



China Print Power Group Limited

中國威力印刷集團有限公司

(incorporated in Bermuda with limited liability)

Stock Code : 6828

PLACING AND PUBLIC OFFER

Joint Sponsors



Yuanta
Securities (Hong Kong)



VC CAPITAL LIMITED
滙盈融資有限公司

Sole Bookrunner and Lead Manager



VC BROKERAGE LIMITED
滙盈證券有限公司

IMPORTANT

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



China Print Power Group Limited

中國威力印刷集團有限公司

(incorporated in Bermuda with limited liability)

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

Number of Offer Shares	:	39,000,000 Shares comprising 30,000,000 New Shares and 9,000,000 Sale Shares
Number of Public Offer Shares	:	3,900,000 New Shares (subject to re-allocation)
Number of Placing Shares	:	35,100,000 Shares comprising 26,100,000 New Shares and 9,000,000 Sale Shares (subject to re-allocation)
Offer Price	:	Not more than HK\$1.56 per Offer Share and expected to be not less than HK\$1.36 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.55 per Share
Stock code	:	6828

Joint Sponsors



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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" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. A copy of this prospectus has been delivered to the Registrar of Companies in Bermuda for filing as required by the Bermuda Companies Act. The SFC, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on or before 5 July 2011 or such later date as may be agreed between the parties, in any event no later than 8 July 2011. The Offer Price will be not more than HK\$1.56 per Offer Share and is currently expected to be not less than HK\$1.36 per Offer Share, unless otherwise announced. Investors applying for the Offer Shares must pay, on application, the maximum Offer Price of HK\$1.56 for each Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.56.

If, for any reason, the Offer Price is not agreed on or before 8 July 2011 between our Company (for itself and on behalf of the Selling Shareholder) and the Lead Manager (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

The obligations of the Underwriters under the Underwriting Agreements to subscribe for, and/or to procure applicants for the subscription for, the Offer Shares, are subject to termination by the Lead Manager (for itself and on behalf of the Underwriters), if certain events occur prior to 8:00 a.m. (Hong Kong time) on the day that trading in the Shares commences on the Stock Exchange. Such events are set out in the paragraph headed "Grounds for termination" under the section headed "Underwriting" of this prospectus. It is important that you refer to that section for further details.

EXPECTED TIMETABLE⁽¹⁾

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Our Company will publish an announcement in The Standard (in English) and Hong Kong Economic Times (in Chinese), and on our website at www.powerprinting.com.hk and the website of the Stock Exchange at www.hkexnews.hk, if there is any change in the following expected timetable of the Public Offer.

2011

Application lists of the Public Offer open ⁽²⁾	11:45 a.m. 4 July
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon 4 July
Latest time for giving electronic application instructions to HKSCC via CCASS ⁽³⁾	12:00 noon 4 July
Application lists of the Public Offer close	12:00 noon 4 July
Expected Price Determination Date ⁽⁴⁾	5 July
Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer, the basis of allotment of the Public Offer Shares under the Public Offer to be published (i) in The Standard (in English) and Hong Kong Economic Times (in Chinese), and (ii) on our Company's website at www.powerprinting.com.hk and the Stock Exchange's website at www.hkexnews.hk on or before	11 July
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares" of this prospectus	11 July
Results of allocations in the Public Offer to be available at www.tricor.com.hk/ipo/result with a "search by ID" function	11 July
Despatch of share certificates and refund cheques (if applicable) in respect of wholly or partially unsuccessful application and deposit of share certificates into CCASS on or before ^{(5), (6) & (7)}	11 July
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	12 July

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
- (2) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 4 July 2011, the application lists will not open or close on that day. Please refer to the paragraph headed “Effect of bad weather on the opening and closing of the application lists” under the section headed “How to apply for the Public Offer Shares” of this prospectus for further information.
- (3) Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply by giving **electronic application instructions** to HKSCC” under the section headed “How to apply for the Public Offer Shares” of this prospectus for further information.
- (4) The Price Determination Date is expected to be on or about 5 July 2011 and, in any event, not later than 8 July 2011. If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Lead Manager (for itself and on behalf of the Underwriters) by 8 July 2011, the Share Offer will not proceed and will lapse.
- (5) Share certificates for the Offer Shares are expected to be issued on or before 11 July 2011 but will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their respective terms, our Company will make an announcement as soon as possible.
- (6) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have indicated in their Application Forms that they wish to collect any refund cheques and/or share certificates in person, may do so and collect their refund cheques and/or share certificates from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, between 9:00 a.m. to 1:00 p.m. on 11 July 2011. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Tricor Investor Services Limited at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates which will be deposited into CCASS for the credit of their designated CCASS participants’ stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply by giving **electronic application instructions** to HKSCC” under the section headed “How to apply for the Public Offer Shares” of this prospectus for details. Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Forms. Further information is set out in the paragraph headed “Despatch/Collection of share certificates and refund of application monies” under the section headed “How to apply for the Public Offer Shares” of this prospectus.

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” of this prospectus.

CONTENTS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Joint Sponsors, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, agents, employees, advisers or affiliates, or any other person or party involved in the Share Offer. Information contained in our Company's website at www.powerprinting.com.hk does not form part of this prospectus.

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SUMMARY

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

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

Prospective investors and/or Shareholders should refer to the paragraph headed "Summary of salient provisions of the laws of Singapore" in Appendix V to this prospectus for details of the salient provisions of the laws of Singapore applicable to the Shareholders in Hong Kong.

Singapore laws and regulations differ in some respects from comparable Hong Kong laws and regulations and prospective investors and/or Shareholders should consult their own legal advisers for specific legal advice concerning their legal obligations in Singapore.

OVERVIEW

Our Group is principally engaged in (i) printing of books; and (ii) manufacturing of specialised products such as pop-up children books and stationery. Our customers include international publishers, book traders and retail stores, and our customer base extends to a wide geographical reach covering Europe, North America and Asia.

PRODUCTS

Our products consist of two main segments: (A) books; and (B) specialised products.

The following table illustrates the breakdown of our revenue by products during the Track Record Period:

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Book products	153,225	58.0	147,332	69.2	110,861	55.0
Specialised products	<u>110,980</u>	42.0	<u>65,630</u>	30.8	<u>90,816</u>	45.0
Total	<u>264,205</u>	100.0	<u>212,962</u>	100.0	<u>201,677</u>	100.0

(A) Books

We provide a full suite of services including pre-printing (including colour separation and creating ozalids), printing and post-printing services (including folding, collating, finishing and binding). Examples of our book products include medical reference books and children's story and activity books.

(B) Specialised products

We also engage in the production of specialised products, which includes the production of custom-made and value-added printing products. Currently, our specialised products include (i) value-added paper products such as pop-up children books, board books, greeting cards, post cards, journals,

calendars, diaries, paper bags, stationery, puzzles, photograph albums; and (ii) leather and fabric products such as organisers with leather or fabric covers, packaging boxes for gifts, desktop stationery sets, leather-bound journals and diaries, and products with materials other than paper.

Some of these specialised products are designed by us according to the prevailing trends in the market as well as our own creative designs. We also produce custom-made or value-added products proposed by our customers. For the three years ended 31 December 2010, approximately 0.1%, 0.1% and 1.7% respectively of the sales of our specialised products involved our in-house design and approximately 1.3%, nil and nil respectively of the sales of our specialised products were jointly designed by our customers and us. For the rest of our specialised products which were mainly value-added paper products such as pop-up children books and board books, their designs were provided by the respective customers.

BUSINESS MODEL

Sales and Marketing

Power Printing (HK) and Carta, our wholly-owned subsidiaries, are generally the sales and marketing arms of our Group and are responsible for identifying new business opportunities and establishing and maintaining relationships with our current customers and potential new customers.

Our customers usually approach us with sale enquiries for particular orders that they require. Depending on the nature of the enquiries, our sales team will work together with the respective production director and our procurement, management and control department and provide our customers with quotations for the estimated prices of the orders and the expected delivery dates. Our quotations are negotiated on an order-by-order basis. Generally, we set our selling prices of products primarily based on (i) the estimated material and labour costs; (ii) the quantity of products to be produced; and (iii) the business relationship with the respective customers, and also taking into consideration of factors such as the payment method, the required delivery time and the possible quotation of potential competitors.

Overseas and Hong Kong customers place orders to Power Printing (HK) or Carta. Power Printing (HK) is responsible for customers whose purchase orders involve mainly (i) printing of books and (ii) manufacturing of specialised paper products; whereas Carta is responsible for customers whose purchase orders involve mainly manufacturing of specialised leather/fabric products.

For our PRC customers, their purchase orders are handled by Power Printing (He Yuan), a wholly-owned subsidiary of our Group. Such orders involve mainly manufacturing of (i) specialised paper products and (ii) specialised leather/fabric products.

In addition, we may work with third party sales agents to leverage on their network of customers. We pay commission fee to such sales agents for their referral of business. Our business relationship with such sales agents are generally on a job-by-job basis.

Procurement

Upon the customer's acceptance of our quotation, we will assess the type and amount of raw materials that are required for the order. The raw materials will generally be procured either by Power Printing (HK) for He Yuan Factory to process under the He Yuan Processing Arrangement or by Power Printing (He Yuan) for its own production.

Occasionally, our customers may supply raw materials purchased by themselves to us for processing their purchase orders.

SUMMARY

Production Process

The production process of our products is mainly carried out either by He Yuan Factory under the He Yuan Processing Arrangement or by our own subsidiary, Power Printing (He Yuan).

The processing processes conducted by He Yuan Factory consist of pre-printing, printing and post-printing processes while the processing process conducted by Power Printing (He Yuan) consists of post-printing process, in particular relating to leather/fabric handworks. Since the purchase orders from customers handled by Power Printing (HK) generally involve printing processes, such purchase orders are normally assigned to He Yuan Factory for processing; and as purchase orders from customers handled by Carta involve mainly manufacturing of specialised leather/fabric products, such purchase orders are normally assigned to Power Printing (He Yuan) for production.

For some specialised products the production of which involves both printing process to be conducted by He Yuan Factory and post-printing process to be conducted by Power Printing (He Yuan), upon completion of the printing process conducted in He Yuan Factory, the semi-products are exported and re-imported to Power Printing (He Yuan) with proper customs clearance and permits for further post-printing processing in Power Printing (He Yuan).

The finished products are either exported to our Hong Kong subsidiaries, Power Printing (HK) or Carta, for delivery to overseas and Hong Kong markets, or directly delivered by our PRC subsidiary, Power Printing (He Yuan), to PRC market.

The printing licence of He Yuan Factory allows our Group, via He Yuan Factory, to manufacture offshore printing products for Hong Kong and overseas customers under the He Yuan Processing Arrangement; whereas the printing licence of Power Printing (He Yuan) allows our Group, via our PRC subsidiary, Power Printing (He Yuan), to manufacture non-publication specialised products for Hong Kong, overseas and PRC customers. Our PRC legal advisers advised that, as each of He Yuan Factory and Power Printing (He Yuan) manufactures printing products in accordance with the capacities granted under the respective printing licence, we have not committed and do not commit any breach of the 2001 Regulation or the 2002 Interim Regulation.

HE YUAN PROCESSING ARRANGEMENT

Pursuant to the He Yuan Processing Arrangement, Power Printing (HK) is responsible for, amongst other things, providing equipment and materials to the He Yuan Factory, whereas the He Yuan Factory is responsible for the manpower for processing, the manufacture and delivery of the products in a timely manner to facilitate Power Printing (HK)'s business operation.

Pursuant to a supplemental agreement dated 30 March 2009 regarding the He Yuan Processing Arrangement, the term of the He Yuan Processing Arrangement has been extended for three years and will expire on 30 March 2012. We normally start the negotiation regarding the renewal of processing arrangements about three to six months prior to the expiry of the processing agreement and accordingly, we intend to negotiate with Xianke and He Yuan Factory regarding the renewal of the He Yuan Processing Arrangement in the fourth quarter in 2011. In view of the stable and long relationship with Xianke and He Yuan Factory, our Directors are currently not aware of any material issue or difficulty that would adversely affect the renewal of the He Yuan Processing Arrangement.

SALES

During the Track Record Period, our Group's turnover was approximately HK\$264.2 million, HK\$213.0 million and HK\$201.7 million, and the profit attributable to owners of our Company was approximately HK\$17.7 million, HK\$19.2 million and HK\$22.0 million, respectively.

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

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Hong Kong	135,541	51.3	104,647	49.1	119,155	59.1
Europe						
– United Kingdom	48,112	18.2	45,551	21.4	30,961	15.4
– Germany	15,263	5.8	11,091	5.2	10,889	5.4
– France	3,956	1.5	3,384	1.6	3,035	1.5
– Others	3,273	1.2	5,840	2.7	3,902	1.9
	70,604	26.7	65,866	30.9	48,787	24.2
North America						
– United States	48,267	18.3	39,922	18.8	31,582	15.7
– Canada	2,023	0.7	–	–	432	0.2
	50,290	19.0	39,922	18.8	32,014	15.9
PRC	–	–	–	–	493	0.2
Other Asian countries						
– Singapore	3,913	1.5	1,272	0.6	917	0.4
– Japan	150	0.1	117	0.1	79	0.1
	4,063	1.6	1,389	0.7	996	0.5
Others ^(Note)	3,707	1.4	1,138	0.5	232	0.1
Total	264,205	100.0	212,962	100.0	201,677	100.0

Note: Others include mainly Australia and New Zealand.

During FY2008, FY2009 and FY2010, Hong Kong has been the largest market of our products and contributed to approximately 51.3%, 49.1% and 59.1% of our revenue respectively. Our revenue generated from Hong Kong decreased from approximately HK\$135.5 million in FY2008, to approximately HK\$104.6 million in FY2009, and rebounded slightly to approximately HK\$119.2 million in FY2010. The decrease in FY2009 as compared to FY2008 was mainly attributable to the downturn of global economy. Following the moderate recovery in economy, our revenue contributed by Hong Kong market recorded a slight increase in FY2010 as some of our Hong Kong customers supplied raw materials purchased by themselves to us for processing their orders, which decreased our sales in absolute amount.

SUMMARY

During the Track Record Period, our total revenue contributed by Europe has decreased from approximately HK\$70.6 million in FY2008 to approximately HK\$65.9 million in FY2009, and further dropped to approximately HK\$48.8 million in FY2010. Meanwhile, our revenue generated from North America has decreased from approximately HK\$50.3 million in FY2008 to approximately HK\$39.9 million in FY2009, and further dropped to approximately HK\$32.0 million in FY2010. The decrease in revenue contributed by both Europe and North America during the Track Record Period was principally attributable to the poor economic condition in both continents, causing the consequential drop on demand for books and specialised products. In addition, in view of the poor economic condition in these continents, our Directors were very prudent for the acceptance of sales orders from customers located in such continents during the Track Record Period.

The gross profit amounted to approximately HK\$63.6 million, HK\$60.9 million and HK\$59.4 million for FY2008, FY2009 and FY2010 respectively, represented the gross profit margin of approximately 24.1%, 28.6% and 29.5%, respectively. The improvement of the gross profit margins was mainly attributable to (i) the increased proportion for processing orders pursuant to which our customers supplied raw materials purchased by themselves to us for processing their sales orders, which lowered our costs of raw materials consumed from approximately HK\$140.8 million in FY2008 to approximately HK\$97.8 million and HK\$88.8 million in FY2009 and FY2010 respectively; (ii) the effort of our Directors to tighten our cost of sales during the Track Record Period by, in particular, decreasing our direct labour force and hence, reducing our direct labour cost from approximately HK\$36.0 million in FY2008 by approximately 15.9% to approximately HK\$30.3 million in FY2009 and further decreased by approximately 2.3% to approximately HK\$29.6 million in FY2010; and (iii) the decreasing depreciation as a result of the combined effect of our adoption of a reducing balance method as our depreciation policy and no material acquisition of plant and machinery after FY2008.

For FY2008, FY2009 and FY2010, approximately 6.4%, 9.9% and 16.5% of our revenue was generated by processing orders from 13, 9 and 8 customers (mainly book traders), which supplied raw materials to us for processing their purchase orders, respectively. Given that such customers can purchase raw materials at lower prices by themselves and our Group can enjoy higher gross profit margins for processing orders, our Directors expected that we would continue to receive such processing orders for which our customers supply raw materials in the future.

COMPETITIVE STRENGTHS

- Our management team has in-depth industry knowledge and experience.
- Our flat management structure enables us to respond to our customers' needs efficiently.
- We are able to meet our customers' needs for custom-made products.
- We have a diverse international customer base with which we enjoy good relationships.
- Our production facility is strategically located in He Yuan, Guangdong Province, PRC.

STRATEGIES

Our future plans for growth and expansion of our business are described below:

- Focus on the children's booklets and stationery
- Establish sales offices for specialised products in the PRC
- Explore new business opportunities for existing products in different markets

SUMMARY OF FINANCIAL INFORMATION

The following table sets forth the consolidated statements of comprehensive income of our Group during the Track Record Period which has been derived from, and should be read in conjunction with, the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 December		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Revenue ¹	264,205	212,962	201,677
Cost of sales	<u>(200,640)</u>	<u>(152,058)</u>	<u>(142,233)</u>
Gross profit	63,565	60,904	59,444
Other income	549	342	2,912
Selling and distribution costs	(12,946)	(9,996)	(8,800)
Administrative expenses	(25,171)	(22,896)	(24,962)
Other operating expenses	(3,928)	(4,104)	(1,801)
Finance costs	<u>(2,217)</u>	<u>(2,613)</u>	<u>(2,051)</u>
Profit before income tax	19,852	21,637	24,742
Income tax expense	<u>(2,193)</u>	<u>(2,417)</u>	<u>(2,730)</u>
Profit for the year and attributable to owners of our Company	<u>17,659</u>	<u>19,220</u>	<u>22,012</u>
Other comprehensive income, including reclassification adjustments			
Available-for-sale investments	(90)	(63)	–
Exchange gain on translation of financial statements of foreign operation	<u>4,652</u>	<u>525</u>	<u>833</u>
Other comprehensive income for the year, including reclassification adjustments and net of tax	<u>4,562</u>	<u>462</u>	<u>833</u>
Total comprehensive income for the year and attributable to owners of our Company	<u>22,221</u>	<u>19,682</u>	<u>22,845</u>
Earnings per share for profit attributable to owners of our Company during the year			
– Basic ² (HK cents)	15.3	16.2	18.0

Notes:

- Revenue represents the invoiced value of provision of printing service and sales of specialised products, less sales returns and discounts for the year.
- The calculation of the basic earnings per Share for the Track Record Period is based on the profit for the year attributable to owners of our Company and on the weighted average number of Shares in issue during the year but takes no account of any Shares which may fall to be allotted and issued under the Share Offer or any Shares which may be issued upon any options that may be granted under the Share Option Scheme.

SUMMARY

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SHARE OFFER STATISTICS

	Based on the maximum indicative Offer Price of HK\$1.56 per Offer Share	Based on the minimum indicative Offer Price of HK\$1.36 per Offer Share
Market capitalisation ⁽¹⁾	HK\$237.4 million	HK\$207.0 million
Unaudited pro forma adjusted net tangible assets value per Share ⁽²⁾	HK\$1.34	HK\$1.31

Notes:

- (1) The calculation of our market capitalisation is based on 152,209,373 Shares in issue immediately after completion of the Share Offer but does not take into account any Shares which may be issued upon any options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" in the section headed "Financial information" of this prospectus and on the basis of 152,209,373 Shares in issue at the maximum indicative Offer Price of HK\$1.56 per Offer Share and the minimum indicative Offer Price of HK\$1.36 per Offer Share, respectively, immediately following completion of the Share Offer but without taking into account any Shares which may be issued or any options that may be granted under the Share Option Scheme.

DIVIDENDS

In determining the form, frequency and amount of future dividends on our Shares in any particular year, we will take into account, among other things, the results of our Group, our level of cash and retained earnings, our results of operations, our capital expenditure requirements, our expansion and/or investment plans and other factors that our Directors may deem appropriate.

In considering dividend payments for the financial years thereafter, our Directors will take into account our current desire to maintain and potentially increase dividend level subject to our objective of maximising shareholder value over longer term and the factors stated above.

The amount of distributable profits is based on IFRSs, the memorandum of association of our Company and Bye-laws, the Bermuda Companies Act, applicable laws and regulations and other factors that are relevant to our Group, including, but not limited to, the consent from certain banks which have credit lines with our Group.

Our Company has declared dividend for the years ended 31 December 2008, 2009 and 2010 amounting to approximately HK\$5.3 million, HK\$2.9 million and HK\$4.4 million respectively. The dividend of approximately HK\$4.4 million for FY2010 has been paid in June 2011. Nevertheless, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

REASONS FOR THE DUAL LISTING AND SHARE OFFER

We were listed on the SGX-ST on 14 May 2007. Whilst our Directors consider that it is important to maintain the Singapore listing, they consider that it would be desirable and beneficial for our Company to have a dual primary listing of the Shares in both Hong Kong and Singapore as our Directors believe that the stock markets in Hong Kong and Singapore attract different investors. The dual listing can provide our Company ready access to two different equity markets if any opportunity arises. It can widen the investor base of our Company. Also, listing on the Stock Exchange may enhance our Company's profile in Hong Kong and the PRC, facilitate investment by investors in Hong Kong, enable our Company to gain access to capital markets in Hong Kong and benefit from our exposure to a wide range of private and institutional investors. Our Directors consider that this is important for our Group's potential future growth and long term development, in particular, our Group's operations are principally located in Hong Kong and the PRC.

USE OF PROCEEDS

The net proceeds from the issue of the New Shares under the Share Offer, after deducting related underwriting fees and estimated expenses payable by us in connection thereto, are estimated to be approximately HK\$31.1 million, assuming an Offer Price of HK\$1.46 per Offer Share (being the mid-point of the proposed Offer Price range of HK\$1.36 to HK\$1.56 per Offer Share).

The Board intends to apply such net proceeds as follows:

- approximately 86% of the net proceeds, or approximately HK\$26.7 million, for the expansion of our production capacity including construction of new workshops;
- approximately 5% of the net proceeds, or approximately HK\$1.6 million, for the expansion of our sale and distribution network and the promotion of our new products; and
- the remaining approximately 9% of the net proceeds, or approximately HK\$2.8 million for the working capital of our Group.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds from the issue of the New Shares under the Share Offer will increase or decrease by approximately HK\$2.9 million respectively. We intend to adjust the net proceeds to the above uses in the proportions stated above.

In the event that the Offer Price is set at below HK\$1.36 per Offer Share, the net proceeds from the issue of the New Shares under the Share Offer will decrease accordingly. Under such circumstances, we intend to apply such net proceeds in the following order: (i) up to HK\$26.7 million for the expansion of our production capacity; and (ii) the remaining balance, if any, to be allocated in proportions stated above for the expansion of our sales and distribution network and for general working capital.

To the extent that the net proceeds from the issue of the New Shares under the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licenced banks and/or financial institutions in Hong Kong.

SUMMARY

Based on the Offer Price of HK\$1.46 per Offer Share (being the mid-point of the proposed Offer Price range of HK\$1.36 to HK\$1.56 per Offer Share), the Selling Shareholder will receive approximately HK\$11.6 million, after deducting underwriting fees and other applicable expenses relating to the Sale Shares payable by the Selling Shareholder.

RISK FACTORS

You should carefully consider the following risks before you make a decision to invest in our Shares. Please refer to the section headed "Risk factors" of this prospectus for further information.

