</td><td>7,457.10</td></tr><tr><td>Warehouse (Open Area)</td><td>810.00</td></tr><tr><td>Office building</td><td>670.00</td></tr><tr><td>Miscellaneous structures</td><td>446.26</td></tr><tr><td>Total</td><td>9,383.36</td></tr></table>	Use	Approximate gross floor area (sq.m.)	Warehouse	7,457.10	Warehouse (Open Area)	810.00	Office building	670.00	Miscellaneous structures	446.26	Total	9,383.36		
Use	Approximate gross floor area (sq.m.)														
Warehouse	7,457.10														
Warehouse (Open Area)	810.00														
Office building	670.00														
Miscellaneous structures	446.26														
Total	9,383.36														
	The property is held with land use rights for a freehold interest.														

Notes:

- (1) According to the individual land title held under HSD 196857, PTD 62997, Mukim of Tebrau, District of Johor Bahru, State of Johor issued by local land office of Pejabat Tanah Dan Galian Johor on 26 May 1992, have been vested in Linocraft Printers Sdn Bhd.
- (2) Vide a photocopy of the SPA dated 30 August 2010 made between MP Tech Plastic Products Sdn Bhd (In Liquidation) (Vendor) and Linocraft Printers Sdn Bhd (Purchaser) for the purchase consideration of RM10,900,000.

- (3) A title search conducted at local land office of Pejabat Tanah Dan Galian Johor on 06 March 2017, and the salient details are as follows:

<u>Title No./ Lot No.</u>	<u>Date of Issue</u>	<u>Category of Land Use</u>	<u>Tenure</u>	<u>Land area (sq.m.)</u>

HSD 196857, PTD 62997	26 May 1992	Industrial	Freehold	45,482.73

- (4) According to CFO bearing Reference No. MBBJ (PB) 16/99 issued by local authority of MBBJ dated 11 November 2003, the building is fully completed and fit for occupation.
- (5) Vide an approved amended building plan bearing Reference Plan No. 266/2013 which has been approved by MBBJ dated 17 April 2013.
- (6) According to the Business and Advertisement Licence Account No. L2002LI00377 issued by MBBJ dated 01 January 2017 to Linocraft Printers Sdn Bhd, the property is occupied for carrying out printing and advertisement activities, which is valid from 01 January 2017 to 31 December 2017.
- (7) We have been provided with a Legal Opinion on the property prepared by the Group's Malaysia legal advisor, Jeff Leong, Poon & Wong which contains, among other things, the following information:
- (i) The registered proprietor is Linocraft Printers Sdn Bhd;
 - (ii) The express conditions for the subject land is as follow:
 - (a) This land shall be used for factory for the purpose of light industry and other related usage and to be built according to the plan approved by the relevant local authority;
 - (b) All wastes produced by and pollution arising from the carrying out of this activity shall be canceled/disposed to locations as determined by the relevant authority; and
 - (c) All policies and conditions imposed and enforced by the relevant authority shall be complied with.
 - (iii) The land is subject to the following charges created in favour of AmBank(M) Berhad by Linocraft Printers Sdn Bhd:
 - Vide Presentation No. 22198/2016 registered on 05 April 2016; and
 - Vide Presentation No. 99254/2010 registered on 28 December 2010;
 - (iv) The quit rent for year 2017 and the Assessment Tax for first half of year 2017 in respect of the land indicating that payment being duly made for the year.
- (8) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Land Title	Yes
Sale and Purchase Agreement	Yes
Certificate of Fitness for Occupation	Yes
Approved Amended Building Plan	Yes
Business and Advertisement Licence	Yes

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 April 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 25 August, 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (aa) increase its share capital by the creation of new shares;
- (bb) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (cc) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (dd) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (ee) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the

opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also

cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll 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 in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange or placing it on the Company's website or the website of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors

may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different

classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of

shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 9 May, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings

to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 April 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 May 2017. We have established a place of business in Hong Kong at 5705, The Center, 99 Queen's Road Central, Central, Hong Kong. Mr. Lam Wing Tai who resides at 31G, Block 8, Sceneway Garden, Lam Tin, Kowloon, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Change in share capital

Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each. On 13 April 2017, one subscriber Share was transferred to Mr. Andrew Tan.