Risks relating to our industry and business

- We are reliant on the He Yuan Processing Arrangement for our production and if the arrangement is terminated, our business operations and financial position will be adversely affected
- We are subject to adverse change in the Hong Kong tax laws or its interpretation regarding apportionment claim of profit in cross-border processing business
- An increase in the price or shortage of paper may erode our profitability and thus affect our financial performance
- We are dependent on the quality of the raw materials supplied by our suppliers
- We are dependent on our executive Directors
- We are exposed to the risk of an appreciation of the RMB against the US\$ or HK\$
- We may not be able to attract and retain suitable employees for our Group
- We are exposed to credit risks of our customers
- We may not be able to meet the delivery schedule of our customers and may experience a loss of revenue
- We are subject to data transfer risks in our production process which may result in discrepancies in our printing products
- We may not be able to secure additional funding to meet our business requirement and we may not be able to implement our future plans
- We are dependent on our major customers
- We are dependent on the demand of our customers as we do not enter into long-term contracts
- We are subject to adverse changes in the political, economic or social conditions in Europe and North America as we rely on the Europe and North America market

- We may be exposed to intellectual property infringement claims by third parties
- We may not be able to register our trademark in Hong Kong
- We may face exposure to product liability claims
- We are subject to seasonal fluctuation in turnover
- We may not be able to sustain our revenue and/or gross profit margin in the future
- We are dependent on our production facility in He Yuan for production
- Our printing licences may be revoked or we may be unable to renew our printing licences
- Enforcement action by the PRC authorities against He Yuan Factory may impact the operations of our production facility
- Cessation of income tax exemptions or incentives for our PRC subsidiary will have an adverse impact on our profitability
- Global financial crisis could have a material impact on our business

Risks relating to printing industry

- We face intensive competition
- Technological developments in the printing industry may reduce our competitiveness
- We face challenges from new forms of information dissemination

Risks relating to the PRC

- Our operations could be adversely affected by changes in the political and economic conditions in the PRC
- We are subject to environmental laws and regulations in the PRC
- Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business
- We may be restricted in our ability to utilise our revenue effectively and our ability to receive dividends and other payments from our PRC subsidiary as a result of restrictions by PRC foreign exchange controls
- We are subject to appreciation of or fluctuations in the value of the Renminbi relative to the Hong Kong dollars

SUMMARY

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- We are subject to changes and uncertainties in the PRC legal system
- Fire, severe weather, floods, earthquakes, or outbreak of a contagious or epidemic disease in the PRC may affect the operation of the He Yuan Factory and Power Printing (He Yuan)

Risks relating to the dual primary listing of our Company

- The performance of our Shares traded on the SGX-ST and that on Main Board may be different because of different characteristics between the Singapore stock market and Hong Kong stock market
- Certain non-recurring expenses may affect the financial performance of our Group
- Our Company, being listed on the SGX-ST, is concurrently subject to the Listing Manual and the Singapore Code

Risks relating to our Shares

- Liquidity and market price of the Shares are subject to various factors that are out of our control
- There was no prior public market for the Shares in Hong Kong
- Our Controlling Shareholder may influence the outcome of matters submitted to Shareholders for approval
- Future fund raising may have adverse impact on our Share performance
- Dividends declared in the past may not be indicative of our dividend policy in the future

Risks relating to statements made in this prospectus

- Government official facts and statistics included in this prospectus may not be accurate and precise

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

“2001 Regulation”	the Regulation on the Administration for Printing Industry (印刷業管理條例) promulgated by the State Council on 2 August 2001
“2002 Interim Regulation”	the Interim Regulations on Establishing Foreign Invested Printing Enterprise (設立外商投資印刷企業暫行規定) jointly promulgated by the State Press and Publication Administration and the Ministry of Commerce of the PRC on 29 January 2002
“Application Form(s)”	WHITE application form(s), YELLOW application form(s), or where the context so requires, any of them, relating to the Share Offer
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Bermuda Companies Act”	the Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time
“Bermuda Share Register”	the principal register of members maintained pursuant to the Bermuda Companies Act by the Bermuda Share Registrar
“Bermuda Share Registrar”	Codan Services Limited in its capacity as the share registrar in Bermuda
“Board”	the board of Directors of our Company
“Bookrunner” or “Lead Manager”	VC Brokerage
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday) on which licenced banks are generally open for business in Hong Kong
“Bye-laws”	the bye-laws of our Company, as amended, supplemented or modified from time to time
“Carta”	Carta & Cuoio Company Limited, a company with limited liability incorporated under the laws of Hong Kong on 11 October 2000 and a wholly-owned subsidiary of our Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCASS Rules”	General Rules of CCASS and CCASS Operational Procedures in effect from time to time
“CDP”	The Central Depository (Pte) Limited
“China”, “PRC” or “Mainland”	the People’s Republic of China, for the purpose of this prospectus, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	China Print Power Group Limited, a company with limited liability incorporated under the laws of Bermuda on 12 October 2006 as an exempted company, the Shares of which are listed on the SGX-ST
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning as ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of this prospectus, means the controlling shareholder(s) of our Company, namely China Print Power Limited, Sze Chun Lee and Chan Wai Ming
“DIPN 21”	Departmental Interpretation and Practice Notes No.21 issued by the Hong Kong Inland Revenue Department
“Director(s)”	director(s) of our Company

“FY”	the financial year ended/ending 31 December
“GDP”	gross domestic product
“Group”, “we”, “our” or “us”	our Company and its subsidiary or, where the context so requires in respect of period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“He Yuan Factory”	He Yuan Xianke Business Agency Co. Ltd. Power Printing Products Factory (河源市先科商務代理有限公司威利印刷廠), a branch entity of Xianke established by Xianke for the purpose of fulfilling its obligation under the He Yuan Processing Arrangement
“He Yuan Processing Arrangement”	the arrangement under the processing agreement dated 22 February 2006 and the supplemental processing agreement dated 30 March 2009, both entered into between Power Printing (HK), Xianke and He Yuan Factory, and all the amendments and supplements thereto
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Register”	the Hong Kong branch register of Shareholders maintained pursuant to Hong Kong laws and regulations by the Hong Kong Branch Share Registrar
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited in its capacity as the share registrar in Hong Kong
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IASB”	International Accounting Standards Board
“IFRSs”	International Financial Reporting Standards promulgated by the IASB. IFRSs includes International Accounting Standards and their interpretations

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“Independent Third Party(ies)”	party or parties that is or are independent of and not connected with person or persons of our Group or any of their respective associates for the purpose of the Listing Rules
“Joint Sponsors”	Yuanta Securities and VC Capital, being the joint sponsors of the Listing
“Latest Practicable Date”	21 June 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Main Board
“Listing Date”	the date, expected to be on or about 12 July 2011, on which dealings in the Shares on the Stock Exchange first commence
“Listing Manual”	listing rules of the SGX-ST which set out the requirements applicable to issuers relating to, <i>inter alia</i> : (i) the manner in which securities are to be offered and (ii) the continuing obligations of issuers
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market operated by the Stock Exchange
“New Shares”	30,000,000 new Shares to be allotted and issued pursuant to the Share Offer
“Offer Price”	the offer price per Offer Share (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) which will not be more than HK\$1.56 and is expected to be not less than HK\$1.36, such price to be determined on 5 July 2011 or such later date not later than 8 July 2011 as may be agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Lead Manager (for itself and on behalf of the Underwriters)
“Offer Share(s)”	the Placing Share(s) and the Public Offer Share(s)

“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price with institutional, professional and private investors, details of which are described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Share(s)”	the 35,100,000 Shares which comprise of 26,100,000 New Shares offered by our Company for subscription and 9,000,000 Sale Shares under the Placing, subject to the re-allocation as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriters”	the underwriters in respect of the Placing named in the paragraph headed “Placing Underwriters” under the section headed “Underwriting” of this prospectus
“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or about the Price Determination Date among our Company, the Joint Sponsors, the Lead Manager, the Controlling Shareholders, the executive Directors, the Selling Shareholder and the Placing Underwriters in relation to the Placing
“Power Printing (He Yuan)”	Power Printing (He Yuan) Co., Ltd. (威利印刷(河源)有限公司), a wholly foreign owned enterprise established under the laws of PRC on 8 December 2004 and a wholly-owned subsidiary of our Company
“Power Printing (HK)”	Power Printing Products Limited, a company with limited liability incorporated under the laws of Hong Kong on 16 March 2001 and a wholly-owned subsidiary of our Company
“PRC Company Law”	the Companies Law of China as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993, which became effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“Price Determination Agreement”	the price determination agreement expected to be entered into on the Price Determination Date between the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder)
“Price Determination Date”	the date on which the Offer Price is determined, which is expected to be on 5 July 2011 but no later than 8 July 2011

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“Public Offer”	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms
“Public Offer Share(s)”	the 3,900,000 New Shares, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” of this prospectus, being offered by our Company for subscription at the Offer Price under the Public Offer
“Public Offer Underwriters”	the underwriters in respect of the Public Offer named in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” of this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated 27 June 2011 entered into among our Company, the Joint Sponsors, the Lead Manager, the Controlling Shareholders, the executive Directors and the Public Offer Underwriters in relation to the Public Offer
“Reorganisation”	the corporate reorganisation of our Group for the purpose of the listing of the Shares on the SGX-ST, further information on which is set out in the paragraph headed “Reorganisation” under the section headed “History and corporate structure” of this prospectus
“RMB” or “Renminbi”	the lawful currency of China
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
“Sale Shares”	the 9,000,000 Shares being offered for sale by the Selling Shareholder as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Selling Shareholder”	China Print Power Limited, being the Controlling Shareholder, who offers 9,000,000 Shares for sale in the Placing, particulars of which are set out in the paragraph headed “Particulars of the Selling Shareholder” under the section headed “Other information” in Appendix VII to this prospectus
“Service Agreements”	the service agreements entered into between our Company and the executive Directors respectively as described in the paragraph headed “Service Agreements” under the section headed “Directors, senior management and staff” of this prospectus

“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGX-ST” or “Singapore Exchange”	Singapore Exchange Securities Trading Limited
“SGX-ST Market Price”	either (i) the weighted average price for trades of the Shares done on the SGX-ST for five full market days immediately preceding which the final Offer Price is determined; or (ii) the average closing price for trades of the Shares done on the SGX-ST for five full market days immediately preceding which the final Offer Price is determined, and deemed to be adjusted in accordance with the Listing Manual or the Listing Rules, as the case may be, for any corporate action which occurs after the relevant five market days
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.55 each
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme adopted by our Company on 26 May 2011, a summary of its principal terms is set forth in the paragraph headed “Share Option Scheme” in Appendix VII to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Factory”	Shenzhen Minyuan Industrial Co., Ltd. Power Printing Products Factory (深圳市敏源實業有限公司威力印刷製品廠), an economic entity jointly established by Shenzhen LIP, Shenzhen Minyuan and Power Printing (HK) for the purpose of fulfilling their respective obligations under the Shenzhen Processing Arrangement
“Shenzhen LIP”	Shenzhen Light Industrial Products Imports and Exports Company (深圳市輕工業品進出口公司), an Independent Third Party
“Shenzhen Minyuan”	Shenzhen Minyuan Industrial Co., Ltd (深圳市敏源實業有限公司), an Independent Third Party
“Shenzhen Processing Arrangement”	the arrangement under the processing agreement dated 22 March 2001 entered into between Shenzhen LIP, Shenzhen Minyuan and Power Printing (HK) and all the amendments and supplements thereto which was terminated on 30 July 2006

DEFINITIONS

“Singapore”	the Republic of Singapore
“Singapore Code”	Singapore Code on Takeovers and Mergers
“Singapore Companies Act”	the Companies Act, Chapter 50 of Laws of Singapore, as amended or modified from time to time
“Singapore dollars” or “S\$”	Singapore dollars, the lawful currency of Singapore
“Singapore Share Transfer Agent”	Boardroom Corporate & Advisory Services Pte. Ltd., in its capacity as the transfer agent of the Shares in Singapore, or, if the context requires, any successor entity
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the three financial years ended 31 December 2010
“Trading Day”	a day on which the Stock Exchange is open for the business of dealing in securities
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States”	the United States of America
“VC Brokerage”	VC Brokerage Limited, a corporation licenced to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“VC Capital”	VC Capital Limited, a corporation licenced to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

“Xianke”	He Yuan Xianke Business Agency Co. Ltd. (河源市先科商務代理有限公司), an Independent Third Party and a limited liability company owned as to 60% by 河源市高新技術開發區有限公司 and 40% by 河源市高新技術開發區企業服務中心
“Yuanta Securities”	Yuanta Securities (Hong Kong) Company Limited, a corporation licenced to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“sq.m.”	square metres
“%”	per cent

Unless otherwise specified, for illustration purpose only, the following exchange rates are used in this prospectus:

US\$1.0	=	HK\$7.75
S\$1.0	=	HK\$6.10
RMB1.00	=	HK\$1.18

No representation is made that any amounts in US\$, S\$, HK\$ or RMB were or could have been converted at the above rate or at any other rates or at all.

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

In this prospectus, if there is any inconsistency between Chinese names of the entities or enterprise established in the PRC and their English translation, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain terms used in this prospectus in connection with our business. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

“artwork”	any material or image that is for graphic reproduction, including text, graphics, illustrations and photographs which can exist in physical or electronic form, used by the printer to produce printing plates.
“colour separation”	the process of preparing the artwork for printing by separating into several printing plates; one plate will be used for one ink colour. For example, in the case of four colour printing process, the artwork will be separated into four printing plates. Colour separation can also be carried out digitally from electronic data avoiding the intermediate stage of making films which is necessary in traditional printing.
“CTP technology”	an imaging technology by which an image created by computer software is output directly to a printing plate.
“CTP”	computer-to-plate, a process of transferring digital data directly from a computer onto printing plates, thus eliminating the need for having a separate film-to-plate exposure system.
“die-cutting”	the process of using sharp steel rulers to cut special shapes for labels, boxes and containers, from printed sheets.
“embossing”	relief images formed by stamping the underside of printing paper with a metal die to produce an elevated image. Known as blind embossing when used without printing.
“FSC COC”	Forest Stewardship Council – chain of custody, a standard providing information on the source of wood or other forest-based material used in a product, issued by Forest Stewardship Council, an independent non-profit organisation established to promote responsible management to the world’s forests.
“ISO”	acronym for a series of quality management and quality assurance standards published by the International Organisation for Standardisation, a non-governmental organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations.

“offset printing”	a printing system where the paper does not come into contact with the printing plate. The ink is transferred from the printing plate to a blanket cylinder before being printed onto the paper.
“OHSAS”	Occupational Health and Safety Assessment Specification is an internationally recognised assessment specification for occupational health and safety management systems. OHSAS aims to promote a safe and healthy working environment by providing a framework that allows the organisations to consistently identify and control their health and safety risks, reduce the potential for accidents, aid legislative compliance and improve overall performance.
“ozalid”	a form of proof used to check the position of text and illustrations as a final stage of approval before printing. Each of the individual colour image is exposed onto a piece of film, which are then overlapped and exposed to develop a monochrome blue image on a piece of light-sensitive coated white paper.
“perfect bind”	a binding process whereby single sheets are stacked together and the binding edge is grounded to create a rough surface. Adhesive is then applied on the edges and a cover is wrapped around the pages. Used for magazines and most paperback books.
“printing plates”	the physical plate which carries the image, which can be made from a variety of materials, such as zinc to be used for print runs.
“proofing”	a process used for quality control in the pre-printing process, whereby proofs are produced and used for checks to be conducted on colour reproduction, positional accuracy of colour separation, text and image layout, or as a specimen for the production run.
“saddle stitch”	a method of binding where the folded pages are stitched through the spine from the outside, using wire staples.
“signature”	a printed sheet with many pages on it that is folded so that the pages are in their proper numbered sequence, as in a book.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements and information that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to the following aspects:

- our Group’s business strategies and plans of operations;
- our Group’s capital expenditure plans;
- our Group’s operations and business prospects;
- our Group’s dividend policy;
- the general industry outlook and the regulatory environment of the printing industry in PRC; and
- future developments in the printing industry in the PRC.

In some cases, this prospectus contains such words as “believe,” “seek,” “intend,” “continue,” “anticipate,” “project,” “plan,” “potential,” “will,” “may,” “should,” “expect,” and similar expressions to identify forward-looking statements. Such statements reflect the current view of our management with respect to future events and our Group is by no means able to assure that those expectations will prove to have been correct. Known and unknown risks, uncertainties and other factors may cause our Group’s actual results to differ materially from expectations. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by relevant law or the Listing Rules. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement. Due to such uncertainties, risks and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Group or our Directors expect. Users of this prospectus are reminded not to place undue reliance on any forward-looking information.

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below. You should pay particular attention to the fact that our Company is incorporated in Bermuda and that most of our Group's operations are conducted in Hong Kong and China and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. Our Group's business, financial condition or results of operations could be affected materially and adversely by any of these risks. Additional risks and uncertainties not presently known to our Group or that our Group currently deems immaterial could also harm the business, financial condition or results of operations of our Group.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We are reliant on the He Yuan Processing Arrangement for our production and if the arrangement is terminated, our business operations and financial position will be adversely affected

Almost all our products are manufactured under a three-year factory processing arrangement among Power Printing (HK), Xianke and He Yuan Factory pursuant to the He Yuan Processing Arrangement. Under the He Yuan Processing Arrangement, Xianke is responsible for coordinating the negotiation of processing fees and dealing with foreign exchange procedures in relation to receiving the processing fees paid by our Company to He Yuan Factory and import procedures in relation to the import of raw materials and equipment and He Yuan Factory is responsible for carrying out the printing of our products. In the event that Xianke and He Yuan Factory are unable to fulfill their obligations and if He Yuan Factory is forced to cease operations, we will have to secure a similar arrangement on a timely basis. If the He Yuan Processing Arrangement is terminated or we are not able to secure a renewal of the He Yuan Processing Arrangement, and we are unable to secure a similar arrangement on a timely basis, our business operations and financial position will be adversely affected. We may also be unreasonably withheld from terminating the processing arrangement if Xianke and He Yuan Factory are not agreeable to the proposed termination of the processing arrangement. In such an instance, our profitability and business operations may be adversely affected.

We are subject to adverse change in the Hong Kong tax laws or its interpretation regarding apportionment claim of profit in cross-border processing business

DIPN21 states that "in contract processing, the document that governs the contractual relationship among the parties is the processing agreement. It sets out the rights and responsibilities of the Hong Kong company and the Mainland processing enterprise. The Hong Kong company is responsible for the supply of raw materials and machinery without consideration and to provide technical and managerial know-how while the Mainland processing enterprise is responsible for the provision of factory premises, utilities and labour force. In return for the processing service, the Hong Kong company pays a subcontracting charge to the Mainland enterprise. The legal title to the raw materials and finished goods remains with the Hong Kong company. In the [Hong Kong Inland Revenue] Department's view, the Hong Kong company's operations in Mainland China complement its operations in Hong Kong. Recognising the operations of the Hong Kong company in the Mainland, an apportionment of profits on a 50:50 basis is usually accepted".

RISK FACTORS

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As our Group has conducted the business under the He Yuan Processing Arrangement, our Directors consider that DIPN 21 is applicable to Power Printing (HK) for tax assessment and Power Printing (HK) has applied the DIPN 21 to claim for apportionment of profit during the Track Record Period.

In the event that the Hong Kong Inland Revenue Department considers that DIPN 21 is not applicable to our mode of manufacturing operations under the He Yuan Processing Arrangement or there are any changes in Hong Kong tax laws or its interpretation regarding processing arrangement with PRC entity, the Hong Kong Inland Revenue Department may treat our Group's profits generated from the sale of goods processed under the He Yuan Processing Arrangement at the He Yuan Factory as profits derived from Hong Kong. If it does so and we fail to prove otherwise, 50% of the adjusted assessable profits of Power Printing (HK) which has previously been treated as non-taxable in Hong Kong would become taxable and there would be an adverse impact on our Group's profitability.

An increase in the price or shortage of paper may erode our profitability and thus affect our financial performance

Paper is the main raw material used in our business and it accounted for approximately 43.2%, 40.4% and 42.7% of our total cost of sales during the Track Record Period respectively. Approximately 11,200 tons, 9,700 tons and 8,300 tons of paper was used in FY2008, FY2009 and FY2010 respectively, with average prices of approximately HK\$7,715 per ton, HK\$6,336 per ton and HK\$7,272 per ton respectively. For illustrative purpose only, if the average paper costs increased or decreased by 5% during the Track Record Period, with all other variables hold constant, our profit for the FY2008, FY2009 and FY2010 would have increased or decreased by approximately HK\$4.3 million, HK\$3.1 million and HK\$3.0 million, or approximately 24.5%, 16.0% and 13.8%, respectively. The changes of average paper price was mainly attributable to the fluctuation in the price of virgin pulp and major raw materials for the production of paper. As we do not enter into long-term contracts with any of our suppliers, we are vulnerable to the fluctuations in paper prices, which is determined by the demand and supply conditions in the global market. Should there be any significant increases in the price of paper, and if we are unable to pass on such cost increase to our customers, our profitability and our financial performance would be adversely affected.

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

We conduct visual inspections on the raw materials provided by our suppliers and rely on the suppliers to provide the relevant certificates to ensure that they comply with all necessary standards and requirements of our customers or the countries which we export our products to. In the event that the raw materials supplied are not in accordance with the specifications requested by us and confirmed by our suppliers, we may not be able to deliver our products to the customers or our customers may reject the relevant shipment. In such a circumstance, our financial performance may be adversely affected.

We are dependent on our executive Directors

Our continued success is dependent, to a large extent, on our ability to retain the services of our executive Directors. Our executive Directors have extensive experience in the printing and/or specialised products industry and are responsible for charting and implementing the overall business strategy of our Group and our corporate growth. In particular, Sze Chun Lee, our executive Director and

chief executive officer, is one of the founders of our Group and is responsible for overseeing the management and operations and is also responsible for the strategic planning and future direction of our Group.

The loss of the services of our executive Directors without suitable replacements may lead to the loss or deterioration of important business relationships which would have an adverse impact on our business operations and our prospects.

We are exposed to the risk of an appreciation of the RMB against the US\$ or HK\$

During the Track Record Period, approximately 39.5%, 38.6% and 41.5% of our expenses were denominated in RMB respectively whereas our sales are mainly denominated in US\$ or HK\$. As we do not have a hedging policy with respect to our foreign exchange exposure, an appreciation of the RMB against the US\$ or HK\$ will result in an increase in the cost of sales of our Group, decreasing our profit margins and adversely affecting the financial performance of our Group.

We may not be able to attract and retain suitable employees for our Group

We are in a labour intensive industry. The continued growth of our business in the future depends upon our ability to attract, train and retain suitable employees at reasonable cost. The competition for such employees in our industry is intense and our failure to attract, train and retain suitable employees at reasonable cost could have an adverse effect on our business, results of operations and financial performance.

We are exposed to credit risks of our customers

We typically grant our customers credit terms of 30 to 120 days. Our accounts receivables turnover days are approximately 91 days, 109 days and 118 days during the Track Record Period respectively. Our financial position, profitability and cash flow are dependent on our customers' ability to pay us on a timely basis. In the event that there are delay or defaults in payment by our customers, our financial position and profitability may be adversely affected.

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

Our customers generally require us to deliver our products to destinations specified by them. These products are typically transported by land from our production facility in He Yuan to the designated ports and then by sea to the destinations specified by our customers. Some of these products, such as textbooks for a new semester, need to be delivered on a timely basis.

In the event of transport and shipping disruptions, we may not be able to meet the delivery schedule of our customers. Where such delays occur, we may experience a loss of revenue, and in some instances, may be required to compensate our customers. If such disruptions occur on a frequent basis, our reputation, financial position and profitability will be adversely affected.

RISK FACTORS

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

Our Group has been utilising CTP in our printing process since 2003. On occasions, the transfer of data from our computer systems directly onto printing plates may result in data loss that we are unable to detect. In the event of such occurrences, the printing order produced will contain discrepancies that our customers may find unsatisfactory. If these discrepancies occur, we may have to give discounts to our customers, or it may result in the entire printing order being rejected. This may adversely affect our financial position, our reputation and our future prospects.

We may not be able to secure additional funding to meet our business requirement and we may not be able to implement our future plans

Based on our future plans as set out in the section headed “Future plans and use of proceeds” of this prospectus, we believe that the net proceeds raised from the issue of the New Shares under the Share Offer, together with our internal financial resources, should be sufficient to meet the immediate needs of our Group. However, we may come across other opportunities to expand our business. Under such circumstances, the proceeds from the issue of New Shares may not be sufficient for us to capitalise on and develop these opportunities and we may need to obtain additional financing to fund our future capital expenses. If we are unable to secure adequate funds when required to meet our business requirements on a timely basis, we may not be able to fully implement our future plans effectively and successfully.

We are dependent on our major customers

Our five largest customers in aggregate accounted for approximately 45.5%, 48.6% and 51.4% of our revenue during the Track Record Period respectively. In the event that any of our major customers do not require our services or reduce their demand for our services, and/or we are unable to secure new customers, our business operations and financial position may be adversely affected.

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

Our sales are entirely generated on an order-by-order basis as we do not enter into long-term contracts with our customers. As such, our sales may fluctuate depending on our customers’ demand for our products and services. Our total revenue had decreased since FY2008. There was a drop of approximately 19.4% in total revenue in FY2009 as compared to that for FY2008. In FY2010, there was a further drop of total revenue of approximately 5.3%. The future growth of our business depends on our ability to maintain and increase the orders for our products and services from our existing and new customers. We cannot guarantee that this will continue in the future. If there are adverse changes to market conditions such as an economic slowdown or an increase in business competition, our sales and growth may be adversely affected.

We are subject to adverse changes in the political, economic or social conditions in Europe and North America as we rely on the Europe and North America market

To the best knowledge of our Directors, our direct sales and indirect sales through Hong Kong business traders to the Europe and North America market amounted to over 50% of our Group's revenue during the Track Record Period. Our Directors anticipate that the provision of printing services to the Europe and North America market will continue to represent a significant portion of our Group's revenue in the near future. In the event that there are any adverse changes in the political, economic or social conditions, foreign trade or monetary policies, or legal or regulatory requirements or taxation or tariff regime in Europe and North America, our performance and profitability may be adversely and materially affected.

We may be exposed to intellectual property infringement claims by third parties

Almost all the books we print are subject to copyright protection. In the event of any intellectual property rights disputes between our customers and the owners of the intellectual property right, we may become a party to such disputes. In such an event, any protracted litigation will require a significant amount of the management's time and resources. Further, an adverse determination in any such legal proceedings may result in us having to pay significant damages and our business operations and financial position may be adversely affected.

We may not be able to register our trademark in Hong Kong

We are using a trademark for our business operations. As of the Latest Practicable Date, we have applied and are still in the process of applying for the registration of the trademark as set out in the paragraph headed "Intellectual property rights of the Group" under the section headed "Statutory and General Information" in Appendix VII to this prospectus. There is no assurance that the application for registration of such trademark in Hong Kong could eventually be approved or that we would be granted with exclusive rights to use the mark as registered trademark in Hong Kong. If our trademark could not be registered, this may result in infringement of our trademark, and our business and operating results may be adversely affected.

We may face exposure to product liability claims

We may face exposure to product liability claims in the event that any of our products are alleged to have resulted in property damage, bodily injury or other adverse effects. In particular, specialised products for children such as children books may be subject to quality and safety standards in jurisdictions where they are sold to the public. In addition, such standards are generally higher than those stipulated in many other consumer products, in large part due to the need to protect infants and children from harm arising from unsafe products. If we are subject to product liability claims or our products fail to adhere to applicable quality and safety standards, we may lose orders from customers, our products may be recalled, and our financial condition and results of operation may be adversely affected.

RISK FACTORS

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We are subject to seasonal fluctuation in turnover

Demand for our printing services is subject to seasonal fluctuation. It is generally higher in the second half of year when our customers will generally place more orders to us to meet their sales demand in Christmas and New Year holidays. For the years ended 31 December 2008, 2009 and 2010, our Group's turnover in the second half of the year was approximately HK\$151.8 million, HK\$113.7 million and HK\$116.7 million respectively, which accounted for approximately 57.5%, 53.4% and 57.8% of our Group's annual turnover respectively. This seasonality fluctuation may affect our production costs and the utilisation rate of our production facility.

We may not be able to sustain our revenue and/or gross profit margin in the future

During the Track Record Period, our Group reported revenue of approximately HK\$264.2 million, HK\$213.0 million and HK\$201.7 million respectively, with gross profit margin of approximately 24.1%, 28.6% and 29.5% respectively. The sustainability of our revenue or gross profit margins depends on a number of factors, including, among other things, global economy, the types of products produced, selling prices of products, purchase costs of raw material and direct labour cost. The selling price of products and purchase cost of raw materials for each order vary according to a combination of factors including, but not limited to, the relative bargaining power of the suppliers and customers, the pricing basis, demand and supply in the market and the market price. Many of these factors are beyond our control, and the selling price of products and purchase cost of raw materials may differ for the same product produced within the same time period. There is no assurance that we will be able to achieve or maintain similar revenue and/or gross profit margin in the future.

We are dependent on our production facility in He Yuan for production

Our production facility in He Yuan is the primary production base for our products. Its operation requires continuous and steady supply of electricity which is currently provided by local utilities company and bureau. Reliance by our production facility in He Yuan on such supply will further increase as our Group expands production capacity of our production facility in He Yuan. Any disruption to electricity supply may adversely affect our production flow, hinder our ability to meet customer orders and/or increase our production cost, adversely affecting our business and financial performance.

In addition, in the event that the operation of our production facility in He Yuan is adversely affected by incidents including but not limited to breakdown or failure of our major equipment, natural disasters, and industrial accidents, our production may be adversely disrupted or halted as a whole.

Our printing licences may be revoked or we may be unable to renew our printing licences

The printing licence of He Yuan Factory allows our Group, via He Yuan Factory, to manufacture offshore printing products for Hong Kong and overseas customers under the He Yuan Processing Arrangement; whereas the printing licence of Power Printing (He Yuan) allows our Group, via Power Printing (He Yuan), to manufacture non-publication specialised products for Hong Kong, overseas and PRC customers, subject to certain terms and conditions including prohibition of printing politically and religiously sensitive materials. Both printing licences will expire on 31 December 2013. In the event that Power Printing (He Yuan) or He Yuan Factory is in breach of the stipulated terms and conditions of their respective printing licence, our respective printing licence may be revoked or may not be renewed, which may adversely affect our business and operation.

Enforcement action by the PRC authorities against He Yuan Factory may impact the operations of our production facility

Under PRC law, He Yuan Factory, the employer of the workers within the production facility, is required to comply with PRC labour laws and regulations, including and not limited to ensuring the payment of salaries and social insurance contributions. The He Yuan Factory is also responsible for any claims with regard to the work safety, environmental protection and labour related issues. He Yuan Factory is also required to comply with the terms and conditions of its printing licence. In the event of any failure by the He Yuan Factory to comply with its printing licence, the operations of our production facility may be affected. In view of the management and supervisory roles assumed by our Group in relation to the overall operation of He Yuan Factory under the processing arrangement, our Group may also be held liable for the claims jointly with He Yuan Factory by the relevant PRC judicial authorities in the event of any breaches of PRC labour laws and regulations. We cannot guarantee that He Yuan Factory will not breach any of these laws and regulations in future since any changes in the political and economic policy of the PRC government may lead to consequent changes or interpretations in the laws and regulations. There is also no assurance that the competent PRC governmental authorities will not take enforcement action or impose penalties on our Group in the event of any breaches of PRC labour laws and regulations. If such penalties are imposed, our operations, financial performance and results of operations may be adversely affected.

Cessation of income tax exemptions or incentives for our PRC subsidiary will have an adverse impact on our profitability

Our subsidiary in the PRC, Power Printing (He Yuan), which is a wholly foreign owned enterprise, was exempted from paying enterprise income tax for FY2008 and FY2009 and has been granted a 50% relief from enterprise income tax for FY2010, FY2011 and FY2012, subsequent to which it will not be entitled to any income tax relief and subject to a unified enterprise income tax rate of 25% in accordance with the Enterprise Income Tax Law of the PRC. As Power Printing (He Yuan) has incurred losses for tax purposes largely due to expenses incurred for administrative purposes, it has not incurred any tax expenses during the Track Record Period. According to a written confirmation issued by the state tax bureau in He Yuan on 10 March 2009, Power Printing (He Yuan) will be entitled to a 50% relief from the income tax for the two years ending 31 December 2012. An increase in our effective tax rate following the expiry of our income tax exemption may adversely affect our operating results.

Global financial crisis could have a material impact on our business

The recent global financial crisis has adversely affected the world economies, including Europe, North America and other developed countries, to where our Directors believe that most of our products are sold, directly or indirectly through Hong Kong business traders. A deteriorating worldwide economies may adversely affect the demand for our products, and hence, our business and result of operation.

In addition, the global financial crisis resulted in a tightening in credit market. Credit tightening may (i) aggravate our interest expenses on bank borrowings; (ii) reduce or discontinue the existing banking facilities available to us; (iii) adversely affect the financing and other sources of liquidity with acceptable terms available in the market; (iv) deteriorate the financial condition of our customers who may delay or default on our payment; or (v) cause cashflow problem to our suppliers who may shorten their credit terms granted to us. In such circumstances, our business, results of operations and financial condition may be adversely affected.

RISK FACTORS

RISKS RELATING TO PRINTING INDUSTRY

We face intensive competition

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

Technological developments in the printing industry may reduce our competitiveness

New technologies has been continuously evolved in the printing industry for reduction of raw material and labour used, improvement of production capabilities and/or efficiency, reduction of human error and quality enhancement of products. We believe these are crucial factors for the future growth and prospects of our Group and place continuous emphasis on technological improvements. However, there is no assurance that our Group is able to improve our technology and/or acquire new technology at reasonable cost. In the event that our Group is not able to upgrade our technologies, we may be less competitive than other market players, and our business and financial performance would be adversely affected.

We face challenges from new forms of information dissemination

We face challenges from new forms of information dissemination such as Internet and CD-ROM. Technological advances and public awareness increase the use of new electronic media. In addition, the invention of electronic book has a material impact on traditional print media. The recent breakthrough in the technology of electronic book readers and flat panel personal computers accelerates such impact. In view of the rapid development of electronic media, our Directors expect such challenges to persist and potentially intensify. If we are unable to compete successfully with such new forms of information dissemination, our business and financial performance may be adversely affected.

RISKS RELATING TO THE PRC

Our operations could be adversely affected by changes in the political and economic conditions in the PRC

Our production facility is located in the PRC, and any unfavourable changes in the social and political conditions of the PRC may adversely affect our business and operations.

Since the adoption of the “open door policy” in 1978 and the “socialist market economy” in 1993, the PRC government has been reforming and is expected to continue to reform its economic and political systems. Any changes in the political and economic policy of the PRC government may lead to changes

in the laws and regulations or the interpretation of the same, as well as changes in the foreign exchange regulations, taxation and import and export restrictions, which may in turn adversely affect our financial performance. While the current policy of the PRC government seems to be one of imposing economic reform policies to encourage foreign investments and greater economic decentralisation, there is no assurance that such a policy will continue to prevail in the future. Neither can we assure that our operations will not be adversely affected should there be any policy changes.

We are subject to environmental laws and regulations in the PRC

We are required to comply with the environmental laws and regulations in the PRC. As advised by our PRC legal advisers and according to written confirmations issued by the environmental protection bureau in He Yuan on 14 March 2011 and 22 March 2011, our Group is currently not in contravention with such laws and regulations. If more stringent regulations are adopted in the future, the costs of compliance with such new regulations could be substantial. Our profits will be adversely affected if we are unable to pass on such additional costs to our customers. If we fail to comply with present or future environmental regulations, we may be subject to substantial fines, suspension of production or even the cessation of our operations.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business

Our operations in the PRC are subject to the laws and regulations promulgated by the PRC government. The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines. Unlike common law jurisdictions like Hong Kong and Singapore, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. As such, the administration of the PRC laws and regulations may be subject to a certain degree of discretion by the authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems.

Furthermore, in line with its transformation from a centrally planned economy to a more free market oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to change.

We may be restricted in our ability to utilise our revenue effectively and our ability to receive dividends and other payments from our PRC subsidiary as a result of restrictions by PRC foreign exchange controls

Our PRC subsidiary is subject to the rules and regulations imposed by the PRC government on currency conversion. In the PRC, State Administration of Foreign Exchange (國家外匯管理局) (“SAFE”) regulates the conversion of RMB into foreign currencies, and vice versa. Currently, foreign investment enterprises (the “FIEs”) are required to apply to SAFE for “Foreign Exchange Registration Certificate for Foreign Investment Enterprise”. Such registration certificates are renewable annually and allow FIEs to open foreign currency accounts for the payment of:

- (a) recurring items, including the distribution of dividends and profits to foreign investors of FIEs upon presentation of board resolutions which authorise the distribution of profits or dividends (“Current Account”); and

- (b) capital items, such a repatriation of capital, repayment of loans and for securities investment (“Capital Account”).

Currency transactions within the scope of the Current Account can be effected without requiring the approval of SAFE, while the conversion of currency in the Capital Account still requires the approval of SAFE.

The ability of our PRC subsidiary to pay dividends or make distributions to us may be restricted by PRC foreign exchange control restrictions. We cannot assure you that the relevant regulations will not be amended to our disadvantage and that the ability of our PRC subsidiary to distribute dividends to us will not be adversely affected.

We are subject to appreciation of or fluctuations in the value of the Renminbi relative to the Hong Kong dollars

The exchange rates between Renminbi and Hong Kong dollars, the US dollars and the Pound Sterling and other foreign currencies are affected by, among other things, changes in the PRC’s political and economic conditions. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the US dollars. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the People’s Bank of China, against which it can rise or fall by as much as 0.5% each day. This change in policy has resulted in the value of the Renminbi appreciating against the US dollars significantly.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the US dollars, the Hong Kong dollars, the Pound Sterling and other foreign currency. Besides, the appreciation of Renminbi may lead to increase of our Group’s costs, which may in turn affect our Group’s competitiveness against overseas printing companies. To the extent that we need to convert the proceeds from the issue of New Shares under the Share Offer and future financing into the Renminbi for our operation, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount our Company would receive from the conversion.

Very limited hedging transactions are available in the PRC to reduce our Group’s exposure to exchange rate fluctuations. As at the Latest Practicable Date, our Group has not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While our Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited and our Group may not be able to successfully hedge our exposure at all. In addition, our Group’s currency exchange losses may be magnified by the PRC exchange control regulations that restrict its ability to convert Renminbi into foreign currency.

We are subject to changes and uncertainties in the PRC legal system

The PRC is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws

and regulations remain uncertain in many areas. Consequently, developments and changes in the PRC laws and regulations, including their interpretation and enforcement, may have a negative effect on our Group's business, results of operations and financial condition.

Fire, severe weather, floods, earthquakes, or outbreak of a contagious or epidemic disease in the PRC may affect the operation of the He Yuan Factory and Power Printing (He Yuan)

The production facilities of the He Yuan Factory and Power Printing (He Yuan) are located in the PRC and the remaining operation of our Group are located in Hong Kong. Fire fighting and disaster relief or assistance in the PRC are not well developed. Material damage to, or the loss of, our production facility, including the He Yuan Factory and Power Printing (He Yuan), due to fire, severe weather, flood, earthquake or other acts of God may not be adequately covered by the proceeds of our Group or the He Yuan Factory's insurance coverage. Furthermore, any one or more of these events could significantly disrupt our Group's operations and the operations of the He Yuan Factory and Power Printing (He Yuan) by, among other things, impeding the ability of personnel to report to work. The time required to rectify such problems could be lengthy, and could result in significant increase in costs or reduction in sales.

Moreover, several countries in Asia and Europe, including the PRC, have reported cases of avian influenza, or bird flu. While there have been no known cases of human-to-human transmission of bird flu in the PRC, no assurance can be given that the virus will not mutate into a strain capable of human-to-human transmission. Any outbreak of bird flu, or an outbreak of any other epidemic or contagious disease such as severe acute respiratory syndrome, for which there is no known, effective, or readily available treatment, cure or vaccine, could adversely affect customers' demand for our Group's products, our Group's ability to adequately staff its operations, as well as the general level of economic activity in Asia and elsewhere, and hence, our Group's business and operating results may be materially and adversely affected.

RISKS RELATING TO THE DUAL PRIMARY LISTING OF OUR COMPANY

The performance of our Shares traded on the SGX-ST and that on Main Board may be different because of different characteristics between the Singapore stock market and Hong Kong stock market

The Shares have been listed and have commenced dealing on the SGX-ST since 14 May 2007 ("Singapore Shares"). Following the Listing, it is our Company's current intention that, other than the transfer of Shares to be made by the Shareholders individually, the Singapore Shares will continue to be traded on the SGX-ST, and the Shares which are to be registered by the Hong Kong Branch Share Registrar ("Hong Kong Shares") will be traded on the Stock Exchange. As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, the required time to transfer Shares between the CDP and Hong Kong Branch Share Registrar may vary and there is no certainty of when transferred Shares will be available for trading or settlement. Details for transferring the Shares from the Bermuda Share Register to the Hong Kong Branch Share Register are set out in the section headed "Listing, registration, dealings and settlement" of this prospectus.

The SGX-ST and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of the Singapore Shares and the Hong Kong Shares may not be the same. Furthermore, fluctuations in the price of Singapore Shares could materially and adversely affect the price of Hong Kong Shares and vice versa. Moreover, fluctuations in the exchange rate between Singapore dollars and Hong Kong dollars could materially and adversely affect the prices of Singapore Shares and Hong Kong Shares. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of Singapore Shares may not be indicative of the performance of Hong Kong Shares after the Listing. Investors should therefore not place undue reliance on the prior trading history of the Singapore Shares when evaluating an investment in the Share Offer.

Certain non-recurring expenses may affect the financial performance of our Group

Based on the unaudited management accounts of our Group for the four months ended 30 April 2011, our Group recorded a turnover of approximately HK\$63.7 million which is comparable to our turnover of approximately HK\$61.3 million for the corresponding period in FY2010. Notwithstanding the above and the financial performance of our Group for the three years ended 31 December 2010 mentioned in this prospectus, our Group's financial results would be affected by certain non-recurring expenses including the expenses in relation to the Listing. The estimated expenses responsible by our Company in relation to the Share Offer are approximately HK\$12.7 million, of which approximately HK\$4.9 million is directly attributable to the issue of New Shares under the Share Offer and is expected to be accounted for as a deduction from equity. The remaining expenses in relation to the Listing of approximately HK\$7.8 million are expected to be charged to profit or loss of our Group for the year ending 31 December 2011. Expenses in relation to the Listing are non-recurring and were not incurred during the Track Record Period. Accordingly, the Shareholders and potential investors should be informed that our Group's financial results for the year ending 31 December 2011 would be affected by the estimated expenses in relation to the Listing.

Our Company, being listed on the SGX-ST, is concurrently subject to the Listing Manual and the Singapore Code

Being a listed company on the SGX-ST, we are required to comply with the Listing Manual in addition to the Listing Rules. In the event of any conflict between the Listing Manual and the Listing Rules, we shall comply with the more stringent rules. Accordingly, we may incur additional costs and resources to comply with both sets of rules. In addition to the Takeovers Code, being a listed company on the SGX-ST, we are subject to the Singapore Code which contains certain provisions, under which any person who would like to conduct a future takeover or change in control will have to observe for so long as the Shares are listed on the SGX-ST. We shall observe the provisions of the Singapore Code and the Takeovers Code concurrently.

RISKS RELATING TO OUR SHARES

Liquidity and market price of the Shares are subject to various factors that are out of our control

The market price and trading volume of the Shares may be highly volatile. Factors such as variations in our Group's revenues, earnings or cash flows, and/or announcements of new investments, strategic alliances and/or acquisitions and fluctuations in prices for the major components could cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be traded. There is no assurance that these developments will not occur in the future. It is possible that the Shares will be subject to changes in market price that may not be directly related to our Group's financial or business performance.

There was no prior public market for the Shares in Hong Kong

There was no public market for the Shares in Hong Kong prior to the Share Offer. The Offer Price for the Offer Shares was based on the trading price of the Shares in SGX-ST. There is no indication from the Offer Price that the Shares prices will prevail in the trading market. The Offer Price may differ significantly from the market price for the Shares in Hong Kong following the Share Offer and the market price for the Shares in Hong Kong may be different from the trading price in SGX-ST. The listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained immediately after the Share Offer or thereafter, or that the market price of the Shares in Hong Kong will not decline after the Share Offer.

Our Controlling Shareholder may influence the outcome of matters submitted to Shareholders for approval

Upon the completion of the Share Offer, our Controlling Shareholder, China Print Power Limited, will hold approximately 53.26% of our share capital after Listing. China Print Power Limited is owned by Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin, the executive Directors, as to 35%, 30%, 20% and 15%, respectively. As a result, it will be able to exercise significant influence over all matters requiring Shareholder approval, including the election of directors and the approval of significant corporate transactions. It will also have veto power with respect to any shareholder action or approval requiring a majority vote except where it is required by the rules of the Listing Manual or the Listing Rules to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may benefit our Shareholders.

Future fund raising may have adverse impact on our Share performance

An issue of Shares or other securities to raise funds may dilute Shareholders' equity interests and may in the case of a rights issue, require additional investments by Shareholders. Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by an investor. Dilution may occur in shareholding even if the issue of Shares is at a premium to the market price.

RISK FACTORS

Dividends declared in the past may not be indicative of our dividend policy in the future

Our Company declared dividends in the amount of approximately HK\$5.3 million, HK\$2.9 million and HK\$4.4 million for each of the three years ended 31 December 2008, 2009 and 2010 respectively. The amounts of distributions that our Company declared and made in the past are not indicative of the dividends that we may pay in the future. A declaration of dividends proposed by our Board and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board may determine are important. For further details of our dividend policy, please refer to the section headed "Financial information" of this prospectus. We cannot guarantee if and when we will declare dividends in the future.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Government official facts and statistics included in this prospectus may not be accurate and precise

Statistics, industry data and other information relating to the economy and the industry contained in this prospectus have been derived from various official government publications and research report. We believe that the sources of such 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 in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Our Group makes no representation as to the accuracy or completeness of such information. Neither our Group nor any of our Group's respective affiliates or advisers, nor the Selling Shareholders, nor the Joint Sponsors, nor the Lead Manager and Bookrunner, nor the Underwriters or any of its affiliates or advisers, have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Statistics, industry data and other information relating to the economy and the industry derived from official government sources may not be consistent with other information available from other sources and should not be unduly relied upon. Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, the statistics, industry data and other information relating to the economy and the industry derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources. In all cases, the potential investors should give careful consideration as to how much weight or importance should be attached or placed on such statistics, projected industry data and other information relating to the economy and the industry.

For the purpose of the dual primary listing, our Company has applied for, and the Stock Exchange has granted, the following waivers in relation to strict compliance with certain requirements under the Listing Rules, details of which are described below:

DEALINGS IN THE SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “Relevant Period”). In the context of a dual primary listing of a widely held and publicly traded company which currently has its issued Shares listed on the SGX-ST, our Company has no control over the investment decisions of its Shareholders (other than the Controlling Shareholders and their respective associates) and the investing public in Singapore. Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules, whereby potential substantial Shareholders are not prohibited to deal in the Shares despite the restriction under Rule 9.09(b) of the Listing Rules.

The Stock Exchange has granted the waiver subject to the following conditions:

1. potential substantial Shareholders have not been and will not be involved in the management and operation of the Group nor in the flotation exercise prior to our Company’s Listing;
2. our Company does not have control over the investment decisions of any Shareholder (other than the Controlling Shareholders and their respective associates) and the investing public;
3. the Controlling Shareholders, our Directors and chief executive officer, together with their respective associates, have not dealt in and will not deal in the Shares before the Listing;
4. our Company shall notify the Stock Exchange of any dealing or suspected dealing in the Shares by any connected persons of our Company during the Relevant Period of which it becomes aware; and
5. our Company and the Joint Sponsors have undertaken that no non-public information will be disclosed to any Shareholders.

As at the Latest Practicable Date, our Company is not aware of any potential connected person who may not be able to comply with Rule 9.09(b) of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

Rule 10.04 of the Listing Rules requires that existing Shareholders of our Company may only subscribe for securities provided no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of the securities. The Placing Underwriters will solicit from prospective professional, institutional and private investors indications of interest in acquiring the Placing Shares in the Placing. Prospective professional, institutional and private investors will be required to specify the number of Placing Shares under the Placing they would prepare to acquire either at different prices or at a particular price. It may be necessary for the Placing Underwriters to include existing Shareholders in such “book-building” process described above. Our Company has applied for, and the Stock Exchange has granted, a partial waiver to the extent necessary to allow the existing Shareholders to be eligible in subscribing the Placing Shares.

The waiver is granted on the condition that the Offer Shares will only be offered to existing Shareholders who are genuine public investors and (i) are not and will not be the connected persons of our Company or associates; (ii) have no influence over the share allocation process or exert any influence over our Company; and (iii) will be subject to the same “book building” process and will be treated on the same basis applicable to other placees.

Our Company has also applied for, and the Stock Exchange has granted, the consent, subject to the above conditions, under paragraph 5(2) of Appendix 6 to the Listing Rules which states that no allocation will be permitted to be made to existing Shareholders of a listing applicant or their associates, whether in their names or through nominees, unless conditions sets out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled, without the prior written consent of the Stock Exchange.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of the company secretary and who is either (a) an ordinary member of The Hong Kong Institute of Company Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Cap. 159 of the Laws of Hong Kong) or a professional accountant, or (b) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions.

Our Company has appointed Ng Sui Yin and Gn Jong Yuh Gwendolyn as joint company secretaries. Ng Sui Yin is ordinarily resident in Hong Kong and is a member of The Hong Kong Institute of Certified Public Accountants and therefore meets the qualification requirements under Rule 8.17 of the Listing Rules. Although Gn Jong Yuh Gwendolyn is not ordinarily resident in Hong Kong, she was admitted to the Singapore Bar as an Advocate & Solicitor in 1995. Our Company believes that Gn Jong Yuh Gwendolyn, by virtue of her experience in capital markets and international corporate finance practice and serving as company secretary of SGX-ST listed companies, should be capable of discharging her functions as a company secretary.

Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.17 of the Listing Rules.

The waiver which is for an initial period of three years from the Listing Date, is subject to the condition that the Company engages Ng Sui Yin, who possesses all the requisite qualifications required under Rule 8.17 of the Listing Rules, to assist Gn Jong Yuh Gwendolyn in her discharge of the duties as a company secretary and in gaining the relevant experience as required under Rule 8.17(3) of the Listing Rules.

At the end of the three-year period, the Company shall liaise with Stock Exchange, which will re-visit the situation in the expectation that the Company should then be able to demonstrate to the satisfaction of the Stock Exchange that Gn Jong Yuh, Gwendolyn, having had the benefit of the assistance of Ng Sui Yin for three years, would have acquired the relevant experience within the meaning of Rule 8.17(3) such that a further waiver would not be necessary.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong), as amended and supplemented from time to time, and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus misleading. The Share Offer is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Joint Sponsors, the Lead Manager, the Underwriters and any of their respective directors or affiliates of any of them or any other person and party involved in the Share Offer.

LISTING AND DEALINGS

Application has been made to the Listing Committee for listing of, and permission to deal in, the Shares in issue, the New Shares to be issued in the Share Offer and any Shares to be issued pursuant to the Share Option Scheme. Our Company's listings on both the Stock Exchange and SGX-ST will be dual primary listings. Consequently, unless otherwise agreed by the SGX-ST or, as the case may be, the Stock Exchange, our Company must comply with the Listing Rules and Listing Manual and any other relevant regulations and guidelines in Hong Kong and Singapore which are applicable to our Company. In the event where there is a conflict or inconsistency between the requirements of the listing rules of the two stock exchanges, the listing rules with the more onerous requirements shall prevail. Our Directors will use their best endeavours to ensure that no release of information will be made in Singapore unless a simultaneous release is made in Hong Kong and vice versa. Our Directors confirmed that our Company has been in compliance with relevant applicable laws and Listing Manual since its listing on the SGX-ST. In addition, each of our Directors has confirmed that he has been in compliance with relevant applicable laws and Listing Manual since the listing of our Company on the SGX-ST.

The proposed dual primary listing was approved by the Shareholders on 26 May 2011. A circular in relation to, among others, the proposed Share Offer, the proposed amendments to the Bye-laws and the proposed adoption of the Share Option Scheme, to comply with the requirements of the Listing Rules and the Listing Manual was despatched by our Company on 4 May 2011 to its Shareholders and the said matters were approved by the Shareholders in a special general meeting of our Company held on 26 May 2011.