On 25 August 2017, our Company increased its authorised share capital from HK\$380,000 to HK\$50,000,000 divided into 5,000,000,000 ordinary Shares with a par value of HK\$0.01 each.

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised), the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid and 4,200,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed “3. Resolutions in writing of our Shareholders passed on 25 August 2017” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 25 August 2017

Pursuant to the written resolutions passed by our Shareholders on 25 August 2017:

- (i) we approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;
- (ii) the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 Shares;

- (iii) we approved and adopted the Memorandum of Association with immediate effect;
- (iv) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option); (ii) the entering into of the Price Determination Agreement among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (a) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;
 - (b) the Offer Size Adjustment Option was approved; and
 - (c) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$5,999,999.55 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,999,955 Shares, such Shares to be allotted and issued to our Shareholders as of the date of the passing of the resolution on a pro rata basis.
- (v) a general unconditional 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 pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised), such mandate to remain in effect 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 to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (vi) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange of which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the number of Shares in issue immediately

following completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised), such mandate to remain in effect 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 to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and

- (vii) the general unconditional mandate mentioned in paragraph (e) above was extended 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 such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above provided that such number of Shares shall not exceed 10% of the total number of Shares in issue immediately following the completion of the Share Offer and Capitalisation Issue assuming the Offer Size Adjustment Option is not exercised).

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed “History, Development and Corporate Structure” in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountant’s Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report and in the section headed “History, Development and Corporate Structure” in this prospectus, our Company has no other subsidiaries.

Save as for the changes as mentioned in the section headed “History, Development and Corporate Structure” in this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

6. Buy backs of our Shares

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on the GEM Board of Stock Exchange to buy back their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders’ approval*

All proposed buy backs of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolution passed by our Shareholders on 25 August 2017, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising the buy back of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time 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 an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Buy backs must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. 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 in effect from time to time.

(b) *Reasons for buy backs*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to buy back Shares in the market. Buy backs of Shares will only be made when our Directors believe that such buy backs will benefit our Company and our members. Such buy backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In buying back securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any buy back of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the buy back and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company. Subject to the satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be made out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 800,000,000 Shares in issue immediately after the listing of the Shares (but not taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), could accordingly result in up to 80,000,000 Shares being bought back by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities buy back pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory place in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Share Offer and the Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised), the total number of Shares which will be bought back pursuant to the Buyback Mandate shall be 80,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). Any buy back of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the GEM Listing Rules requirements regarding the public float under Rule 11.23 of the GEM

Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the GEM Listing Rules.

B. INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by any of us and our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the sale and purchase agreement (pinetree marina resort) dated 14 March 2016 entered into between Linocraft Malaysia and Terminal Perintis Sdn. Bhd. relating to the purchase of a unit of a service apartment and a carpark bay by Linocraft Malaysia from Terminal Perintis Sdn. Bhd. at a consideration of RM3,370,600;
- (b) the sale and purchase agreement (pinetree marina resort) dated 14 March 2016 entered into between Linocraft Malaysia and Terminal Perintis Sdn. Bhd. relating to the purchase of a unit of a service apartment and a carpark bay by Linocraft Malaysia from Terminal Perintis Sdn. Bhd. at a consideration of RM1,565,325;
- (c) the subscription agreement dated 27 February 2017 entered into among Stan Cam, Linocraft International, Mr. Ong and Mr. Andrew Tan relating to the subscription of 2,000 shares in Linocraft International by Stan Cam at a consideration of HK\$12,000,000;
- (d) the supplemental agreement dated 21 April 2017 entered into among Stan Cam, Linocraft International, Mr. Ong and Mr. Andrew Tan relating to the subscription agreement referred to in paragraph (c) above;
- (e) the tri-partite agreement dated 9 August 2017 entered into among Linocraft International, Linocraft Investment, Charlecote Sdn Bhd, Mr. Andrew Tan, Mr. Ong and PH Cheng Sdn Bhd relating to (i) the acquisition of 2,000,000 shares in Linocraft Malaysia (the “sales shares”), representing the entire issued share capital of Linocraft Malaysia, by Linocraft International from Charlecote Sdn Bhd, Mr. Andrew Tan, Mr. Ong and PH Cheng Sdn Bhd at a consideration of HK\$60,000,000, payable by Linocraft Investment on behalf of Linocraft International, with Linocraft Group as nominated transferee of the sales shares; and (ii) the settlement of a promissory note of HK\$60,000,000 issued by Linocraft Investment to Linocraft International dated 21 April 2017;
- (f) the Deed of Indemnity;
- (g) the Deed of Non-competition; and
- (h) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