Details of the arrangement for the removal of Shares from the Bermuda Share Register to the Hong Kong Branch Share Register or from the Hong Kong Branch Share Register to the Bermuda Share Register are set out in the section headed "Listings, registration, dealings and settlement" of this prospectus.

CONSENT OF THE BERMUDA MONETARY AUTHORITY OF BERMUDA

The Bermuda Monetary Authority has given permission for the free transferability of the Shares to and between persons who are regarded as non-residents of Bermuda for exchange control purpose for so long as the Shares are listed on either the SGX-ST or any other appointed stock exchange (including the Stock Exchange). In giving such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposal or for the correctness of any statements made or opinions expressed herein.

NO CHANGE IN BUSINESS

No change in our business is contemplated following the completion of the Share Offer.

UNDERWRITING

This prospectus is published in connection with the Share Offer, which is jointly sponsored by Yuanta Securities and VC Capital. Subject to the Offer Price having been agreed by our Company (for itself and on behalf of the Selling Shareholder) and the Lead Manager (for itself and on behalf of the Underwriters), the Placing will be fully underwritten by the Placing Underwriters and the Public Offer will be fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement respectively. Information relating to the underwriting arrangements is set out in the section headed "Underwriting" of this prospectus.

SELLING RESTRICTIONS

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

Each person acquiring the Offer Shares will be required under the Share Offer and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

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

Singapore

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 except:

- (a) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law.

PRC

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered or sold and may not be offered or sold directly or indirectly in the PRC.

Bermuda

No offer of the Shares may be made to any person regarded as a resident of Bermuda for exchange control purposes.

Each person acquiring the Offer Shares will be required, or deemed by its acquisition of the Offer Shares, to confirm that he or she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, New Shares to be issued pursuant to the Share Offer and any Shares to be issued pursuant to the Share Option Scheme on the Main Board. The Shares are currently listed on the SGX-ST, the New Shares to be issued pursuant to the Share Offer are approved by SGX-ST for listing and dealing on the SGX-ST.

HONG KONG BRANCH SHARE REGISTER AND STAMP DUTY

All New Shares to be issued pursuant to the Share Offer for dealing on the Stock Exchange will be registered on the Hong Kong Branch Share Register to be maintained by Tricor Investor Services Limited. Our Company's principal register of members will be maintained in Bermuda. Only Shares registered on the Hong Kong Branch Share Register may be traded on the Stock Exchange. Dealings in Shares registered on the Hong Kong Branch Share Register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert. Our Company, our Directors, the Selling Shareholder, the Joint Sponsors, the Lead Manager, the Underwriters and any of their respective directors, agents or advisers or any other person involved in the Share Offer do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares in issue, New Shares to be issued pursuant to the Share Offer and any Shares to be issued pursuant to the Share Option Scheme on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date 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 stockbrokers or other professional advisers for details of those settlement arrangements and how 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for the Public Offer Shares” of this prospectus and on the relevant Applications Forms.

TRADING AND SETTLEMENT

It is expected that dealings in the Shares in board lots of 2,000 Shares will commence on the Stock Exchange on 12 July 2011.

Details of the arrangements regarding the transfer, trading and removal of Shares between the Bermuda Share Register and Hong Kong Branch Share Register are set out in the section headed “Listings, registration, dealings and settlement” of this prospectus.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Sze Chun Lee (施春利)	Flat D1, 22/F, Block D, Beverly Hill 6 Broadwood Road Happy Valley Hong Kong	Chinese
Chan Wai Ming (陳偉明)	Flat D, 28/F, Tower 1 Centre Park 18 Hoi Ting Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Kwan Wing Hang (關永衡)	Flat G, 3/F, Tower 10 South Horizons Ap Lei Chau Hong Kong	Chinese
Lam Shek Kin (林錫健)	Flat C, 10/F, Albert House 26 Chengtu Road Aberdeen Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Lim Siang Kai (林汕鏞)	26-A Jalan Haji Alias Singapore 268527	Singaporean
Leong Ka Yew (梁家耀)	2 Shan Road #07-03 Shan Gate Singapore 328103	Singaporean
Wee Piew (黃彪)	162 Duchess Avenue Singapore 269180	Singaporean

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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PARTIES INVOLVED

Joint Sponsors

Yuanta Securities (Hong Kong) Company Limited
23/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

VC Capital Limited
28/F, The Centrium
60 Wyndham Street
Central
Hong Kong

Sole Bookrunner and Lead Manager

VC Brokerage Limited
28/F, The Centrium
60 Wyndham Street
Central
Hong Kong

Legal advisers to our Company

as to Hong Kong law
Hastings & Co.
5/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

as to PRC law
Shu Jin Law Firm
24/F, Aerospace Skyscraper
4019 Shennan Road
Futian District
Shenzhen 518048
PRC

as to Singapore law
Colin Ng & Partners LLP
36 Carpenter Street
Singapore 059915

as to Bermuda Law
Appleby
2206-19, Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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Legal advisers to the Joint Sponsors and the Underwriters	<i>as to Hong Kong law</i> Angela Ho & Associates 1109, Tower 1 Lippo Centre 89 Queensway Hong Kong
Auditor and Reporting accountants	BDO Limited Certified Public Accountants 25/F, Wing On Centre 111 Connaught Road Central Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited 16/F, Jardine House 1 Connaught Place Central Hong Kong
Receiving banks	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong

CORPORATE INFORMATION

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Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Headquarters and principal executive offices	Flat 2, 13th Floor Kodak House II 39 Healthy Street East North Point Hong Kong
Company's website	www.powerprinting.com.hk <i>(information contained on this website does not form part of this prospectus)</i>
Joint company secretaries	Ng Sui Yin (CPA) Gn Jong Yuh Gwendolyn
Authorised representatives	Sze Chun Lee Flat D1, 22/F, Block D Beverly Hill 6 Broadwood Road Happy Valley Hong Kong Ng Sui Yin Flat B, 17/F Coral Court Parkvale Village Discovery Bay Lantau Island Hong Kong
Compliance adviser	VC Capital Limited
Audit Committee	Wee Piew (<i>Chairman</i>) Lim Siang Kai Leong Ka Yew
Remuneration Committee	Lim Siang Kai (<i>Chairman</i>) Leong Ka Yew Wee Piew

Nomination Committee

Leong Ka Yew (*Chairman*)
Lim Siang Kai
Wee Piew

Bermuda Share Registrar

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal bankers

Hong Kong and Shanghai Banking Corporation
HSBC Main Building
1 Queen's Road Central
Central
Hong Kong

DBS Bank (Hong Kong) Limited
The Centre
99 Queen's Road Central
Central
Hong Kong

Nanyang Commercial Bank Limited
151 Des Voeux Road
Central
Hong Kong

Hang Seng Bank Ltd
83 Des Voeux Road Central
Hong Kong

China Construction Bank (Asia) Corporation Ltd.
Suite 2508, 25/F., Tower 6
The Gateway, Harbour City
Kowloon
Hong Kong

The information provided in this section is derived from various published sources and/or official government sources. Neither our Company, the Selling Shareholder, the Joint Sponsors, the Lead Manager, nor the Underwriters, or their affiliates or advisers have independently verified any information derived from the stated published source official government sources and no representation is given as to its accuracy. We believe that the sources of these 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 in this section may not be consistent with or may not have been compiled with the same degree of accuracy or completeness as statistics or other information compiled elsewhere. You should not place reliance on statement in this section.

INTRODUCTION

To various industries such as publishing and advertising, printing plays an important role acting as a supporting industry. The printing industry is a leading manufacturing industry in Hong Kong. However, due to a relocation of factories to China, the increasing popularity of the Internet and the consequential reduction in newspaper and magazine sales, the printing industry has undergone a decline and nowadays, printing companies in Hong Kong are mostly small and medium enterprises.

Printed products is a wide category which include books, booklets, brochures and leaflets and paper and paperboard labels, advertising materials, commercial catalogues, calendars, postcards and greeting cards. Apart from these, other printing products of higher value-added or high-tech printing techniques which require considerable skills, substantial capital investment and confidentiality, include children's novelty books with pop-ups and additional objects, cheque books, passports, bills and statements, securities and prospectuses.

In order to maximize their returns, overseas customers tend to place smaller but more frequent orders, with faster turnaround and shorter delivery time. Despite the increasing price competition from the printers in China, the ability of Hong Kong printers to cope with short-notice printing jobs while maintaining the high-quality and timely delivery at competitive pricing enables Hong Kong to become a top printing and publication centre in the world.

Based on a report by the Hong Kong Trade Development Council ("HKTDC"), an estimated 60-70% of the export business is attributable to orders received directly from overseas countries, and approximately 25% of them come from major international publishers in Hong Kong. Export orders are mainly handled by larger printers or dealers, who have already established business relationships with overseas customers for the purposes of capturing overseas business.

Technology plays an important role to the evolution of the printing industry in Hong Kong. Many Hong Kong printers understand that their comparative advantages relies on their ability to catch up with new printing technologies and are equipped with advanced machineries. Advanced machineries such as one to eight-colour printing machines and lamination machines, and technologies such as die-cutting, paper-cutting, shrink-wrapping, folding, hot-stamping, binding machines and CTP technology, enhance the quality of products and efficiency of production process.

In order to reduce operation costs, many Hong Kong printing companies have set up production facilities in the PRC. However, these printing companies usually continue to maintain their Hong Kong offices to receive and manage overseas sales orders. Further, Hong Kong printers are increasingly making use of technology to cut costs in order to meet the needs of the overseas customers who are confident with the reputation of Hong Kong's printing companies and who want to maintain long standing business relationships with parties in Hong Kong.

In order to expand business networks, explore market opportunities, and promote company's image abroad, Hong Kong printing manufacturers and distributors may participate in trade fairs and study missions organised by the HKTDC, such as the Hong Kong International Printing and Packaging Fair.

Industry Trends

Some printers are offering the "total solution", including auxiliary services like design, data-processing, translation and editing and electronic publishing etc. Some large printers have developed vertically, such as manufacturing or trading paper, or forming strategic partnerships with suppliers, in order to reduce the effects from paper price fluctuations and allow our company to have better control of material supplies. In other cases, certain work processes, such as colour separation, which used to be subcontracted out, now tend to be internalised. This is made possible by new equipment, which incorporate and automate more prepress or finishing functions e.g. cold foil finishing, die-cutting, coating etc. This would not only help printers achieve scale economies, but also have better control on quality and streamline production processes. Leading printers are pursuing the ISO 9002 accreditation.

Technology

Many trends in printing pertain to the advent of new technology or production techniques. Filmless printing, such as CTP, is becoming mature. With CTP technology, images can be transmitted onto a zinc plate directly without the process of colour management and making colour separation films, shortening the prepress production time and enhancing the fineness images.

Moreover, digital printing is at the early stage of development. It enables direct imaging, texts and/or graphics, going directly from the computer to the printing machine without the use of plates. This shortens production time and cost, and improves speed, accuracy and print quality. It is easy to operate and suitable for printing small quantities with flexibility, short lead time and customisation (e.g. advertisements and personalised direct mailing, tickets).

Printed products

In order to be competitive in various market segments, certain traditional printed products will have innovative designs to increase the attractiveness of the products. For example, calendars will take different styles from desktop models to three dimensional wall calendars.

As emphasis on packaging increases, better quality materials are required for packaging which include highly embellished folding boxes, tamper proof and safety features, pressure sensitive self adhesive labels with no label look, heat resistance and deep freeze products. On the other hand, publishers are encouraged to be more environmentally friendly.

Children books are becoming more sophisticated as children do not only read books, but they may also listen and talk to them, use them to build models or solve puzzles, or even play with soft toys that are housed inside the book.

Raw Materials

As publishers pledged to be more environmentally friendly, printing companies are pushed to use more environmentally friendly supplies. For example, the use of recycled paper and synthetic paper which may affect printing quality and needs adjustment on printers' part, the use of UV ink and ink based on beans which would reduce the use of chemical solvents in cleansing. The chemical-free plate system is introduced, which does not require the use of chemicals.

More products could now be printed in printing machines. Fabric printing, for example, on polyester and silk for making fabric posters has been introduced. Commercial wallpapers could now be printed. Plastic products like desk pads, mouse pads are also printable. There are also innovations in ink, for example, a printing scent with various flavours has been introduced.

MARKETS FOR HONG KONG'S PRINTED MATTER

Exports of printed matter

Set out below are the major export and re-exports markets for books, brochures and similar printed matter from Hong Kong for each of the years from 2008 to 2010:

Export of books, brochures and similar printed matter from Hong Kong

	2008	2009	Year on Year Change	2010	Year on Year Change
	HK\$ million	HK\$ million	%	HK\$ million	%
<i>Hong Kong export to</i>					
US	4,145.4	3,191.8	-23.01	3,660.1	14.67
UK	1,867.6	1,423.7	-23.77	1,533.0	7.68
Australia	721.1	656.2	-9.00	778.8	18.68
Germany	551.3	467.2	-15.25	470.6	0.72
France	416.8	326.5	-21.67	438.9	34.44
China	336.7	302.4	-10.19	290.7	-3.86
Spain	302.6	205.4	-32.11	211.6	3.00
Others	2,527.4	2,151.9	-14.86	2,514.1	16.83
Total	10,868.9	8,725.1	-19.72	9,897.8	13.44

Source: Hong Kong Census and Statistics Department

Re-export of books, brochures and similar printed matter from Hong Kong

	2008	2009	<i>Year on Year</i> Change	2010	<i>Year on Year</i> Change
	<i>HK\$</i>	<i>HK\$</i>		<i>HK\$</i>	
<i>Hong Kong re-export to</i>	<i>million</i>	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>
US	3,859.8	2,973.9	-22.95	3,458.4	16.29
UK	1,715.6	1,345.0	-21.60	1,453.0	8.03
Australia	670.2	615.3	-8.19	730.9	18.77
Germany	525.7	451.1	-14.19	458.0	1.53
France	407.1	316.6	-22.23	430.8	36.06
China	172.1	164.4	-4.46	158.6	-3.53
Spain	287.6	198.2	-31.07	200.7	1.26
Others	2,319.7	1,964.1	-15.34	2,318.6	18.06
Total	9,957.8	8,028.6	-19.37	9,209.0	14.70

Source: Hong Kong Census and Statistics Department

According to the tables above, the exports of books, brochures and similar printed matter from Hong Kong decreased from approximately HK\$10,868.9 million in 2008 to HK\$8,725.1 million in 2009, representing a decrease of approximately 19.7%, and then rose to approximately HK\$9,897.8 million in 2010, representing a growth of 13.4%. The trend of the re-exports of books, brochures and similar printed matter from Hong Kong is consistent with the trend of the exports of printed matter from Hong Kong as shown in the above table where a decrease from approximately HK\$9,957.8 million in 2008 to HK\$8,028.6 million in 2009 was recorded and then rebounded to approximately HK\$9,209.0 million in 2010.

As further shown in the tables above, US, UK and Australia have been the top three exporters and re-exporters of books, brochures and similar printed matter from Hong Kong since 2008 and these markets together represented over 50% of the value of the exports and re-exports of books, brochures and similar printed matter from Hong Kong each year from 2008 to 2010.

Set out in the table below are statistics drawn from a report by the HKTDC which shows the shares in percentages of major categories of Hong Kong's exports of printed matter for each of the years from 2007 to Jan-Apr 2009:

Major Hong Kong's exports of printed matter by categories

	2007	2008	Jan-April
	<i>Share in %</i>	<i>Share in %</i>	<i>Share in %</i>
Miscellaneous books, brochures etc.	49.9	53.4	51.1
Paper and paperboard labels of all kinds	20.9	19.4	19.9
Children's pictures, drawing or colouring books	9.9	9.8	10.1
Printed or illustrated postcards, printed cards	8.0	6.1	7.6
Trade advertising materials, commercial catalogues etc.	2.2	2.3	2.2
Others	9.1	9.0	9.1
	<hr/>	<hr/>	<hr/>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: HKTDC

According to the table above, the categories of miscellaneous books, brochures etc. and paper and paperboard labels of all kinds have been the most popular products which together represented over 50% of the shares of major categories of exports printed matter in Hong Kong each year from 2007 to April 2009.

INDUSTRY OVERVIEW

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MARKETS FOR PRC'S PRINTED MATTER

Set out below are the major export markets for printed reading books, brochures, leaflets etc from the PRC for each of the years form 2007 to 2009:

Exports of printed reading books, brochures, leaflets etc from the PRC

	2007	2008	<i>Year on Year</i>	2009	<i>Year on Year</i>	2010	<i>Year on Year</i>
	<i>US\$</i>	<i>US\$</i>	<i>Change</i>	<i>US\$</i>	<i>Change</i>	<i>US\$</i>	<i>Change</i>
	<i>million</i>	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>
Hong Kong	362.5	411.2	13.42%	353.4	-14.05%	398.6	12.79%
US	244.4	272.3	11.44%	256.5	-5.80%	295.6	15.22%
UK	82.3	100.1	21.62%	92.9	-7.25%	100.0	7.67%
Australia	15.4	23.1	50.26%	21.5	-6.88%	27.6	28.26%
Germany	27.5	36.2	31.51%	37.9	4.84%	40.5	6.85%
France	15.1	24.5	61.88%	27.7	13.27%	31.3	12.72%
Spain	8.0	16.3	104.14%	11.7	-28.44%	13.0	11.68%
Others	123.0	174.7	41.92%	158.8	-9.14%	181.7	14.50%
Total	878.2	1,058.4	20.50%	960.4	-9.26%	1,088.3	13.32%

Source: United Nation Comtrade Database, 2010

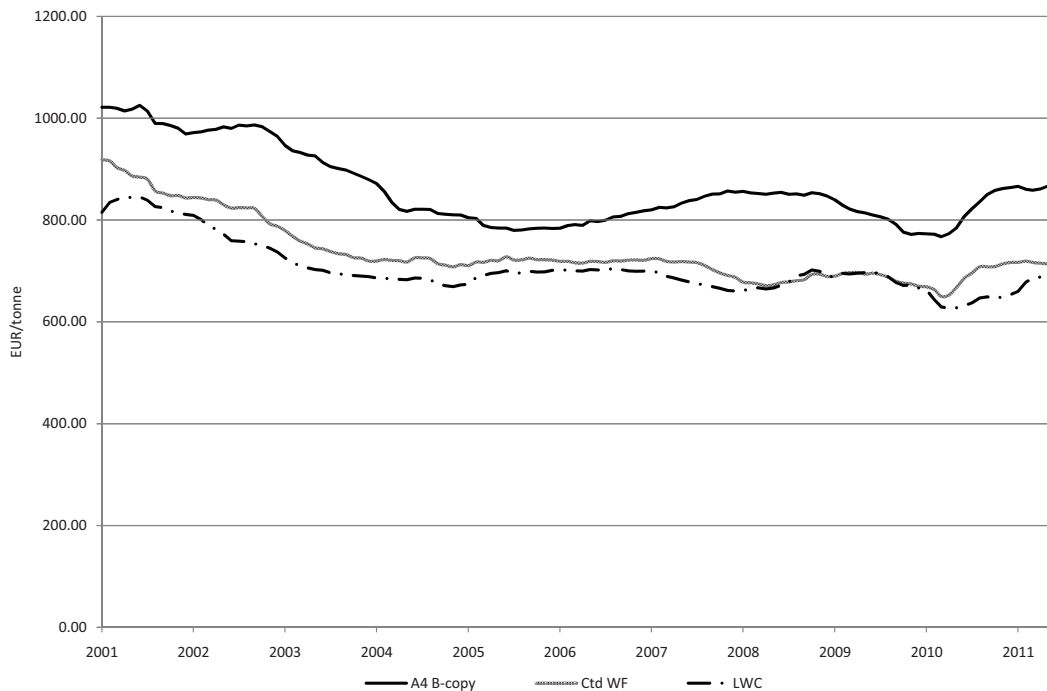
According to the table above, the exports of printed reading books, brochures, leaflets etc from the PRC have dropped from approximately US\$1,058.4 million in 2008 to approximately US\$960.4 million in 2009, while it has recorded a growth of approximately 13.3% to approximately US\$1,088.3 million in 2010.

Hong Kong and US have been the largest market in exports of printed reading books, brochures, leaflets etc from the PRC which together represented over 50% of the value of the exports of printed reading books, brochures, leaflets etc from the PRC each year from 2007 to 2010.

MOVEMENT IN PAPER PRICE

The PIX indexes are benchmark price indexes for various grades of pulp, paper, paperboard as well as recovered paper and biofuels prepared and published by FOEX Indexes Ltd, a private and independent company located in Helsinki of Finland specialised in operating as a provider of audited, trade-mark registered pulp, paper, recovered paper and wood pellet price indexes. The PIX index is calculated from price data received from buyers and sellers of the product in question for real sales traded during the reporting week. The PIX indexes of (i) A4 B-copy, (ii) Ctd WF and (iii) LWC reflect the average prices of paper used mainly for (i) photocopying, (ii) commercial printing of high quality magazines and catalogues, and (iii) offset printing of magazines and catalogues respectively and are set out below.

PIX Index (2001-2011)



Source: Bloomberg

The average prices of A4 B-copy, Ctd WF and LWC were at highest in 2001 over the 10-year period, of approximately €1,004/tonne, €879/tonne and €829/tonne respectively. After a relatively sharp fall of approximately 6.9%, 9.8% and 8.7% in 2003 respectively, the average prices of A4 B-copy, Ctd WF and LWC fluctuated ups and downs steadily over years. The average prices of A4 B-copy and Ctd WF reached the bottom of approximately €767/tonne and €650/tonne respectively in March 2010 and the average price of LWC reached the bottom of approximately €626/tonne in April 2010. Since then the average prices of A4 B-copy, Ctd WF and LWC rebounded and continued to rise to approximately €867/tonne, €714/tonne and €688/tonne in May 2011 respectively.

DEVELOPMENT OF ELECTRONIC BOOKS (E-BOOKS)

The Print Industries Market Information and Research Organisation, a premier market research association of the graphic communications industry, commissioned PrintCom Consulting Group, a research company which specialises in offering management, marketing, business planning, technical/economic evaluations, consulting and research services for companies in the printing, publishing and communications industries, as well as the converting and packaging industries, to take a closer look at the book market in North America and published a research report in 2009 (the "Primir Report").

According to the Primir Report, electronic book or e-book is a more than 30 year old concept that has failed several times. However in 2008, it has burst on the book scene with high visibility under the mantra that this is the real future of book, magazine, newspaper and other media reading. The technological development of the e-readers and the entry of Amazon, the preeminent seller of paper books in the internet, came together to push the emerging e-book into the limelight. For instance, the number of books released annually for the first time in e-book format is less than 17,000, while Amazon's Kindle device claimed 90,000 titles available when it launched in 2007. And the 4th Edition of American Heritage Dictionary has been downloaded many thousands of times since being formatted not just for desktop and laptop computers, but also iPods and other PDAs. Many publishers believe that e-books will become more famous when the hardware (such as Amazon's Kindle device) can be purchased at a lower price. There are many opinions that e-books figure will run from about 2% in 2009 to as high as a target of 25% of the book industry revenue in five or ten years.

As suggested in the Primir Report, printed books are moving from print into multiple media formats including e-books. While the shift from the book store to the internet will result in a reduction in the print order of 30% to 40% and result in a reduction in returns and better inventory management. Paper based book manufacturers may also investigate the possibility of preparing electronic files for e-books. Offering publishers a one-stop service to reformat incoming book electronic files for whatever device oriented output is required, whenever in the cycle it might be required, could be useful for the publisher as well as provide the printer with an additional value-added billing opportunity.

REGULATIONS ON THE PRINTING INDUSTRY IN THE PRC

The initial framework for regulating the domestic printing industry was provided in the Regulation on the Administration for Printing Industry (印刷業管理條例) (the “1997 Regulation”) promulgated by the State Council on 8 March 1997 and came into effect on 1 May 1997, which was subsequently abolished and superceded by the Regulation on the Administration for Printing Industry (印刷業管理條例) (the “2001 Regulation”) promulgated by the State Council on 2 August 2001.

The PRC government delegates the administration of printing product regulations to various government entities under the Regulations on Administration of Printing Industry (印刷業管理條例). The main regulatory bodies are the State General Administration of Press and Publications (國家新聞出版總署) (the “SPPA”) and its local departments and the local administration for industry and commerce (工商行政管理部門).

PRINTING BUSINESS AND PRINTING PRODUCTS

The printing business may include various printing related business activities such as composition (排版), plate making (製版), printing (印刷), binding (裝訂), duplicating (複印) and photomechanical printing (影印).

Under the 2001 Regulation, printing products are divided into three categories, namely, publications (出版物), packaging and decorative printing products (包裝裝潢印刷品) and other printing products (其他印刷品). The printing products falling within different categories are subject to different regulatory requirements. However, all printing products must not consist of any anti-communist, obscene or superstitious content or other prohibited content set out by the PRC government.

LICENCING REQUIREMENTS

A printing company is required to obtain the approval by the SPPA or its authorised local agencies and then subsequently obtain a printing operation licence and a business licence from the State Administration for Industry and Commerce (國家工商行政管理總局) or its authorised local agencies. In general, a licence will be granted only if such company can meet the prescribed registered capital requirements and other requirements, such as the qualifications of its senior management, the adequacy of its printing facilities and premises and specifications relating to its printing products.

Power Printing (He Yuan) holds a printing licence issued by Guangdong Press and Publication Administration (廣東省新聞出版局) with a permitted scope of printing of packaging and decorative printing products, and with a term of validity commencing from 1 January 2010 and ending on 31 December 2013.

RESTRICTIONS ON FOREIGN INVESTMENT

Under the Interim Regulations on Establishing Foreign Invested Printing Enterprise (設立外商投資印刷企業暫行規定) (the “2002 Interim Regulation”) jointly promulgated by the SPPA and the Ministry of Commerce of the PRC (the “MOC”) on 29 January 2002, the establishment of foreign invested printing enterprises, in the forms of Chinese-foreign equity or cooperative joint ventures (“Joint Ventures”) and wholly foreign owned enterprises (“WFOEs”), shall be subject to approvals by both the SPPA and the

REGULATORY OVERVIEW

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MOC. The Joint Ventures can engage in the printing business for all of the printing products including publications (出版物), packaging and decorative printing products (包裝裝潢印刷品) and other printing products (其他印刷品), but the WFOEs are only allowed to engage in the printing business for packaging and decorative printing products (包裝裝潢印刷品).

According to the circular issued by MOC dated 12 January 2006, MOC has delegated the authority in approving the establishment of Joint Ventures and WFOEs through its local counterparts at provincial level.

OFFSHORE PRINTING PRODUCTS

Under the 2001 Regulation, a printing enterprise is required to obtain prior approval by the SPPA for each different type of offshore publications (出版物) to be printed, and is also required to attend to registration with the SPPA for the offshore packaging and decorative printing products (包裝裝潢印刷品) and other printing products (其他印刷品) to be printed. All of such offshore printing products must be exported and none of them is allowed to be distributed in the PRC.

The printing business for offshore printing products is also subject to other regulatory requirements, depending on the contents of such products. For instance, the contents of offshore printing products must not violate any laws or regulations of the PRC, if such printing products contain maps, the approvals by competent surveying and mapping administration authority (測繪行政管理部) is required, and in the case of printing products for religious purpose, the approvals by competent religious affairs administration authority (宗教事務管理部門) are required.

In addition, according to the Interim Measures on the Administration for Offshore Processing Printing Products in Guangdong Province (廣東省境外印刷品來料加工管理辦法), the prior approval must be obtained from Guangdong Press and Publication Administration (廣東省新聞出版局) regarding to the content for each batch of publication to be manufactured by printing processing factories in Guangdong Province, the PRC.

PROCESSING TRADE (加工貿易)

It is common for foreign or Hong Kong companies to enter into processing agreements to form manufacturing operations in the PRC for export oriented businesses. This approach is convenient and cost effective, and the major reason to rely on such arrangements (instead of establishing its own manufacturing entity) is mainly due to the tax concession advantages which are as follows.

- (1) In general, by virtue of such arrangements, the raw materials and components may be imported into the PRC free of import valued added tax ("VAT") and customs duties, and the finished products may be exported free of import VAT and customs duties, while it is very difficult for a wholly owned subsidiary of a Hong Kong company in PRC to be entitled to the full exemption of such VAT and customs duties.

- (2) Furthermore, the Hong Kong company may also be granted a 50% profit tax concession from the Hong Kong Inland Revenue Department pursuant to DIPN 21 due to the use of PRC manufacturing facilities to manufacture products in the PRC under such arrangements.
- (3) Under the PRC laws, a wholly foreign owned enterprise is not permitted to print publications such as books. However, the processing factories established under the processing arrangements are allowed to print offshore publications (such as books or magazines to be sold and distributed outside of the PRC) upon obtaining necessary approvals from competent authorities on an order by order basis.

A printing enterprise may engage in the printing business for offshore printing products in the form of providing processing trade (加工貿易) services, such as processing with supplied materials or processing with imported materials (進料加工), pursuant to instructions of foreign customers.

In case of processing trade, in addition to the aforesaid regulation requirements which must be complied with, the printing enterprise is also required to obtain a Certificate of Approval for Processing Trade Business (加工貿易業務批准證) from the MOC or its authorised local agencies, a Certificate of Approval for Processing Works with Supplied (Imported) Materials for Foreign, Hong Kong, Macau and Taiwan Publications (國外及港、澳、台出版物來(進)料加工印件准印證) from the SPPA or its authorised local agencies for the offshore publications (出版物) to be printed, and attend to registration with the SPPA or its authorised local agencies for the offshore packaging and decorative printing products (包裝裝潢印刷品) and/or other printing products (其他印刷品) to be printed, on a case by case basis.

ENVIRONMENTAL PROTECTION REGULATIONS

The Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) was promulgated on 26 December 1989 by the Standing Committee of National People's Congress (全國人民代表大會常務委員會). Under this law,

- (1) the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate, or, if there has been national guidelines for a particular pollutant discharge, the pollutant discharge criteria set forth in the guidelines of the provinces, autonomous regions and municipalities are stricter than those in the national guidelines;
- (2) a company or enterprise which causes environmental pollution and discharge other polluting material which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection, adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company; and

REGULATORY OVERVIEW

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- (3) any company or enterprise discharging pollutants should report to and register with the relevant authorities. Companies and enterprises discharging pollutants in excess of the prescribed national or local discharge standards should pay a fee for excessive discharge according to state provisions and shall assume responsibility for eliminating and controlling the pollution.

Other than the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) above, the Regulations on Administration of Environmental Protection of Construction Projects (建設項目環境保護管理條例) (effected on 29 November 1998) and the Law of the People's Republic of China on Appraisal of Environment Impact (中華人民共和國環境影響評價法) (effected on 1 September 2003) set out the legal requirement on the construction design for production facilities of the PRC factories in the aspects of pollution control and environmental protection.

The Law of the People's Republic of China on the Prevention and Treatment of Noise Pollution (中華人民共和國環境噪聲污染防治法) (effected on 1 March 1997), the Law of the People's Republic of China on the Prevention and Treatment of Air Pollution (中華人民共和國大氣污染防治法) (effected on 1 September 2000), the Law of the People's Republic of China on the Prevention and Treatment of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) (effected on 1 April 2005) and the Law of the People's Republic of China on the Prevention and Treatment of Water Pollution (中華人民共和國水污染防治法) (effected on 1 June 2008) together impose further requirements on the PRC factories on the discharge and treatment of pollutants, including noise, tonic material, wastewater and chemical waste.

Save as disclosed above, the PRC legal advisers and our Directors confirm that there are no other material regulations in the PRC in respect of printing industry applicable to our Group and business operation.

HISTORY AND DEVELOPMENT

Our Company was incorporated under the laws of Bermuda on 12 October 2006 as an exempted company. Pursuant to a Reorganisation as described under the paragraph headed “Corporate structure” in this section, our Company became the holding company of our Group with the acquisition of Power Printing (HK) and Carta.

We started our specialised products business in October 2000 when Carta was incorporated by our executive Director, Kwan Wing Hang, and Lam Ching Wah Carmen, the wife of our executive Director and chief executive officer, Sze Chun Lee, in Hong Kong.

Carta is in the business of producing high quality and value-added products that are made with leather and/or fabrics lining as well as products with its own in-house designs. We started our specialised products business with the manufacture of leather bound journals.

In January 2001, Carta secured purchase orders with an international clothing chain company in Hong Kong, for the manufacture of leather bound diaries and journals using high quality raw materials and workmanship. Carta also supplied made-to-order leather and fabric bound journals and diaries to one of our major customers in the United States.

In March 2001, we started our books printing business when Power Printing (HK) was incorporated by our executive Directors, namely Sze Chun Lee, Chan Wai Ming and Lam Shek Kin. The manufacturing of our products was carried out through Shenzhen Factory under the Shenzhen Processing Arrangement between Power Printing (HK), Shenzhen Minyuan and Shenzhen LIP dated 22 March 2001, which was located in Shenzhen, Guangdong Province, PRC. Both Shenzhen Minyuan and Shenzhen LIP are Independent Third Parties. One of our first orders in May 2001 was from our customer in the United States. At the time, we had one 4-colour and one 2-colour printing presses for production. In 2001, we also produced products under our specialised products segment to customers in Hong Kong and in the United States.

In 2002, we secured printing purchase orders with leading book traders in Hong Kong. To meet the increase in demand for our products and services, we purchased another 4-colour printing press, increasing our production capabilities from approximately 200,000 sheets per day to approximately 360,000 sheets per day. We also invested approximately HK\$3.0 million to install CTP equipment for direct output of printing plates from computer data files, thus bypassing the intermediate step of making films that are necessary in traditional printing methods. The CTP equipment enhances the accuracy, clarity and reliability of the colour and images in our books and provides time and cost savings over the traditional print-proof processes. In 2002, our specialised products business continued to grow and we expanded our products to include leather based jewellery and gift boxes, and desktop stationery. Our factory under the Shenzhen Processing Arrangement was awarded the ISO 9001:2000 by Moody International Certification Limited in the same year.

In 2003, we procured a 5-colour printing press and a 4-colour printing press to meet the increased demand for our products and services as a result of the increased orders from existing customers, orders from new customers secured by our sales team, and new customers who were referred to us by our existing customers. In order to provide additional services to our customers, we also purchased a binding machine which gave us the capability to engage in case-book binding, perfect binding and

HISTORY AND CORPORATE STRUCTURE

saddle stitch-binding for our products. As a result of our increase in production capacity, we were able to secure a higher volume of orders in 2003 from our customers.

We established Power Printing (He Yuan) in 2004 and entered into an agreement to purchase land of approximately 104,349 sq.m. in the He Yuan High Technology Development Zone, He Yuan City, Guangdong Province, PRC for the establishment of a new production facility. In November 2004, Kwan Wing Hang and Lam Ching Wah Carmen transferred their shares in Carta respectively to Kong Tong Group Limited.

We installed a second set of CTP equipment in 2005 at a cost of approximately HK\$1.5 million. This enabled us to improve our product quality and response time to meet the demands of our existing customers, as well as new customers from Hong Kong and from the United States. In 2005, we further expanded our specialised products business to include leather based bags. Due to personal reasons, Lam Ching Wah Carmen resigned as the director of Carta in February 2005. Our three executive Directors, namely, Sze Chun Lee, Chan Wai Ming and Lam Shek Kin, were appointed as the directors of Carta.

The first phase construction of our production facility at He Yuan was completed in May 2006 with a built-up area of approximately 50,080 sq.m. (Please refer to the paragraph headed "Properties" under the section headed "Business" of this prospectus for more details).

In order to accommodate the increased demand for our products and services, we further acquired one 4-colour printing press, one 5-colour printing press and two 2-colour printing presses in 2006, bringing our total number of printing presses to nine. Our production facility at He Yuan was awarded the ISO 9001:2000 by Moody International Certification Limited in the same year. In 2006, we purchased an automatic casing-in binding machine, thereby enabling us to provide hard case binding services to our customers. As a result, we are able to provide a comprehensive suite of printing services ranging from printing, various methods of binding, packaging, as well as design and production of certain made-to-order stationery and products for our customers.

Prior to July 2006, we had carried out our manufacturing operations pursuant to the Shenzhen Processing Arrangement. In July 2006, we had shifted our production operations from Shenzhen to He Yuan, where we carry out our manufacturing operations pursuant to the He Yuan Processing Arrangement. Please refer to the paragraph headed "Processing arrangements" under the section headed "Business" of this prospectus for further details of the processing arrangements.

To expand our business to the PRC market, Power Printing (He Yuan) obtained a printing licence issued by Guangdong Press and Publication Administration (廣東省新聞出版局) with a permitted scope of printing of packaging and decorative printing products, and with a term of validity from 1 January 2006 to 31 December 2009. With such printing licence, Power Printing (He Yuan) is allowed to manufacture and distribute non-publication specialised products in the PRC. The printing licence of Power Printing (He Yuan) is subsequently renewed in 2010 with a term of validity from 1 January 2010 to 31 December 2013.

Our Shares were successfully listed on the SGX-ST on 14 May 2007. We raised approximately S\$8 million, which has been fully utilised as to approximately 28.8% for the expansion of our production facilities; as to approximately 7.5% for increasing our sales and marketing network; as to approximately

18.7% for repayment of bank loans; as to approximately 28.1% as issue expenses for SGX-ST listing; and as to approximately 16.9% as general working capital. We also purchased one 8-colour printing press in 2007 which brought our total number of printing presses to ten.

In 2008, we purchased one 8-colour printing press and one 5-colour printing press, bringing our total number of printing presses to twelve. This enabled us to improve our response time to meet the demands of our existing customers as well as new customers from the United Kingdom, France and Germany. Our production facility at He Yuan was awarded OHSAS 18001:2007 for the provision of book printing and manufacture of notebooks in March 2008. We have also won the FSC COC award in September 2008.

During the period from January 2010 to March 2011, we recruited a sales representative in London, United Kingdom which enabled us to further develop our business in Europe. In addition, we expanded our business to the PRC market and secured new customers in the PRC in 2010.

CORPORATE STRUCTURE

Reorganisation

The following steps were taken in the Reorganisation implemented in preparation for our listing on the SGX-ST in May 2007:

(a) *Incorporation of our Company*

Our Company was incorporated in Bermuda on 12 October 2006 as an investment holding company of our Group. On 19 October 2006, 100,000 ordinary shares of HK\$1.00 each in the capital of our Company were allotted and issued nil paid to China Print Power Limited. All of the issued share capital of the China Print Power Limited was held by our executive Directors, namely Sze Chun Lee (as to 35.0%), Chan Wai Ming (as to 30.0%), Kwan Wing Hang (as to 20.0%) and Lam Shek Kin (as to 15.0%) collectively.

(b) *Acquisition of Power Printing (HK)*

Pursuant to the sale and purchase agreement dated 26 March 2007, our Company acquired from Sze Chun Lee, Chan Wai Ming and Lam Shek Kin the entire issued and paid-up capital of Power Printing (HK) comprising 3,000,000 ordinary shares. Sze Chun Lee and Chan Wai Ming each held 37.5% of Power Printing (HK) while Lam Shek Kin held 25.0% of Power Printing (HK).

The consideration of HK\$43,891,717 (based on the net tangible asset value of Power Printing (HK) of HK\$51,891,717 as at 30 June 2006 (less HK\$8,000,000 dividend payable declared by Power Printing (HK) in respect of profits for the first half of 2006)) was satisfied by the allotment and issue of an aggregate of 43,791,717 ordinary shares of HK\$1.00 each in the capital of our Company to Sze Chun Lee, Chan Wai Ming and Lam Shek Kin in the proportion in accordance with their shareholdings in Power Printing (HK) and the crediting as fully paid the 100,000 shares held by China Print Power Limited. Sze Chun Lee, Chan Wai Ming and Lam Shek Kin renounced the allotment and issue of the 43,791,717 ordinary shares of HK\$1.00 each in the capital of our Company in favour of China Print Power Limited.

HISTORY AND CORPORATE STRUCTURE

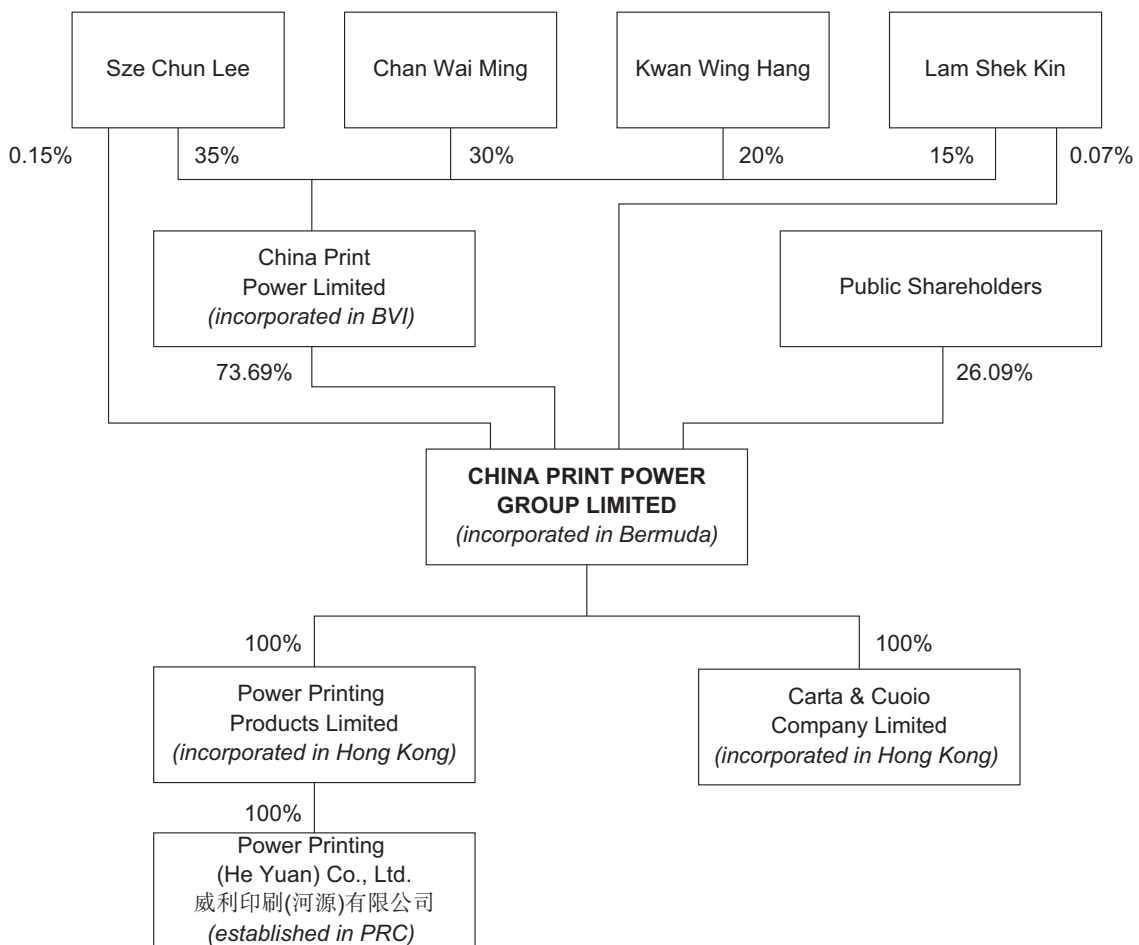
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(c) Acquisition of Carta

Pursuant to the sale and purchase agreement dated 26 March 2007, our Company acquired from Kong Tong Group Limited, the entire issued capital of Carta comprising 30,000 shares. Our executive Directors, namely Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin, collectively own 100.0% of the issued share capital in Kong Tong Group Limited and they hold their interest in Kong Tong Group Limited in the proportions of 35.0%, 30.0%, 20.0% and 15.0% respectively.

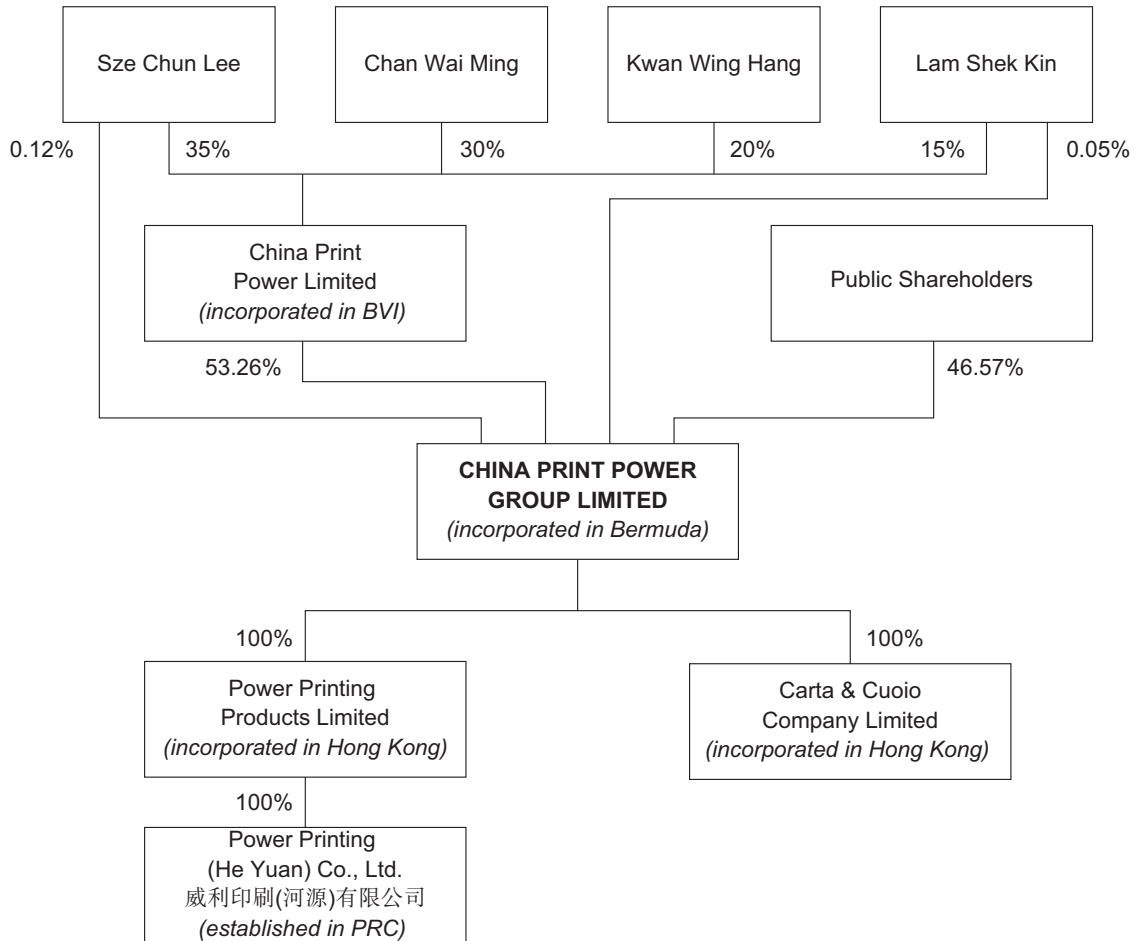
The consideration of HK\$2,185,926 (based on the net tangible asset value of Carta of HK\$2,185,926 as at 30 June 2006) was satisfied by the allotment and issue of an aggregate of 2,185,926 ordinary shares of HK\$1.00 each in the capital of our Company to Kong Tong Group Limited. Kong Tong Group Limited renounced the allotment and issue of the 2,185,926 ordinary shares of HK\$1.00 each in the capital of our Company in favour of China Print Power Limited.

The shareholding and corporate structure of our Group as at the Latest Practicable Date are set out below:



HISTORY AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately after completion of the Share Offer are set out below:



BUSINESS OVERVIEW

Our Group is principally engaged in (i) printing of books; and (ii) manufacturing of specialised products such as pop-up children book and stationery. Our customers include international publishers, book traders and retail stores, and our customer base extends to a wide geographical reach covering Europe, North America and Asia.

Power Printing (HK) and Carta, our wholly-owned subsidiaries, are generally the sales and marketing arm of our Group and are responsible for identifying new business opportunities and establishing relationships with our current customers and potential new customers. The production process of our products is mainly carried out either by He Yuan Factory under the He Yuan Processing Arrangement or by our own subsidiary, Power Printing (He Yuan). Pursuant to the He Yuan Processing Arrangement, Power Printing (HK) is responsible for, amongst other things, providing equipment and materials to the He Yuan Factory, whereas the He Yuan Factory is responsible for the manpower for processing, the manufacture and delivery of the products in a timely manner to facilitate Power Printing (HK)'s business operations.

During the Track Record Period, our Group's turnover was approximately HK\$264.2 million, HK\$213.0 million and HK\$201.7 million, and the profit attributable to owners of our Company was approximately HK\$17.7 million, HK\$19.2 million and HK\$22.0 million, respectively.

PRODUCTS

Our products consist of two main segments: (A) books; and (B) specialised products.

The following table illustrates the breakdown of our revenue by products during the Track Record Period:

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Book products	153,225	58.0	147,332	69.2	110,861	55.0
Specialised products	110,980	42.0	65,630	30.8	90,816	45.0
Total	<u>264,205</u>	100.0	<u>212,962</u>	100.0	<u>201,677</u>	100.0

(A) Books

We provide a full suite of services including pre-printing (including colour separation and creating ozalids), printing and post-printing services (including folding, collating, finishing and binding). Examples of our book products include medical reference books and children's story and activity books.

(B) Specialised products

We also engage in the production of specialised products, which includes the production of custom-made and value-added printing products. Currently, our specialised products include (i) value-added paper products such as pop-up children books, board books, greeting cards, post cards, journals, calendars, diaries, paper bags, stationery, puzzles, photograph albums; and (ii) leather and fabric products such as organisers with leather or fabric covers, packaging boxes for gifts, desktop stationery sets, leather-bound journals and diaries, and products with materials other than paper.

Some of these specialised products are designed by us according to the prevailing trends in the market as well as our own creative designs. We also produce custom-made or value-added products proposed by our customers. For the three years ended 31 December 2010, approximately 0.1%, 0.1% and 1.7% respectively of the sales of our specialised products involved our in-house design and approximately 1.3%, nil and nil respectively of the sales of our specialised products were jointly designed by our customers and us. For the rest of our specialised products which were mainly value-added paper products such as pop-up children books and board books, their designs were provided by the respective customers.