Domain name

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name which, in opinion of our Directors, is material to our business:

<u>Domain name</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
linocraftprinters.com	26 April 2001	26 April 2018

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests — interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

(i) *Interests in our Company*

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Mr. Ong ⁽²⁾	Interest of a controlled corporation	480,000,000(L)	60%

Notes:

- (1) The letter “L” denotes long position in the Shares.
- (2) Mr. Ong beneficially owns 50% of Charlecote Sdn. Bhd., which in turn owns 70% of the issued share capital of Linocraft Investment. Linocraft Investment owns 60% of the issued share capital of our Company. By virtue of the SFO, Mr. Ong is deemed to be interested in the Shares held by Linocraft Investment.

(ii) *Interests in associated corporation of our Company*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Ong ⁽¹⁾	Linocraft Investment	Beneficial owner and interest of a controlled corporation	8,050	80.5%
	Charlecote Sdn. Bhd.	Beneficial owner	2	100%
Mr. Andrew Tan	Linocraft Investment	Beneficial owner	1,681	16.8%

Note:

- (1) Charlecote Sdn. Bhd., which holds 70% of Linocraft Investment, is held as to 50% by Mr. Ong and 50% by Mrs. Ong. By virtue of the SFO, Mr. Ong is deemed to be interested in all the shares in Charlecote Sdn. Bhd. and the shares of Linocraft Investment held by Charlecote Sdn. Bhd..

Save as disclosed above, none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (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 or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once the Shares are listed.

(b) *Particulars of service contracts and letters of appointment*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other.

(c) *Directors' remuneration*

Each of our executive Directors is entitled to a director's fee and shall be paid a remuneration on the basis of a twelve-month year. The aggregate amount of emoluments including salaries, allowances, other benefits and contribution to retirement benefit schemes paid to our Directors for the years ended 31 August 2015, 2016 and the nine months ended 31 May 2017 were approximately RM605,000, RM957,000 and RM977,000, respectively. For details, please refer to note 12 of the Accountant's Report set out in Appendix I to this prospectus.

Our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of HK\$240,000 per annum to each of our independent non-executive Directors.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind) of our Directors for the year ending 31 August 2017 is estimated to be approximately RM1.3 million.

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed "C. Further information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of Service Contracts and Letters of Appointment" in this Appendix.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue assuming that the Offer Size Adjustment Option is not exercised, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Interests in Shares ⁽¹⁾	Approximate percentage of shareholding
Linocraft Investment	Beneficial owner	480,000,000(L)	60%
Charlecote Sdn. Bhd. ⁽²⁾	Interest of controlled corporation	480,000,000(L)	60%
Mrs. Ong ⁽³⁾	Interest of spouse	480,000,000(L)	60%
Stan Cam	Beneficial owner	120,000,000(L)	15%
Ralexi Investment Holdings Limited ⁽⁴⁾	Interest of controlled corporation	120,000,000(L)	15%
Mr. Gan ⁽⁵⁾	Interest of controlled corporation	120,000,000(L)	15%
Mrs. Amy Ong Lai Fong ⁽⁶⁾	Interest of spouse	120,000,000(L)	15%

Notes:

- (1) The letter "L" denotes long position in the Shares.
- (2) Charlecote Sdn. Bhd. holds 70% of the issued share capital of Linocraft Investment, which in turn owns 60% of our Company. By virtue of the SFO, Charlecote Sdn. Bhd. is deemed to be interested in the Shares held by Linocraft Investment.
- (3) Mrs. Ong is the spouse of Mr. Ong. By virtue of the SFO, Mrs. Ong is deemed to be interested in the Shares held by Charlecote Sdn. Bhd. and Mr. Ong.
- (4) Stan Cam is owned as to 75% by Ralexi Investment Holdings Limited. By virtue of the SFO, Ralexi Investment Holdings Limited is deemed to be interested in the Shares held by Stan Cam.