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

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Hong Kong	135,541	51.3	104,647	49.1	119,155	59.1
Europe						
– United Kingdom	48,112	18.2	45,551	21.4	30,961	15.4
– Germany	15,263	5.8	11,091	5.2	10,889	5.4
– France	3,956	1.5	3,384	1.6	3,035	1.5
– Others	3,273	1.2	5,840	2.7	3,902	1.9
	70,604	26.7	65,866	30.9	48,787	24.2
North America						
– United States	48,267	18.3	39,922	18.8	31,582	15.7
– Canada	2,023	0.7	–	–	432	0.2
	50,290	19.0	39,922	18.8	32,014	15.9
PRC	–	–	–	–	493	0.2
Other Asian countries						
– Singapore	3,913	1.5	1,272	0.6	917	0.4
– Japan	150	0.1	117	0.1	79	0.1
	4,063	1.6	1,389	0.7	996	0.5
Others ^(Note)	3,707	1.4	1,138	0.5	232	0.1
Total	264,205	100.0	212,962	100.0	201,677	100.0

Note: Others include mainly Australia and New Zealand.

COMPETITIVE STRENGTHS

Our management team has in-depth industry knowledge and experience.

Our experienced management team is led by Sze Chun Lee, our chief executive officer. Sze Chun Lee has been in the printing industry for about 23 years and has built up an extensive network of relationships with suppliers and international customers. Chan Wai Ming, our Chief Operations Officer, and Lam Shek Kin, our Production Director (Printing) have approximately 26 years and 22 years of experience in the printing industry respectively. Kwan Wing Hang, our Production Director (Specialised Products), has 29 years of experience in the leather machinery and leather manufacturing industry. Due to their experience and in-depth knowledge of the printing and leather industry, we are able to cater to our customers' requests and provide adequate solutions to their printing and specialised products needs. Under the leadership of our management team, our business and operations has grown considerably since our establishment in 2000. Please refer to the section headed "Directors, senior management and staff" of this prospectus for the qualifications and working experience of our executive Directors.

Our flat management structure enables us to respond to our customers' needs efficiently.

We have a flat management structure whereby our two businesses, books segment and our specialised products segment have direct access to our executive Directors and executive officers for reference and decisions. Our flat reporting structure allows us to respond quickly to meet our customers' needs and to allow efficient flow of management information within our Group. Please refer to the section headed "Directors, senior management and staff" of this prospectus for the management structure of our Group.

We are able to meet our customers' needs for custom-made products.

We have a specialised products segment that is capable of designing and producing custom-made products such as leather bound and fabric bound products. Our capability of combining the manufacturing skills required for both printing and the manufacture of leather/fabric products allow us to provide our customers with a suite of integrated services including the design of products, printing and finishing/binding services such that our customers do not have to seek other suppliers for other parts of a composite product that they may desire to produce.

Further, we are also able to provide our customers with the additional services of sourcing for products that we do not produce and packaging them together with our own products to provide them with a convenient solution for their product needs. For example, we are able to assist our customers to source for crayons and colour pencils to be packaged together with the colouring books printed by us.

We believe that our dual product segments and our ability to provide an entire suite of services to our customers has given us an advantage over our competitors.

We have a diverse international customer base with which we enjoy good relationships.

Our customer base extends to a wide geographical reach covering Europe, North America and Asia. Our Group has been steadily expanding our customer base over the years and has secured major purchase orders with international clients.

Our production facility is strategically located in He Yuan, Guangdong Province, PRC.

We shifted our production facility to He Yuan, Guangdong Province, PRC in July 2006. This has enabled us to expand our production capacity and to take advantage of the relatively lower cost of labour and utilities in He Yuan as compared to other industrial areas such as Shenzhen, allowing us to better compete with our competitors located elsewhere.

BUSINESS MODEL

Our Group generally manufactures (i) books and specialised paper products for Hong Kong and overseas customers through He Yuan Factory and (ii) specialised leather/fabric products for Hong Kong and overseas customers and specialised products to be sold to and distributed in the PRC market through Power Printing (He Yuan).

Sales and Marketing

Power Printing (HK) and Carta, our wholly-owned subsidiaries, are generally the sales and marketing arms of our Group and are responsible for identifying new business opportunities and establishing and maintaining relationships with our current customers and potential new customers.

Our customers usually approach us with sale enquiries for particular orders that they require. Depending on the nature of the enquiries, our sales team will work together with the respective production director and our procurement, management and control department and provide our customers with quotations for the estimated prices of the orders and the expected delivery dates. Our quotations are negotiated on an order-by-order basis. Generally, we set our selling prices of products primarily based on (i) the estimated material and labour costs; (ii) the quantity of products to be produced; and (iii) the business relationship with the respective customers, and also taking into consideration of factors such as the payment method, the required delivery time and the possible quotation of potential competitors.

Overseas and Hong Kong customers place orders to Power Printing (HK) or Carta. Power Printing (HK) is responsible for customers whose purchase orders involve mainly (i) printing of books and (ii) manufacturing of specialised paper products; whereas Carta is responsible for customers whose purchase orders involve mainly manufacturing of specialised leather/fabric products.

For our PRC customers, their purchase orders are handled by Power Printing (He Yuan), a wholly-owned subsidiary of our Group. Such orders involve mainly manufacturing of (i) specialised paper products and (ii) specialised leather/fabric products.

In addition, we may work with third party sales agents to leverage on their network of customers. We pay commission fee to such sales agents for their referral of business. Our business relationship with such sales agents are generally on a job-by-job basis.

Procurement

Upon the customer's acceptance of our quotation, we will assess the type and amount of raw materials that are required for the order. The raw materials will generally be procured either by Power Printing (HK) for He Yuan Factory to process under the He Yuan Processing Arrangement or by Power Printing (He Yuan) for its own production.

Occasionally, our customers may supply raw materials purchased by themselves to us for processing their purchase orders.

Production Process

The production process of our products is mainly carried out either by He Yuan Factory under the He Yuan Processing Arrangement or by our own subsidiary, Power Printing (He Yuan).

The processing processes conducted by He Yuan Factory consist of pre-printing, printing and post-printing processes while the processing process conducted by Power Printing (He Yuan) consists of post-printing process, in particular relating to leather/fabric handworks. Since the purchase orders from customers handled by Power Printing (HK) generally involve printing processes, such purchase orders are normally assigned to He Yuan Factory for processing; and as purchase orders from customers handled by Carta involve mainly manufacturing of specialised leather/fabric products, such purchase orders are normally assigned to Power Printing (He Yuan) for production.

For some specialised products the production of which involves both printing process to be conducted by He Yuan Factory and post-printing process to be conducted by Power Printing (He Yuan), upon completion of the printing process conducted in He Yuan Factory, the semi-products are exported and re-imported to Power Printing (He Yuan) with proper customs clearance and permits for further post-printing processing in Power Printing (He Yuan).

The finished products are either exported to our Hong Kong subsidiaries, Power Printing (HK) or Carta, for delivery to overseas and Hong Kong markets, or directly delivered by our PRC subsidiary, Power Printing (He Yuan), to PRC market.

The printing licence of He Yuan Factory allows our Group, via He Yuan Factory, to manufacture offshore printing products for Hong Kong and overseas customers under the He Yuan Processing Arrangement; whereas the printing licence of Power Printing (He Yuan) allows our Group, via Power Printing (He Yuan), to manufacture non-publication specialised products for Hong Kong, overseas and PRC customers. Our PRC legal advisers advised that, as each of He Yuan Factory and Power Printing (He Yuan) manufactures printing products in accordance with the capacities granted under the respective printing licence, we have not committed and do not commit any breach of the 2001 Regulation or the 2002 Interim Regulation.

PROCESSING ARRANGEMENTS

Shenzhen Processing Arrangement

Prior to July 2006, our production facility was located in Shenzhen, Guangdong Province, PRC. We have overall supervision over the entire processing process. Our subsidiary, Power Printing (HK), had entered into a ten-year processing agreement and a series of supplemental agreements with Shenzhen LIP and Shenzhen Minyuan commencing on 22 March 2001. Under the Shenzhen Processing Arrangement, Power Printing (HK) would supply the necessary raw materials including equipment, tools and machinery while Shenzhen LIP and Shenzhen Minyuan would provide the necessary land and buildings and the manpower in relation to the production of our products. Further, Shenzhen LIP and Shenzhen Minyuan would provide assistance in relation to customs clearance for Power Printing (HK) in connection with the import of raw materials and exports of finished products. Power Printing (HK) would

pay to Shenzhen LIP monthly the costs related to labour and overheads fees calculated on the basis of cost incurred. Power Printing (HK) entered into a termination agreement with Shenzhen LIP and Shenzhen Minyuan on 25 May 2006 (the "Termination Agreement") pursuant to which the Shenzhen Processing Arrangement was terminated as of 30 July 2006. Pursuant to the Termination Agreement, no penalty for early termination nor lump sum termination payment was payable by either party, and the equipment, tools and machinery were transferred to the He Yuan Factory. As advised by the PRC legal advisers, our Group was not subject to further liabilities, costs, damages or penalties arising out of the Shenzhen Processing Arrangement. As confirmed by our Directors, they were not aware of any claims in relation to the termination of the Shenzhen Processing Arrangement.

He Yuan Processing Arrangement

In July 2006, we moved our production facility to our production plant located in He Yuan, Guangdong Province, PRC and entered into the He Yuan Processing Arrangement under the processing agreement dated 22 February 2006 (as supplemented from time to time), the summary of particulars of which is set out below.

Parties

The parties to the He Yuan Processing Arrangement are:

- (a) Power Printing (HK), our wholly-owned subsidiary;
- (b) Xianke, an Independent Third Party and a limited liability company with business scope of (i) undertaking and conducting processing business of "three categories of processing and one category of compensation business" (三來一補); and (ii) providing agency services regarding import and export matters; and
- (c) He Yuan Factory, established by Xianke and Power Printing (HK) and supervised by Power Printing (HK) for the purpose of fulfilling its obligations under the He Yuan Processing Arrangement. As advised by our PRC legal advisers, He Yuan Factory is a legal branch entity of Xianke and it is set up exclusively for Power Printing (HK) to carry out the business pursuant to the He Yuan Processing Arrangement.

Relationship between the contracting parties

As advised by our PRC legal advisers,

- (i) He Yuan Factory is established solely for the purpose of the He Yuan Processing Arrangement and is a legal branch entity of Xianke;
- (ii) while Power Printing (HK) is legally independent from He Yuan Factory, Power Printing (HK) assumes the supervisory roles to the overall management and operation of the He Yuan Factory pursuant to the He Yuan Processing Arrangement; and
- (iii) Power Printing (HK) and Xianke, as separate legal entities, have established a contractual relationship under the He Yuan Processing Arrangement.

He Yuan Factory has been manufacturing products exclusively for our Group since entering into the He Yuan Processing Arrangement.

Xianke is engaged in conducting processing arrangements and providing agency service regarding import and export matters in the Hi-tech Development Zone of He Yuan. As our Group is located within the region, our Directors are of the view that it is in the interest of our Group to cooperate with Xianke to conduct the He Yuan Processing Arrangement for the production of offshore printing products and specialised products. To the best knowledge of our Directors, Xianke conducts processing arrangements with and provides agency service regarding import and export matters for other companies in the Hi-tech Development Zone of He Yuan. As (i) Xianke is not involved in the daily operation and management of the He Yuan Factory; and (ii) the provision of such services by Xianke to various companies, instead of providing the services to our Group on an exclusive basis, is a common practice for processing arrangement, our Directors consider that the provision of services by Xianke to other third parties had not affected and would not affect the business operations, rights and liabilities of our Group.

Duration

From 22 February 2006 to March 2009, with an extension of a term of 3 years expiring on 30 March 2012 pursuant to a supplemental processing agreement dated 30 March 2009.

Primary responsibilities of the contracting parties

Under the He Yuan Processing Arrangement, the main obligations of the contracting parties are summarized as below:

(a) Power Printing (HK)

- (i) provision of equipment to He Yuan Factory free of charge;
- (ii) provision of technical personnel to conduct training to the workers in He Yuan Factory;
- (iii) installation of equipment at its own cost;
- (iv) paying costs related to labour and overheads fees to He Yuan Factory;
- (v) paying agency fees to Xianke (currently being RMB35,000 per month pursuant to the supplemental processing agreement dated 30 March 2009);
- (vi) provision of necessary raw materials, auxiliary materials and packaging materials to He Yuan Factory free of charge; and
- (vii) responsible for transport and insurance.

(b) He Yuan Factory

- (i) manufacture and delivery of the products in a timely manner to facilitate Power Printing (HK)'s business operations, including providing the necessary manpower for the processing and manufacture of the products.

(c) *Xianke, acting as the agent of He Yuan Factory*

- (i) entering into processing contracts between the He Yuan Factory and our Company;
- (ii) negotiation of processing fees payable to He Yuan Factory by Power Printing (HK);
- (iii) the import and export procedures in connection with the import of raw materials and equipment and the export of semi-finished and finished products with the PRC authorities; and
- (iv) the foreign exchange procedures in relation to receiving the processing fees paid by our Company to He Yuan Factory and the agency fees paid by Power Printing (HK) to Xianke under the He Yuan Processing Arrangement.

According to the He Yuan Processing Arrangement, Power Printing (HK) places processing contracts to Xianke and He Yuan Factory for their acceptance, specifying, among other things, (i) the types and quantities of finished products to be processed by He Yuan Factory; (ii) the types, quantities and values of raw materials to be used; (iii) the auxiliary and packaging materials to be supplied by Power Printing (HK); (iv) the agency fees to be paid by Power Printing (HK) to Xianke; and (v) the costs related to labour and overheads fees to be paid by Power Printing (HK) to He Yuan Factory. These specific processing contracts will be filed with the relevant PRC authorities for approval and registration. During the Track Record Period, we paid approximately HK\$0.5 million to Xianke as agency fees for each of the three years ended 31 December 2010.

Power Printing (HK) has overall supervision over the entire production process. In supervising the production process, Power Printing (HK) adopts the following measures:

- (i) holding regular meetings with the senior management of the He Yuan Factory to review and monitor the production schedule and resources planning of the He Yuan Factory;
- (ii) reviewing minutes of meetings of senior management of the He Yuan Factory where Power Printing (HK) has not participated in such meetings to understand if there are any material decisions made by the senior management of the He Yuan Factory;
- (iii) reviewing the daily production reports of the He Yuan Factory to keep updated about the status of the printing orders placed by Power Printing (HK) to ensure on-time delivery;
- (iv) making prompt enquiry and investigation to ensure delivery dates are met;
- (v) reviewing various monthly reports of the He Yuan Factory such as payment for labour insurance and training records; and
- (vi) sending its representatives to station at the He Yuan Factory to monitor the production process.

Based on the legal opinion issued by our PRC legal advisers, under the He Yuan Processing Arrangement, the He Yuan Factory is responsible for any claims or liabilities with regard to work safety, environmental protection and labour related issues of it or any other reasons under the applicable PRC laws and regulations. In light of the supervisory roles assumed by Power Printing (HK) in relation to the overall operation and management of the He Yuan Factory, Power Printing (HK) may also in practice be held jointly and severally liable with the He Yuan Factory in respect of the aforesaid claims or liabilities arising out of negligence of the He Yuan Factory under the He Yuan Processing Arrangement. In addition, Power Printing (HK) may be held liable in respect of the claims or liabilities arising out of negligence of Xianke but only limited to the circumstances that such negligence is related to He Yuan Factory under the He Yuan Processing Arrangement.

As advised by our PRC legal advisers and according to written confirmations issued by the PRC environmental protection bureau on 22 March 2011 and human resources and social protection bureau in He Yuan on 3 March 2011, He Yuan Factory had been in compliance with applicable laws and regulations and no material litigation or claims had been brought against He Yuan Factory with regard to work safety, environmental protection and labour related issues since they commence production. As confirmed by our Directors, they were not aware of any claims which Power Printing (HK) may be held responsible for arising out of the negligence of the He Yuan Factory under the He Yuan Processing Arrangement as at the Latest Practicable Date.

Termination or renewal

Each of the parties may terminate the He Yuan Processing Arrangement by giving the other parties three months' prior notice, subject to (i) payment of a compensation amount equal to the aggregate of two months' processing fees by reference to the average monthly processing fees paid for the six months immediately prior to such termination; (ii) mutual written agreement among Power Printing (HK), Xianke and He Yuan Factory; and (iii) duly approved by and registered with the relevant governmental authorities.

Similarly, three months of prior notice must be given for renewal of the He Yuan Processing Arrangement which is subject to the agreement of all parties.

Our PRC legal advisers are of the opinion that the He Yuan Processing Arrangement comply with all relevant PRC laws and regulations and do not contravene any PRC laws and regulations. Our PRC legal advisers further advised that since its establishment, He Yuan Factory had obtained all licences, permits or certificates necessary for its operations from the relevant governmental bodies in the PRC, and He Yuan Factory had been and were in full compliance with all applicable laws, regulations and codes in the PRC since its establishment.

Pursuant to a supplemental agreement dated 30 March 2009 regarding the He Yuan Processing Arrangement, the term of the He Yuan Processing Arrangement has been extended for three years and will expire on 30 March 2012. We normally start the negotiation regarding the renewal of processing arrangement about three to six months prior to the expiry of the processing agreement and accordingly, we intend to negotiate with Xianke and He Yuan Factory regarding the renewal of the He Yuan Processing Arrangement in the fourth quarter in 2011. In view of the stable and long relationship with Xianke and He Yuan Factory, our Directors are currently not aware of any material issue or difficulty that would adversely affect the renewal of the He Yuan Processing Arrangement. In case that we are unable to renew the He Yuan Processing Arrangement with Xianke and He Yuan Factory upon expiry, we will cooperate with other company in He Yuan which provides similar services as Xianke.

It is a common practice for Hong Kong manufacturers to operate in the PRC in the form of contract processing and there is no rule and regulation which prohibits a Hong Kong company to arrange contract processing with a PRC factory for printing offshore publications. As such, provided He Yuan Factory manufactures our printing products in accordance with the applicable laws and regulation, the He Yuan Processing Arrangement is legal under the prevailing PRC rules and regulations and would not constitute any circumvention or violation of the 2002 Interim Regulation. For details of our compliance in relation to the 2002 Interim Regulation, please refer to the paragraph headed "Legal compliance and proceedings" in this section of the prospectus.

PRODUCTION FACILITY AND PRODUCTION CAPACITY

Our production plant are located in He Yuan Hi-Technology Development Zone, He Yuan, Guangdong Province, comprising an industrial complex of gross floor areas of approximately 54,700 sq.m. Both He Yuan Factory and Power Printing (He Yuan) are located in this production site.

Books

Currently, we have a total of twelve printing presses including three 2-colour presses, four 4-colour presses, three 5-colour presses and two 8-colour presses. The estimated annual maximum production capacity and the estimated average annual utilisation rate of our production facility during the Track Record Period was as follows.

	Year ended 31 December		
	2008	2009	2010
	<i>(No. of sheets) (million)</i>		
Estimated annual maximum production capacity ⁽¹⁾	1,151.0	1,193.6	1,193.6
Estimated average annual utilisation rate	69.9%	56.9%	59.5%

Note:

- (1) Calculated based on a production capacity of 13,625 sheets per hour including the downtime required for the changing from one printing sheet to another as well as for colour adjustment, two ten-hour operating shifts per day and the respective number of printing presses operated by our Group.

The average annual utilisation rate of our production facility for the Track Record Period ranged from approximately 56.9% to 69.9%. Given that manufacture of printing products involves various finishing and binding steps, much space is required for temporary placement of semi-finished products in the printing and binding production area between steps. Currently, the printing and binding production area occupies approximately 6,000 sq.m. in our existing workshop, and approximately half of such area is occupied by the production machinery and production lines. Most of the remaining area has been used for temporary placement of semi-finished products for further processing, which limits our actual production capacity. The limited space for temporary placement of semi-finished products in our existing workshop constrains us from improving our utilisation rate. In order to cope with our Group's anticipated growth, we are constructing two new four-storey workshops and the construction is expected to be completed in early 2012. For details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

Specialised Products

The actual production volume of the specialised products for each of the three years ended 31 December 2010 is set out below.

	For year ended 31 December		
	2008	2009	2010
Specialised paper products (such as pop-up children books, board books, journals calendars, diaries, organizer, greeting cards, post cards, etc)	4,948,000 pieces	4,154,000 pieces	5,705,000 pieces
Specialised leather/fabric products (such as desktop stationery sets)	799,000 pieces	552,000 pieces	683,000 pieces

Our Group and He Yuan Factory employed 75 and 188 employees respectively for the production of our specialised products as at 31 December 2010. The types of specialised products which we produced are dependent on the various orders from our customers. As our specialised products are handmade by employees and the time for finishing a piece of specialised product varies with different designs and specification, we are unable to assess the production utilisation rate for our specialised products.

PRODUCTION PROCESS

Our customers usually approach us with a sale enquiry for a particular order that they require. Depending on the nature of the enquiry, our sales team will work together with the respective production director and our procurement, management and control team, and provide our customers with a quotation for the estimated price of the order and expected delivery date. Upon the acceptance of our quotation, we will commence the production of the order.

Books

We provide a full suite of services from pre-printing (including colour separation and creating ozalids) to printing to finishing/binding services (including folding, collating, finishing and binding). Generally, our printing production process can be divided into three main stages, namely, pre-printing, printing and post-printing.

Pre-printing

Pre-printing activities include scanning, digital manipulation, colour separation, proofing and plate-making.

In this stage, we receive the documents from our customers typically in the form of original artwork or in digital format. These documents will be converted or made compatible with our pre-printing systems. For printing processes which require more than one colour, either films are provided by our customers for processing or the colour separation is done by us.

Since 2003, we adopted CTP which is the process of transferring of digital data from our computer systems directly onto printing plates without creating film intermediaries. CTP produces images which are cleaner and sharper. In addition, CTP also improves our response time as it bypasses the process of producing films and exposing films to plate.

Printing

We have a total of twelve printing presses, comprising two 8-colour, three 5-colour, four 4-colour and three 2-colour presses. In this stage, paper is cut into standard unique sheet sizes. Sometimes, our customers provide us with their own papers for printing.

Once the printing plates manufactured in the pre-printing phase are mounted onto the printing press and the ink flow rates are matched to the colour proofs, mass production commences. We will monitor the printed sheets at intervals to ensure consistent print quality.

Post-printing

The final stage is finishing/binding. A typical finishing/binding activity include cutting, folding, collating and binding the printed sheets into the required form. Our printing jobs for often require us to apply a wide variety of finishing and/or binding operations to convert the printed sheets into a finished product. Finishing operations include trimming, die-cutting, laminating and embossing. Binding operations include saddle stitch, perfect bind and case bind.

For the manufacture of a typical book, the printed sheets are folded into booklets called signatures and are then collated in the correct sequence to be bound into a book block. The case of the book will be made concurrently. When both processes are completed, the cover is then drawn onto the book block to complete the book block which is subsequently machine-trimmed to a specified size.

Post-printing activities on packaging boxes typically requires a coating to be applied onto the printed surface to protect it from scratching and to brighten the colour fidelity. This is usually accomplished by a coating machine which applies varnish onto the printed paper or cardboard.

All books are manufactured by He Yuan Factory under the He Yuan Processing Arrangement.

Specialised Products

Our range of specialised products include (i) customised value-added paper products such as pop-up children's books, board books, greeting cards, journals, calendars, diaries, shopping bags, packing boxes, and (ii) leather/fabric products such as organizers with leather and fabric bound/finishing and products with materials other than paper. The production process involves sample making, sample approval and finally, production of the specialised products.

Generally, upon the receipt of order enquiries from our customers, we will prepare a prototype and decide on the binding method, screening method, and look including colouring, pattern and fabrics selection. The prototypes may be subject to modifications and revisions as required by the customers. Once the product sample has been approved by our customers, we shall arrange procurement of the required materials for production.

In addition to the standard printing process for books, specialised products involve value-added post-printing process such as die-cutting, laminating, embossing, saddle stitching, case binding, leather/fabric sewing, leather/fabric embossing which are generally labour-intensive.

PROCUREMENT, MANAGEMENT AND CONTROL

We have a procurement, management and control (“PMC”) department that is in charge of the procurement of raw materials, budgetary control over our procurements and managing the production operations. Our PMC department manages the cost of our operations to facilitate the completion of all the orders we receive on a timely basis, and ensures the smooth flow of our entire production operations.

Typically, upon the receipt of an order, our PMC department will assess the type and amount of raw materials such as paper that are required for the particular order. Where the particular order requires raw materials that are not part of our inventory, our PMC department will ascertain the budget for the acquisition of the raw materials for the particular order. Upon determining the availability of the necessary raw materials and the time required for each production run, our PMC department will schedule the production plan for the particular order.

Some of our customers, which are usually book traders, may enjoy economic benefits for bulk purchase of raw materials and are able to purchase raw materials at lower prices. For FY2008, FY2009 and FY2010, approximately 6.4%, 9.9% and 16.5% respectively of our revenue was generated by processing orders from 13, 9 and 8 customers, which supplied raw materials to us for processing their purchase orders, respectively. Given that such customers can purchase raw materials at lower prices by themselves and our Group can enjoy higher gross profit margins for processing orders, our Directors expected that we would continue to receive such processing orders for which our customers supply raw materials in the future.

RAW MATERIALS AND SUPPLIERS

Raw materials accounted for approximately 70.2%, 64.3% and 62.5% of our cost of sales during the Track Record Period respectively. Among our key raw materials, paper is the major component, representing approximately 43.2%, 40.4% and 42.7% of our cost of sales during the Track Record Period respectively. Depending on the requirement of our customers, woodfree paper, matt/glossy art paper, art board and grey board are the most common types of paper we purchase for production.

We mainly procure raw materials from suppliers in Hong Kong and PRC. In order to better control our inventory risk, we do not have any long term supply contracts with any of our suppliers and generally procure our key raw materials based on purchase orders. We closely monitor the market prices of paper and constantly try to purchase our raw materials at competitive prices by comparing quotations from different suppliers available in the market.

Our suppliers normally grant us credit terms in the range of 30 to 90 days. Sometimes, because of urgent need or to enjoy a better pricing, we make payment upon delivery. We normally settle our purchases by way of bank transfer denominated in Hong Kong dollars or US dollars.

During the Track Record Period, purchases from our largest supplier accounted for approximately 9.7%, 9.5% and 7.2% of our total purchases and purchases from our five largest suppliers accounted for approximately 32.3%, 37.5% and 27.0% of our total purchases. We have business relationship ranging from three years to ten years with these five largest suppliers during the Track Record Period. Our Directors confirm that none of our Directors, their respective associates or our substantial Shareholders has any interest, directly or indirectly in any of our five largest suppliers during the Track Record Period.

SALES AND MARKETING

Sze Chun Lee, our executive Director and chief executive officer, together with our executive Directors and sales team are responsible for identifying new business opportunities and establishing relationships with our current customers and potential new customers. Our sales and marketing team operates out of our Hong Kong office as well as our production facility in He Yuan to visit potential customers and promote our range of products and services. Our sales and marketing team conducts regular meetings to discuss marketing strategies, sales performance, and improving service quality.

Our sales and marketing team gathers feedback from our customers on a constant basis. Such constant interaction with our customers will allow us to forge closer working relationships with our existing customers and secure new purchase orders, as well as referrals from them.

During the period from January 2010 to March 2011, we engaged an Independent Third Party as our sales representative in London for the provision of customer services to our customers in the United Kingdom. A fee of approximately 40,000 British pound (equivalent to approximately HK\$0.5 million) had been paid to such sales representative for the year ended 31 December 2010, and such fee was arrived at arm's length negotiation. The contract with such sales representative was terminated on 31 March 2011 following such sales representative's resignation and our customers in the United Kingdom have then been handled by our sales and marketing team in Hong Kong office.

In addition, we may work with third party sales agents to leverage on their network of customers. We may pay such sales agents commission for their referral based on the sales to the customers procured by them. Sales commission paid to such sales agents amounted to approximately HK\$651,000, HK\$72,000 and HK\$108,000 during the Track Record Period respectively. Our Directors commented that payment of commission fee to third parties for business referral is not uncommon in the printing industry. As advised by our PRC legal advisers, there is no law or regulation which prohibits payment of third party referral fee in the printing industry in the PRC.

During our course of business, we may be subject to laws and regulations governing the contents of our products and/or exports of such products to overseas countries where the respective customers intend to distribute. In particular, due to the need to protect infants and children from harm arising from unsafe products, children products such as children books may be subject to quality and safety standards which are generally higher than those for many other consumer products. However, our customers usually provide us with the contents and/or the specifications of the products manufactured by us with clear and detailed instructions, and determine and control where our products are delivered and ultimately distributed, published or sold to the public. Accordingly, our Directors confirmed that it is that industry practice that the customers shall be primarily responsible for compliance with any legal or regulatory requirements on the safety and contents of such products and the export of such products to overseas.

To minimise the risk of exposure to claims by third parties in connection with our products, our standard terms and conditions for sales to our customers, which are stated on our sales invoices, include an indemnity clause requiring the customers to indemnify us against all possible expenses, losses and damages suffered or incurred by us (1) arising from or in connection with any claim against us that the use of any of the materials delivered or supplied by the customers to us in the production of the products by us pursuant to the order of the customers infringes the intellectual property or other rights of any third party and (2) arising out of breach of any law or libel or defamation in connection with any of the materials delivered or supplied by the customers and used by us to produce the products or provide the services. As advised by our Hong Kong legal advisers, such indemnity clause is generally valid and enforceable.

During the Track Record Period and up to the Latest Practicable Date, there had been no litigation, arbitration or claim against our Group arising from or in relation to any breach of the applicable laws and regulations in overseas countries governing the contents of our printing products and exports of products to overseas, or intellectual property infringement.

As part of our marketing strategy, we participate in international exhibitions and trade shows to increase the profile of our Group. These exhibitions and trade shows enable us to showcase our products and services to potential customers. During the Track Record Period, we have participated in international exhibitions and trade shows such as the annual Frankfurt Book Fair in Germany and the Gift and Premium Exhibition in Hong Kong.

CUSTOMERS

We serve international publishers, book traders and retail stores and our customer base extends to a wide geographical reach covering Europe, North America and Asia. While we directly secure orders from and deliver products to overseas customers in Europe, North America and Asia, our Hong Kong customers are mainly business traders, which secure printing contracts overseas directly through their overseas offices and outsource their customers' orders to printing companies in Hong Kong such as our Group. Such business traders perform necessary quality checks and sometimes provide materials for production on behalf of their customers. While we produce products according to the traders' instructions, the products we produce for these traders are often shipped directly to Europe and the United States where their customers locate.

Because of our business nature, it is seldom that a customer would regularly and repeatedly order the same products. Although we do not have any long term contracts with any of our customers, we maintain a good and stable relationship with them. Most of our major customers have been ordering from us since 2002.

Generally, upon receiving the details of a potential order from our customer, our sales and marketing team will pass such information to our quotation department and PMC department, which will calculate the estimated cost for the respective potential order. Our quotations are negotiated on an order-by-order basis. Generally, we set our selling prices of products primarily based on (i) the estimated material and labour costs; (ii) the quantity of products to be produced; and (iii) the business relationship with the respective customers, and also taking into consideration of factors such as the payment method, the required delivery time and the possible quotation of potential competitors.

Once the customer has agreed with our price and delivery time, we will formally enter a purchase order with the customer. Depending on their payment history, credit record, financial position, business relationship with us, we normally offer credit terms of 30 days to 120 days to our customers. Our sales are generally settled in Hong Kong dollars and US dollars by way of bank transfer. For details of our credit policy, please refer to the paragraph headed “Credit management” below in this section.

Sales to our largest customer accounted for approximately 12.0%, 15.8% and 18.1% respectively of our total revenue during the Track Record Period and sales to our five largest customers accounted for approximately 45.5%, 48.6% and 51.4% respectively of our total revenue for the corresponding period. We have business relationship ranging from three years to ten years with these five largest customers during the Track Record Period. Our Directors confirm that none of our Directors, their respective associates or our substantial Shareholders has any interest, directly or indirectly in any of our five largest customers during the Track Record Period.

QUALITY ASSURANCE

We have instituted stringent quality control procedures into our manufacturing process to ensure the quality of our products.

Quality assurance checks are conducted by both our production staff and quality control department. Visual and physical quality inspection are conducted by production staff throughout the entire production process to ensure compliance with the sample product while our quality control department conducts quality examination at the input stage and output stages.

We only purchase raw materials from our approved suppliers. Such suppliers are selected based on our assessment on their ability to meet our delivery schedule, quality of the raw material supplied, and their length of cooperation with us. We conduct annual review on our qualified suppliers based on their performance in the previous year.

Our entire quality control process is divided into three main stages and quality control is conducted at each individual stage.

Incoming quality control

Books

Incoming quality control is conducted during the first stage of production. We select a certain amount of raw materials such as paper to check its quality on a random basis. We generally conduct such checks more stringently when the raw materials are supplied by first time suppliers. Occasionally, upon the request of our customers, we will seek relevant certification from our suppliers to ensure the compliance with the standards and/or requirements of our customers or the countries where our products exported to. Only raw materials the sample of which has passed our incoming quality control and (if applicable) with the necessary certificates will be utilized in our production.

Specialised Products

For our specialised products, the leather and fabrics are typically supplied in rolls or sheets. We will conduct a visual inspection upon the receipt of the leather and fabrics. In the event that its quality does not meet our standards, is defective or if the quality is inconsistent for our entire batch of production, we will return it to our suppliers for replacement.

In-process quality control

Books

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

In relation to our paper supplies, our quality control personnel will inspect on a sampling basis to determine that the entire batch of paper supply for a particular print order is of the same quality and colour. If the colour density is insufficient, we will adjust the ink density of that particular production run to ensure that we achieve consistent quality of printing. If the quality of the paper supply does not meet our standards, we will return it to our suppliers for replacement.

To minimise CTP conversion risks, both our production and quality control departments will conduct checks of our output printing against the data files to minimise any data inaccuracy. Our CTP department will prepare the ozalid for our customers' review, approval and sign-off. For major orders, we also encourage and arrange for our customers to conduct their own checks during the production process to satisfy themselves of the quality and accuracy of the contents and colour schemes.

We will regularly extract samples of printed sheets to match against the proof agreed upon by our customers. If any quality defects are identified, we will immediately pause production to rectify the defect. In situations where the finished product does not conform to our stringent quality controls, we either re-process them or dispose of the entire batch of unqualified products and re-print the entire order.

Specialised Products

Throughout the production process, our quality control staff will conduct visual inspections at each critical stage of the production process to ensure adherence to our customers' specifications.

Outgoing quality control

Books

For our books, outgoing quality control is conducted during our finishing/binding stage of production. According to our examination standards, our production personnel conduct a final visual inspection. Products which do not conform to our final proofs may be re-processed or disposed of. The finished products are then delivered to our customers.

Specialised Products

For our specialised products, outgoing quality control is conducted by the supervisor of the production line. The supervisor will conduct a close visual inspection of each finished product, focusing on the quality of the leather/fabric, the quality of the workmanship such as gluing and/or stitching, and the overall quality of the product.

Moreover, for our specialised products, particularly our children products which may be subject to higher quality and safety standards as compared to those for other consumer products, our customers may request us to send samples of finished products to them for testing to ensure the compliance with the standards and/or requirements of the countries where our products are to be sold. We may deliver our products to Hong Kong where our customers then take the possession of the products and arrange the export of such products to overseas which requires the customers to ensure the compliance with the relevant laws and regulations in overseas countries to which the products are exported on safety and quality standards. We only deliver our products upon confirmation from our customers.

In recognition of our commitment and efforts in maintaining a quality management system, we were first awarded the ISO9001:2000 by Moody International Certification Limited in 2002 in respect of our facility in Shenzhen. In addition, we were also awarded the same certification in respect of the He Yuan Factory in 2006. As an indication of our commitment to quality control, up to the Latest Practicable Date, we have not received any product liability claims against our products.

INVENTORY CONTROL

We adopt a stringent inventory control policy. Records on inventory movements are required to be updated immediately, and we review the inventory level on a weekly basis to ensure such records are up-to-date. Both our purchase department and PMC department closely monitor and control our inventory levels of raw materials to ensure smooth supply for production.

CREDIT MANAGEMENT

Typically, we offer credit terms of between 30 and 120 days to our customers. These terms vary on a case-by-case basis depending on the customer's creditworthiness and our existing relationship with the customer. We will decide on the credit terms after evaluation of the customer's financial condition, credit history, financial strength, and the volume of the customer's order.

For new customers with low purchase volumes, we generally require cash on delivery. For our existing customers, periodical review of credit terms and previous payment record are carried out by our financial controller, and if necessary, we will amend the credit terms subject to the approval by our Directors. We will also closely monitor any outstanding overdue debts and take measures to collect outstanding debts due to us.

Our finance team monitors all outstanding trade debts. If a customer fails to pay within the credit term granted, our sales personnel will contact the customer to follow up on the payment status of the overdue debt. If we are still unable to collect payment, we may proceed to issue a letter of demand to the customer and may ultimately consider legal action, depending on the materiality of the debt and our relationship with the customer.

We evaluate the debtors' financial condition and will make specific provision for impairment loss based on the expected collectability and ageing analysis of our receivables on an individual and collective basis. Depending on our management's assessment on the ultimate realisation of the receivable, which include the current creditworthiness or the past collection history of each debtor, the amount owed may be written off as impairment loss if the amount is overdue in excess of 365 days and the recovery is considered to be remote. In addition, we normally restrict our sales staff from accepting new orders from customers with outstanding trade receivables that were past due for more than 365 days.

Our impairment losses on trade receivables and provision for impairment loss as well as average trade receivables turnover days during the Track Record Period are as follows.

	2008	2009	2010
Provision for impairment loss (<i>HK\$'000</i>)	2,083	4,236	3,696
<i>As a % of revenue</i>	<i>0.8%</i>	<i>2.0%</i>	<i>1.8%</i>
Impairment losses on trade receivable (<i>HK\$'000</i>)	2,010	2,218	500
<i>As a % of revenue</i>	<i>0.8%</i>	<i>1.0%</i>	<i>0.2%</i>
Trade receivables turnover (<i>days</i>)	91	109	118

There were three customers whose trade receivables were past due for more than 365 days as at 31 December 2010 with an aggregate outstanding amount of approximately HK\$1.9 million as at 31 December 2010. One of them had fully settled its outstanding amount of approximately HK\$0.7 million by May 2011. Among the aggregate outstanding amount due from the other two customers of approximately HK\$1.2 million as at 31 December 2010, approximately HK\$0.8 million had been settled by May 2011. Given that these two customers have been settling their outstanding trade receivables from time to time, our Directors expect that these customers will settle the remaining outstanding balance of approximately HK\$0.4 million by the end of 2011. In addition, our Group has not accepted new orders from these two customers since 2009.

COMPETITION

The industry that we operate in is highly fragmented. Our Directors estimate that there are thousands of printing companies operating in Hong Kong and the major cities in the PRC. We also face competition from printing companies of other developing countries for our international business. We expect to face intense competition from our existing competitors and new market entrants in the future. The main bases of competition for our industry are quality, scale of production capacity, pricing and timely delivery.

AWARDS AND CERTIFICATIONS

Set out below are the awards and certifications received by our Group.

Awards/ Certifications	Issuing organisation	Date of issue/ award	Date of expiry
ISO 9001:2000 Provision of book and leather printing; manufacture of notebooks and colour boxes	SGS United Kingdom Ltd. Systems & Services Certificate	7 September 2008	6 September 2011
ISO 9001:2008 Provision of book printing; manufacture of notebooks	SGS United Kingdom Ltd. Systems & Services Certification	8 March 2010	6 September 2011
ISO 14001:2004 Provision of book printing; manufacture of notebooks	SGS United Kingdom Ltd. Systems & Services Certification	25 May 2010	24 May 2013
OHSAS 18001:2007 Provision of book printing; manufacture of notebooks	SGS CSTC Standards Technical Services Co., Ltd. System & Services Certification	4 March 2011	3 March 2014
Chain-of Custody for purchasing of FSC COC certified mixed paper, outsourced of production (transfer system) and sales of printed paper products from a well managed forest	SGS South Africa	4 September 2008	3 September 2013

Note: SGS Group, an Independent Third Party, is a global inspection, verification, testing and certification company recognized as the global benchmark for quality and integrity.

INTELLECTUAL PROPERTY

Our most important intellectual property rights are the trademark and the domain name we use for the marketing and sales of our products. Details of our intellectual property rights are more particularly set out under the paragraph headed “Intellectual property rights of the Group” under the subsection headed “Information about our business” in Appendix VII to this prospectus.

We recognise the importance of protecting and enforcing intellectual property rights. We are not aware of any material infringement of our intellectual property rights during the Track Record Period. As at the Latest Practicable Date, we are not aware of any pending or threatened claims against us or any of our subsidiaries relating to the infringement of any third parties’ intellectual property rights by us.

PROPERTIES**Property interests***Hong Kong*

As at 31 December 2010, we rented Flat 02, 13th Floor of Kodak House II, No. 39 Healthy Street East, North Point, Hong Kong as our principal office in Hong Kong.

Our principal office has a total gross floor area of approximately 263.75 sq.m. and was rented by us for a term of two years commencing from 25 July 2010 to 24 July 2012 at a monthly rent of HK\$33,000 exclusive of government rent, rates, management fee, air-conditioning charges and other outgoings.

The PRC

As at 31 December 2010, we have an industrial complex in He Yuan, Guangdong Province, the PRC. The industrial complex comprises a single storey workshop, a 4-storey workshop, a 5-storey ancillary office, two single storey warehouses, two 6-storey dormitories, a single storey canteen and other ancillary structures. All of the buildings and structures of the industrial complex are completed between 2006 and 2007.

The land use rights of the property have been granted to Power Printing (He Yuan) for a term due to expire on 23 March 2056 for industrial use. The property serves as the production base for our Group.

Further details of our property interests are set out in the valuation report issued by DTZ Debenham Tie Leung Limited, independent professional property valuer, and the full text of which is contained in Appendix III to this prospectus.

INSURANCE

Our Group has in place the following insurance policies:

- (a) office insurance against certain losses and damage to the properties of our Group;
- (b) employee insurance against hospitalisation and surgical costs of our employees; and
- (c) fire insurance against losses to our plant, properties, inventories and equipment.

Our Directors believe that the above insurance policies are adequate for our business operations and will review our insurance coverage annually.

ENVIRONMENTAL PROTECTION

We are subject to the PRC national environmental laws and regulations and environmental regulations promulgated by the local government in He Yuan. Details about the environmental protection requirements related to our operations are set out in the section headed “Regulatory overview” of this prospectus.

There is no significant discharge of pollutants during our production process. We have implemented various environmental policies and have been awarded quality standard certification of ISO14001 in respect of our environmental management system. Since our establishment, we had never been found to violate any environmental protection and had never been administratively punished for non-compliance with any environmental protection laws and regulations, and no material litigation or claims had been brought against Power Printing (He Yuan) or He Yuan Factory under the He Yuan Processing Arrangement with regard to environmental protection. As advised by our PRC legal advisers and according to written confirmations issued by the environmental protection bureau in He Yuan on 22 March 2011 and 14 March 2011 respectively, He Yuan Factory and Power Printing (He Yuan) have not been and are currently not in contravention with such laws and regulations.

We incurred nil, approximately HK\$9,000 and HK\$45,000 for each of the three years ended 31 December 2010 respectively to ensure our compliance with the applicable law and regulations related to environmental protection. In the future, we will continue to follow our environmental policy which has been awarded quality standard certification of ISO14001. In addition, we will keep abreast of the new legal development in the PRC regarding this aspect and review our environmental policy from time to time to ensure our on-going compliance with the latest relevant environmental laws and regulations. We expect the annual compliance cost in respect of our environment obligations will be less than HK\$100,000 going forward.

LABOUR AND SAFETY MATTERS

The He Yuan Factory and Power Printing (He Yuan) have complied with the relevant labour and safety laws and regulations in the PRC.

According to the PRC Labour Law (中華人民共和國勞動法), a labour contract must be signed if an employment relationship is to be established between the employee and the He Yuan Factory or Power Printing (He Yuan). The He Yuan Factory and Power Printing (He Yuan) are also required to establish a system for labour safety and sanitation and provide relevant education to their respective employees. The PRC Production Safety Law (中華人民共和國生產安全法) requires that the He Yuan Factory and Power Printing (He Yuan) shall maintain conditions for safe production as provided in the PRC Production Safety Law and other relevant laws and industrial standards. The He Yan Factory and Power Printing (He Yuan) are required to offer education and training programs to the employees regarding production safety. The design, manufacture, installation, use, checking and maintenance of the He Yuan Factory’s and Power Printing (He Yuan)’s safety equipment are required to conform to applicable national or industrial standards. We have been awarded quality standard certifications of OHSAS 18001 in respect of the occupational health and safety of our working environment.

Our Group will continue to commit to maintain and improve the standards in relation to our safety management by adhering to applicable laws in labour safety and ensuring that the senior management will closely work with the general manager of the He Yuan Factory in order to supervise the compliance of such laws in labour safety by the He Yuan Factory. Our Group will also continue to require the He Yuan Factory to obtain the required employee insurance and to provide sufficient training on occupational health and safety to its employees. Our Directors believe that these measures are sufficient and appropriate to deal with the future risks associated with any occupational health and safety issues relating to employees of our Group and the He Yuan Factory. During the Track Record Period, there has not been any material labour disputes and non-compliance of safety measures reported by our Group or the He Yuan Factory.

As advised by our PRC legal advisers and according to written confirmations issued by the human resources and social protection bureau in He Yuan on 3 March 2011, our Group and He Yuan Factory had been in compliance with applicable laws and regulations in the PRC and no material litigation or claims had been brought against our Group or He Yuan Factory under the He Yuan Processing Agreement with regard to work safety and labour related issues since our Group and He Yuan Factory commence production.

STAFF AND STAFF TRAINING

While the workers working at He Yuan Factory are managed and employed by He Yuan Factory, the employment of workers by He Yuan Factory must be approved by our Group. For senior management of He Yuan Factory, they are either our staff stationed in He Yuan or PRC staff employed by He Yuan Factory with our approval.

In view of the increase of direct labour cost as a percentage of our revenue, our Directors have started to downsize the labour force by trimming the direct labour structure. As a result, the number of He Yuan Factory's employees decreased from 1,097 as at 31 December 2008 to 827 as at 31 December 2009, and further decreased to 712 as at 31 December 2010; and our direct labour cost decreased from approximately HK\$36.0 million in FY2008 by approximately 15.9% to approximately HK\$30.3 million in FY2009 and further decreased by approximately 2.3% to approximately HK\$29.6 million in FY2010.

We seek to improve and upgrade our employees' technical knowledge and skills in their respective fields. Our training coverage includes job orientation, induction training, skills training, safety training and customer satisfaction training. All of our new employees will attend an orientation session to understand our work environment and business operations. We also send our senior employees for external training in production methods and techniques and courses in other areas such as management and sales. For instance, in December 2005, we sent some of our senior employees to attend the "Leadership and Decision Making Skills" management training workshop conducted by the Hong Kong Management Association. In 2010, we sent some of our employees to attend training workshop on productivity conducted by the Hong Kong Productivity Council.

Our department heads also conduct weekly one-hour training sessions on technical and operational skills in areas such as printing press, binding, CTP utilisation, sample making and costing methods for our various product segments.

LEGAL COMPLIANCE AND PROCEEDINGS

As advised by our PRC legal advisers and our HK legal advisers, we have obtained all licences, approvals and permits for our operations in the PRC and Hong Kong respectively, and our operations have complied with all the relevant requirements and rules of the competent authorities in the PRC and Hong Kong since our establishment.

Printing licences

The printing licence of He Yuan Factory allows our Group, via He Yuan Factory, to manufacture offshore printing products for Hong Kong and overseas customers under the He Yuan Processing Arrangement; whereas the printing licence of Power Printing (He Yuan) allows our Group, via Power Printing (He Yuan), to manufacture non-publication specialised products for Hong Kong, overseas and PRC customers. Our PRC legal advisers advised that, as each of He Yuan Factory and Power Printing (He Yuan) manufactures printing products in accordance with the capacities granted under the respective printing licences, we have not committed and do not commit any breach of the 2001 Regulation or the 2002 Interim Regulation.

Content of printing products

Pursuant to the 2001 Regulation, all printing products must not consist of any anti-communist, obscene or superstitious content or other prohibited content set out by the PRC government. In addition, according to the Interim Measures on the Administration for Offshore Processing Printing Products in Guangdong Province (廣東省境外印刷品來料加工管理辦法), the prior approval must be obtained from Guangdong Press and Publication Administration (廣東省新聞出版局) regarding the content for each batch of publication to be manufactured by printing processing factories in Guangdong Province. As advised by our PRC legal advisers and according to the written confirmations from Guangdong Press and Publication Administration (廣東省新聞出版局), both He Yuan Factory and our Group have been and are in full compliance with all applicable laws, regulations and codes in the PRC regarding their respective printing operation.

Litigation

As at the Latest Practicable Date, we were not engaged in any litigation, arbitrations or claim of material importance. Our Directors are not aware of any litigation, arbitrations or claim, pending or threatened by or against us, which would have a material adverse effect on our results of operations or financial condition. As advised by our legal advisers as to Hong Kong, Singapore and PRC laws, there was no material litigation, arbitration and/or claim against our Group, Directors and senior management in Hong Kong, Singapore and PRC respectively during the Track Record Period and up to the Latest Practicable Date.

HISTORICAL RELATED PARTY TRANSACTION**(i) Sales to Precious Fortune**

Pursuant to pro forma invoices dated 21 October 2010 and 1 November 2010 (“Agreement”) between Carta and Precious Fortune International Paper Wood Products Group Limited (“Precious Fortune”), Carta agreed to manufacture for 650 memory photo sets to Precious Fortune, charging for an aggregate fee of approximately HK\$0.9 million. Precious Fortune had fully settled the fee in January 2011.

Precious Fortune is a Hong Kong company principally engaged in trading and manufacturing business. As Sze Chun Lee, our executive Director, holds approximately 30% interests in Precious Fortune. Precious Fortune is a connected person of our Company within the meaning of the Listing Rules and the transaction contemplated under the Agreement would constitute a related party transaction for our Company.

Our Directors confirm that the transaction contemplated under the Agreement was entered into in our ordinary and usual course of business and was conducted on normal commercial terms, and the terms of such transaction was arrived at arm’s length negotiation, and was fair and reasonable and in the interests of our Group and the Shareholders as a whole. Our Directors do not expect that our Group will have any transaction with Precious Fortune after the Listing.

(ii) Sales to a related company

During the Track Record Period, our Group has provided printing services for printing products such as product leaflets, packaging boxes and envelopes to a trading company (“Related Company”) on normal commercial terms. Our sales to the Related Company amounted to less than HK\$35,000, in aggregate, for FY2008 and FY2009 respectively and approximately HK\$4.7 million for FY2010.