- (5) Stan Cam is owned as to 75% by Ralex Investment Holdings Limited. Ralex Investment Holdings Limited is wholly-owned by Mr. Gan. By virtue of the SFO, Mr. Gan is deemed to be interested in the Shares held by Stan Cam.
- (6) Mrs. Amy Ong Lai Fong is the spouse of Mr. Gan. By virtue of the SFO, she is deemed to be interested in the Shares held by Mr. Gan.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed herein:

- (i) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (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 or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once the Shares are listed;
- (ii) none of our Directors or experts referred to under the heading “D. Other Information — Qualification of Experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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;
- (iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (iv) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (v) taking no account of Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be

disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the voting shares of any member of our Group;

- (vi) none of the experts referred to under the paragraph headed “D. Other Information — 8. Consents of Experts” in this Appendix 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; and
- (vii) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders entered into a deed of indemnity in favour of our Company (for itself and as trustee for its present subsidiaries) (being the contract referred to in the paragraph headed “B. Information about the Business — 1. Summary of Material Contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Share Offer becomes unconditional.

2. Litigation

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

3. Sponsor

The Sponsor has made an application on our behalf to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Offer Size Adjustment Option).

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sponsor’s fees are HK\$3.9 million and are payable by our Company.

4. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately US\$5,460.

5. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

6. Taxation of holders of Shares**(a) *Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares except where our Company holds interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

<u>Name</u>	<u>Qualifications</u>
Ample Capital Limited	Licensed corporation to carry on types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) as defined under the SFO
BDO Limited	Certified public accountants
Conyers Dill & Pearman	Legal advisers to our Company as to the laws of the Cayman Islands
Jeff Leong, Poon & Wong	Legal advisers to our Company as to the laws of Malaysia
Cruz Marcelo & Tenefrancia	Legal advisers to our Company as to the laws of Philippines
Ipsos Sdn. Bhd.	Industry consultant
Nawawi Tie Leung Property Consultants Sdn Bhd (Formerly known as DTZ Nawawi Tie Leung Property Consultants Sdn Bhd)	Property valuer

8. Consents of experts

Each of the experts named in paragraph 7 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

9. Interests of experts in our Company

None of the persons named in paragraph 7 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of 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.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or 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, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2017 (being the date to which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) our Directors have been advised that under the Companies Law the use of a Chinese name by our Company does not contravene the Companies Law; and
- (i) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 8. Consents of Experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Information about the Business — 1. Summary of Material Contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin, at 39/F, Two International Finance Centre, 8 Finance 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 Memorandum and Articles of Association of our Company;
- (b) the Accountant’s Report of our Group prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the two years ended 31 August 2016 and the nine months ended 31 May 2017;
- (d) the report from BDO Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising the constitution of our Company and certain aspects of Cayman Islands company law referred to the section headed “Summary of the constitution of the Company and the Cayman Islands company law” in Appendix IV to this prospectus;
- (f) the legal opinion issued by Jeff Leong, Poon & Wong, the Malaysia Legal Advisers, in respect of salient Malaysian legal and regulatory provisions and licensing requirements that have a material impact on our Group’s business operations;
- (g) the legal opinion issued by Cruz Marcelo & Tenefrancia, the Philippines Legal Advisers, in respect of the laws of Philippines;
- (h) the Companies Law;

- (i) the material contracts referred to in the section headed “Statutory and General Information — B. Information about the Business — 1. Summary of Material Contracts” in Appendix V to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 8. Consents of Experts” in Appendix V to this prospectus;
- (k) the service contracts with each of our Directors referred to in the section headed “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of Service Contracts and Letters of Appointment” in Appendix V to this prospectus;
- (l) the Ipsos Report; and
- (m) the property valuation report prepared by Nawawi Tie Property Consultants Sdn Bhd (Formerly known as DTZ Nawawi Tie Leung Property Consultants Sdn Bhd).