The Related Company is a Hong Kong company principally engaged in trading of printing products. As the Related Company is owned as to 25% and 75% by Ms. Tse Yuen Shan, Ivy, a member of our senior management and her family members respectively, the Related Company is a related party of our Company under the definition of IFRSs and the transactions with the Related Company would constitute related party transactions for our Company.

Our Directors confirm that the transactions with the Related Company were entered into in our ordinary and usual course of business and were conducted on normal commercial terms, and the terms of such transactions was arrived at arm’s length negotiation, and was fair and reasonable and in the interests of our Group and the Shareholders as a whole. Our Directors expect that our Group will continue to provide printing services to the Related Company after the Listing.

EXEMPTED CONTINUING CONNECTED TRANSACTION

Our customers visit our production facility in He Yuan frequently. Either they locate in Hong Kong and travel from Hong Kong, or they are in overseas and travel through Hong Kong. Travelling with Hong Kong-China cross-border vehicle is the most direct and convenient way.

(Hong Kong) Power Printing Limited (“HKPPL”) owns a 7 seater vehicle at a cost of approximately HK\$600,000 which possesses a cross-border licence. Pursuant to a car rental agreement dated 1 November 2010 between HKPPL and us, we rent this cross-border car from HKPPL at a monthly fee of HK\$28,000 for a term of one year. During the Track Record Period, the rental fee we paid to HKPPL amounted to approximately HK\$336,000 per year.

As HKPPL is wholly owned by Sze Chun Lee, our executive Director, HKPPL is a connected person of our Company within the meaning of the Listing Rules. The transactions contemplated under the car rental agreement will constitute continuing connected transactions for our Company upon the Listing.

Our Directors and the Joint Sponsors confirm that the rental service provided by HKPPL was entered into in our ordinary and usual course of business and was conducted on normal commercial terms, and the terms of such transaction was arrived at arm’s length negotiation, and was fair and reasonable and in the interests of our Group and the Shareholders as a whole.

Given that each of the percentage ratios (other than the profit ratio) on an annual basis is less than 5% and the annual consideration is less than HK\$1 million, the transactions contemplated under the car rental agreement would fall within the scope of de minimis transaction pursuant to Rule 14A.33(3) of the Listing Rules and is exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, our Directors confirm that there are no other connected transactions or continuing connected transactions of our Group upon Listing.

DIRECTORS

The Board comprises seven Directors, three of whom are independent non-executive Directors.

The table below sets forth selected information of our Directors:

Name	Age	Position/Title
Sze Chun Lee (施春利) ⁽¹⁾	42	Chief Executive Officer and executive Director
Chan Wai Ming (陳偉明)	47	executive Director
Kwan Wing Hang (關永衡) ⁽¹⁾	50	executive Director
Lam Shek Kin (林錫健)	40	executive Director
Lim Siang Kai (林汕鏞)	55	Chairman and Independent non-executive Director
Leong Ka Yew (梁家耀)	45	Independent non-executive Director
Wee Piew (黃彪)	47	Independent non-executive Director

Note:

(1) Kwan Wing Hang is the brother-in-law of our chief executive officer, Sze Chun Lee.

Executive Directors

Sze Chun Lee was appointed as our executive Director and chief executive officer on 19 December 2006. He is one of the founders of our Group. Mr. Sze oversees our overall management and operations and is responsible for the strategic plans and future direction of our Group. Mr. Sze also oversees the general administration, finance, sales and marketing operations of our Group, including managing our relationships with our customers. Prior to joining our Group in 2001, Mr. Sze was a director of another printing company from 1993 to 2001, where he was responsible for the sales, finance and marketing operations of our Group.

Chan Wai Ming was appointed as our executive Director and chief operations officer on 19 December 2006. He is one of the founders of our Group. Mr. Chan is in charge of the daily management and operations of our Group. Prior to joining our Group in 2001, between 1993 and 2001, Mr. Chan was the production director of another printing company where he was in charge of the Procurement, Management and Control Department. Mr. Chan attended the Pui Chung College in Hong Kong in 1982 and attended the Hong Kong Certificate of Education Examination in 1983.

Kwan Wing Hang was appointed as our executive Director and production director in-charge of the specialised products business on 19 December 2006. He is one of the founders of our Group. Between 1979 and 1986, Mr. Kwan was the head of department in a manufacturing company where he was responsible for overseeing the sales of leather manufacturing machinery by our company. Prior to joining our Group in 2000, Mr. Kwan was a director at another manufacturing company from 1986 to 2000 where he was responsible for overseeing a team of sales personnel in charge of the sales of leather manufacturing machinery. Mr. Kwan is the brother-in-law of our executive Director, Sze Chun Lee.

Lam Shek Kin was appointed as our executive Director and production director in-charge of the printing business on 19 December 2006. He is one of the founders of our Group. Between 1987 and 1993, Mr. Lam was the supervisor of a printing company, where he was responsible for the supervision of a printing team. Prior to joining our Group in 2001, Mr. Lam was the head of department in another printing company, from 1993 to 2000, where he was in charge of supervising the printing department.

Independent Non-Executive Directors

Lim Siang Kai is our chairman and an independent non-executive Director appointed on 26 March 2007. Prior to joining the Board, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 26 years of experience in the securities, private and investment banking and fund management industries. Mr. Lim is also the chairman and independent director of ISDN Holdings Ltd and an independent director of Natural Cool Holdings Ltd, Foreland Fabrictech Holdings Ltd, Texchem-Pack Holdings (S) Ltd and Joyas International Holdings Ltd, all of which are companies listed in Singapore. Mr. Lim holds a bachelor of arts degree from University of Singapore, a bachelor of social sciences (honours) degree from the National University of Singapore and a master of arts degree in Economics from the University of Canterbury, New Zealand.

Leong Ka Yew is our independent non-executive Director appointed on 26 March 2007. He is a practicing lawyer and a director of Aptus Law Corporation in Singapore. He graduated with a bachelor of law degree from the National University of Singapore in 1991.

Wee Piew is our independent non-executive Director appointed on 26 March 2007. He was formerly the chief executive officer and executive director of HG Metal Manufacturing Limited, a public listed company in Singapore. Prior to joining HG Metal Manufacturing Limited, Mr. Wee held various positions in various banks. Mr. Wee is currently a non-executive independent director of Hosen Group Ltd, a public listed company in Singapore. He graduated from the National University of Singapore with a bachelor of accountancy degree in 1988 and is a fellow of the Institute of Certified Public Accountants of Singapore. He is also a member of the Singapore Institute of Directors.

Save as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, save as the interests of Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin in the Shares which are disclosed in the section headed "Further information about Directors and substantial Shareholders" in Appendix VII to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

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

DIRECTORS, SENIOR MANAGEMENT AND STAFF

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DIRECTORS' REMUNERATION

The remuneration received by our Directors during the Track Record Period and their expected remuneration for the year ending 31 December 2011 in respect of their service provided to our Group are set out below:

	Year ended 31 December			Year ending
	2008	2009	2010	31 December
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Executive Directors				
Sze Chun Lee (施春利)	927	866	1,012	1,012
Chan Wai Ming (陳偉明)	792	740	865	865
Kwan Wing Hang (關永衡)	572	572	668	668
Lam Shek Kin (林錫健)	612	572	668	668
Independent Non-Executive Directors				
Lim Siang Kai (林汕鏞)	262	261	274	307
Leong Ka Yew (梁家耀)	164	164	167	192
Wee Piew (黃彪)	191	191	195	224
Total	<u>3,520</u>	<u>3,366</u>	<u>3,849</u>	<u>3,936</u>

SERVICE AGREEMENTS

On 1 June 2010, our Company entered into separate service agreements (the "Service Agreements") with our executive Directors, namely, Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin for an initial period of three years (unless otherwise terminated by either party giving not less than six months' notice to the other and either party paying salary in lieu of any required period of notice) with effect from the date of the Service Agreements. The Service Agreements cover the terms of employment, specifically salaries and bonuses. We may terminate the respective Service Agreements if any of these executive Directors are guilty of dishonesty or serious or persistent misconduct or becomes bankrupt or otherwise acts to the prejudice of our Company.

Directors' fees do not form part of the terms of the Service Agreements, as these require the approval of Shareholders in our Company's annual general meeting. Pursuant to the terms of the respective Service Agreements, each of Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin are entitled to a monthly salary of HK\$73,200, HK\$62,400, HK\$48,000 and HK\$48,000 respectively. All of our executive Directors are also entitled to a discretionary year-end bonus based on several factors including their individual performance and the performance of our Group, subject to a minimum of one month's equivalent of their salary per annum.

Our executive Directors are not entitled to any other bonus payments which may be made to other employees of our Group.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by the executive Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

Pursuant to the respective Service Agreements, each executive Director shall not, at any time during the period of his employment with our Company (the “**Employment**”) and for a period of two years after the expiry or termination of the Employment for whatever reason, inter alia, directly or indirectly carry on or be engaged or interested in any capacity in any other business, trade or occupation whatsoever, except in a business, trade or occupation which does not compete with any business carried on or proposed to be carried on by our Group. In addition, each executive Director shall keep secret and shall not, at any time, use for his own or another’s advantage, or reveal to any person, firm or company, any of the trade secrets, business methods or information which he knew or ought reasonably to have known to be confidential concerning the business or affairs of our Company so far as they shall have come to his knowledge during his employment with our Company.

Save as disclosed above, there are no existing or proposed service contracts entered or to be entered into by any of our Directors.

SENIOR MANAGEMENT

Name	Age	Position/Title
Tse Yuen Shan Ivy (謝婉珊)	38	General Manager
Ng Sui Yin (吳瑞賢)	42	Financial Controller
Chuen Wah (全華)	40	Sales Manager
Chan Yee Yeung (陳義揚)	36	Production Manager

Tse Yuen Shan Ivy is our general manager and oversees the administration and human resource functions of our Group. She is also in charge of the procurement of raw materials for the business operations of our Group. Miss Tse was awarded a bachelor of science degree from the University of Waterloo in Canada in 1997. Prior to joining our Group in 2001, Miss Tse worked in another printing company as sales executive for four years. Miss Tse also holds a certificate in Leadership and Decision Making Skills awarded by the Hong Kong Management Association in 2006.

Ng Sui Yin is our financial controller where he is in charge of the accounting, finance and administrative matters. Prior to joining our Group, Mr. Ng was an assistant manager in an audit firm where he advised clients in areas of finance, audit, tax, and bankruptcy. Mr. Ng graduated from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in Accounting in 1998. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and Certified Tax Adviser of the Taxation Institute of Hong Kong.

Chuen Wah is our sales manager where he is in charge of overseeing the sales and marketing team of our Group. Mr. Chuen began his career in 1989 as a production trainee. Between 1994 and 1996, Mr. Chuen was a partner at a souvenir trading company where he was in charge of the sales department. Prior to joining our Group in 2003, Mr. Chuen was with another printing company from 1997 to 2003 where he was a sales executive.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Chan Yee Yeung is our production manager where he is in charge of coordinating the printing operations of our Group. Mr. Chan began his career as the production controller of a printing company. Prior to joining our Group, Mr. Chan was the production coordinator in a manufacturing company from 2000 to 2001.

JOINT COMPANY SECRETARIES

Mr. Ng Sui Yin, aged 42, was appointed as one of our joint company secretaries in 2007. Please refer to sub-paragraph headed “Senior management” above for particulars of Mr. Ng.

Ms. Gn Jong Yuh Gwendolyn, aged 39, was appointed as one of our company secretaries on 12 August 2009. She graduated from the National University of Singapore with a law degree in 1994. She was admitted to the Singapore Bar as an Advocate & Solicitor in 1995. She is currently a partner in ShookLin & Bok LLP, a Singapore law firm. Ms. Gwendolyn Gn has substantial experience in capital markets and international corporate finance practice and she also serves as company secretary of numerous SGX-ST listed companies as well as private limited companies. She was appointed as company secretary of Creative Master Bermuda Limited, CCM Group Limited, Consciencefood Holding Limited, EMS Energy Limited, ISDN Holdings Limited, Kinergy Ltd, Net Pacific Financial Holdings Limited, Sinopipe Holdings Limited, Joyas International Holdings Limited and YHI International Limited, which are all listed on SGX-ST.

STAFF

While the workers working at He Yuan Factory are managed and employed by He Yuan Factory, the employment of workers by He Yuan Factory must be approved by our Group. For senior management of He Yuan Factory, they are either our staff stationed in He Yuan or PRC staff employed by He Yuan Factory with our approval.

Our employees are not unionised. The relationship and cooperation between our management and our employees have always been good and this is expected to continue. We have experienced no material incidences of work stoppages, disruptions or labour disputes which affected our operations in the Track Record Period and up to the Latest Practicable Date. The number of full time employees is not subject to any significant fluctuations.

Our Directors consider that we offer a comprehensive and competitive remuneration and benefits package and various training programmes to all our employees. Any adjustment of the remuneration and benefits of our employees will depend on their respective performance. We participate in a mandatory provident fund scheme for our employees in Hong Kong.

Employees of our Group

Our employees are based in Hong Kong and He Yuan. Set out below is a breakdown of employees of our Group as at the Latest Practicable Date:

No. of employees of our Group	As at 31 December			As at the Latest Practicable Date
	2008	2009	2010	
Management & Finance	7	7	9	9
Administration	6	4	19	18
Sales and Marketing	9	10	8	8
Production	78	63	90	128
Shipping	2	2	3	3
Information Technology	–	–	–	–
Procurement	2	3	7	6
Engineering	–	–	1	1
Product Development	–	4	7	12
Quality Control	–	–	2	1
Warehouse	–	–	–	–
Total	<u>104</u>	<u>93</u>	<u>146</u>	<u>186</u>

Employees of He Yuan Factory

The workers working at He Yuan Factory are employed by the He Yuan Factory pursuant to the He Yuan Processing Arrangement. Pursuant to the terms of the He Yuan Processing Arrangement, all such workers are employed to work exclusively for our Group at the He Yuan Factory.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

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The staff under the management of He Yuan Factory are located in the PRC. The functional distribution of He Yuan Factory's full-time employees as at the Latest Practicable Date was as follows:

No. of employees of He Yuan Factory	As at 31 December			As at the Latest Practicable Date
	2008	2009	2010	
Management & Finance	11	11	9	9
Administration	40	34	22	24
Sales and Marketing	30	25	21	20
Production	869	652	571	874
Shipping	24	22	17	23
Information Technology	4	2	2	3
Procurement	8	7	4	6
Engineering	23	21	21	21
Product Development	32	23	17	16
Quality Control	46	25	23	30
Warehouse	10	5	5	8
Total	<u>1,097</u>	<u>827</u>	<u>712</u>	<u>1,034</u>

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the Shareholders of our Company.

Board Practices

Our Bye-laws provide that our Board shall consist of not less than two Directors. Each Director shall retire from office at least once every three years. A retiring Director shall be eligible for re-election.

AUDIT COMMITTEE

Our audit committee comprises Lim Siang Kai, Leong Ka Yew and Wee Piew. The chairman of the audit committee is Wee Piew. Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the Shareholders of our Company. Our audit committee shall meet periodically to perform the following functions:

- (a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;

- (b) review the financial statements and the external auditors' reports as well as balance sheet and profit and loss accounts, before submission to our Board for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (c) review the internal controls and procedures and ensure co-ordination between the external auditors and our management, review the assistance given by our management to the auditors, and discuss problems and concerns, if any arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- (d) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of auditors;
- (e) review any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- (f) review any potential conflicts of interest;
- (g) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee; and
- (h) generally undertake such other functions and duties as may be required by statute or the Listing Manual and the Listing Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, the audit committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our results of operation and/or financial position. Each member of the audit committee shall abstain from voting on any resolutions in respect of matters in which he is interested.

REMUNERATION COMMITTEE

Our remuneration committee comprises Lim Siang Kai, Leong Ka Yew and Wee Piew. The chairman of the remuneration committee is Lim Siang Kai. Our remuneration committee will recommend to our Board a framework of remuneration for our Directors and key executives, and determine specific remuneration packages for each executive Director. The recommendations of our remuneration committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options issued under our Share Option Scheme and benefits in kind shall be covered by our remuneration committee. Each member of the remuneration committee shall abstain from voting on any resolutions in respect of his remuneration package.

NOMINATION COMMITTEE

Our nominating committee comprises Lim Siang Kai, Leong Ka Yew and Wee Piew. The chairman of the nominating committee is Leong Ka Yew. Our nominating committee will be responsible for (i) re-nomination of our Directors having regard to their contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director. The nominating committee has been set up to take the responsibility of re-nomination of Directors (including independent Directors of our Company) taking into consideration each Director's contribution and performance. The nominating committee is also charged with the responsibility of determining annually whether a Director is independent. Each member of the nominating committee will not take part in determining his own re-nomination or independence. The Board will also implement a process to be carried out by the nominating committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the nominating committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

COMPLIANCE ADVISER

We have appointed VC Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Group on the following matters:

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

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute the annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer, China Print Power Limited will hold 81,060,848 Shares representing approximately 53.26% of the then issued share capital of our Company. China Print Power Limited is a company incorporated in BVI and is owned by our executive Directors, namely Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Lin, as to 35%, 30%, 20% and 15%, respectively. Accordingly, China Print Power Limited, Sze Chun Lee and Chan Wai Ming are Controlling Shareholders. In addition, Sze Chun Lee is personally interested in 180,000 Shares, representing approximately 0.12% of the then issued share capital of our Company immediately after completion of the Share Offer.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying out our business independently of our Controlling Shareholders and their respective associates in view of the following aspects.

Management independence

Despite of the controlling interest of our Controlling Shareholders in our Company, our Group has full authority to make all decisions on its business operations independently.

Our three independent non-executive Directors provide checks and balances over our Board's decision-making on significant transactions. All of them are experienced and capable of having a proper understanding of our operations and business for the purposes of discharging their duties as independent non-executive Directors. In addition, our Company has in place policies for its business units on declaration of interest by our Directors and Directors who have potential conflict of interest and/or material interest on matters to be considered at meeting of our Board are required to abstain from voting.

Our Board has established (i) the audit committee to review among other matters, our internal control systems and also to review and approve connected transactions (if any); (ii) the remuneration committee to ensure our Directors and senior management are properly remunerated without being over-compensated; and (iii) the nomination committee to ensure that only persons with capability and relevant experience are appointed as Directors and to assess the independence of our Directors on an annual basis. All of the above three committee comprise solely the three independent non-executive Directors.

Operational independence

We have our own resources to perform all administrative functions and have our operations teams and functional departments, each of which has specific areas of responsibilities and are separate from and independent of our Controlling Shareholders.

In addition, our Group has access to our customers and suppliers without reliance on the Controlling Shareholders or their respective associates. All of our operating subsidiaries and our production facilities are owned and operated by our Company independently.

Financial independence

Our Company has established an internal control system and a financial department that operated independently. We have our own accounting and auditing system and own financial management system to make financial decisions according to our own business needs. None of our bank accounts, loan facilities or credit facility of our Company is shared with any of our Controlling Shareholders or their respective associates. We believe we are capable of obtaining financing from third parties without reliance upon any of our Controlling Shareholders or their respective associates.

Competing interest

Having made all reasonable enquires, as at the Latest Practicable Date, neither our Controlling Shareholders nor our Directors had any interest in a business, apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

DEED OF NON-COMPETITION

For the purpose of the Listing, the Controlling Shareholders, namely China Print Power Limited, Sze Chun Lee and Chan Wai Ming (collectively, "Covenantors"), have entered into a deed of non-competition pursuant to which each of them irrevocably and unconditionally, jointly and severally undertakes with our Company (for itself and as trustee for the benefit of members of our Group) that he/it shall not, and shall use his/its best endeavours to procure that his/its respective associates shall not engage, invest, participate or be interested (economically or otherwise) in any business undertaking involving (i) printing of books for customers; and (ii) manufacturing of specialised products such as pop-up children books and stationery ("Restricted Business") except (a) through his/its interests in our Group from time to time; or (b) through acquiring or holding any passive investment; or (c) being interested in any Restricted Business which we have decided not to make an investment as approved in writing by a majority of all the independent non-executive Directors. For the purpose of this paragraph, "passive investment" means an investment or interest in units or shares of any entity engaging in the Restricted Business, where such investment or interest does not exceed 10% of the outstanding voting shares of such entity provided such investment or interest does not grant, nor does the relevant Covenantor and/or his/its associates otherwise hold, any right to control the composition of a majority of the board of directors of such entity nor any right to participate, directly or indirectly, in such entity.

In addition, each of the Covenantors irrevocably, unconditionally and severally undertakes to our Company (for itself and as trustee for the benefit of members of our Group) that if any new business opportunity relating to any Restricted Business (excluding through acquiring or holding any passive investments) ("Business Opportunity") is made available to any of the Covenantors or their respective associates (other than our Company), it or he will refer or procure the relevant associate to refer such Business Opportunity to our Group with such information reasonably necessary for our Company to consider whether to pursue the Business Opportunity.

Any decision of our Company will have to be approved by the independent non-executive Directors taking into consideration our Group's financial condition, the growth prospect and earning potentials of the Business Opportunity and any advice of an independent financial adviser on the terms of the Business Opportunity.

Each of the Covenantors hereby irrevocably and unconditionally represents and warrants that neither it or he nor any of its or his associates is currently interested, involved or engaging, whether directly or indirectly, in any Restricted Business.

Each of the Covenantors further irrevocably and unconditionally undertakes that it or he will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition and (ii) confirm to our Company on an annual basis as to whether it or he has complied with such undertakings.

The deed of non-competition will cease to have any effect on the earliest of the date on which: (a) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in our Company falls below 30% of the issued share capital of our Company; and (b) in relation to a particular Covenantor individually, he/it and all of his/its associates cease to hold or otherwise be interested in any of the issued share capital of our Company; or (c) the Shares cease to be listed on the Stock Exchange.

We shall adopt the following measures in relation to the compliance with the deed of non-competition in order to protect the interests of our Shareholders: (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the terms of the deed of non-competition; (b) we shall disclose any decisions reviewed by the independent non-executive Directors relating to compliance of the deed of non-competition in our annual reports; (c) we shall disclose in the corporate governance report in our annual report an annual declaration on compliance with the terms of the deed of non-competition by the Covenantors; and (d) in the event that any of our Directors and/or their respective associates has a material interest in any matter to be deliberated by our Board in relation to the compliance with the deed of non-competition, the relevant Director may not vote on the relevant resolutions of the Board and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in our Bye-laws.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

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SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after the completion of the Share Offer, the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and would represent 5% or more of the share capital of our Company:

Name	Capacity	Number of Shares directly or indirectly held immediately after the completion of the Share Offer	Approximate percentage of the Shares in issue effectively held immediately after the completion of the Share Offer
China Print Power Limited ⁽¹⁾	Beneficial owner	81,060,848	53.26%
Sze Chun Lee ⁽²⁾	Beneficial owner	180,000	0.12%
	Interest of controlled corporation	81,060,848	53.26%
Book Partners China Limited ⁽³⁾	Beneficial owner	10,032,000	6.59%

Notes:

- (1) Our executive Directors, Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin, hold 35%, 30%, 20% and 15% respectively of the issued share capital in China Print Power Limited.
- (2) Sze Chun Lee holds 35% interest in China Print Power Limited and is therefore deemed to be interested in 81,060,848 Shares held by China Print Power Limited.
- (3) Book Partners China Limited is one of our customers.

So far as our Directors are aware, immediately after the completion of the Share Offer, there are no other persons directly or indirectly interested in 5%, or more of the voting power at any general meeting of our Company, apart from the substantial Shareholder and Controlling Shareholders referred to above.

SHARE CAPITAL

Our Company's authorised share capital and issued share capital immediately after the completion of the Share Offer will be as follows:

<i>Authorised share capital:</i>		<i>HK\$'000</i>
<u>909,090,909</u>	Shares	<u>500,000</u>

Issued and to be issued, fully paid or credited as fully paid after the completion of the Share Offer:

<i>Number of Shares</i>		<i>HK\$'000</i>	<i>Approximate percentage of issued share capital</i>
122,209,373	In issue as at the date of this prospectus	67,215	80.3%
<u>30,000,000</u>	To be issued pursuant to the Share Offer	<u>16,500</u>	<u>19.7%</u>
<u>152,209,373</u>	After the completion of the Share Offer	<u>83,715</u>	<u>100%</u>

Assumptions

The above table assumes that the Share Offer has become unconditional and the issue of New Shares pursuant to the Share Offer are made. It takes no account of any Shares which may be further allotted and issued under the Share Option Scheme or the general mandate to allot, issue and deal with Shares.

Ranking

The Offer Shares 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 qualify for all dividends or other distributions declared, paid or made on the Shares following the completion of the Share Offer.

ISSUING MANDATE

Our Directors have been granted at our annual general meeting on 29 April 2011 the issuing mandate authorising them to exercise all the powers of our Company to allot, issue and deal with Shares not exceeding the aggregate of 50% of the issued Shares in our Company (excluding treasury Shares), of which the aggregated number of Shares to be issued other than on a pro rata basis to our Shareholders does not exceed 20% of the total number of issued Shares in our Company (excluding treasury Shares) as at 29 April 2011, being the date of our annual general meeting at which our Shareholders approved the issuing mandate. Such issuing mandate is in compliance with the relevant percentage of issued Shares in the Listing Manual. Upon the Listing, we confirmed that we will comply with the more onerous requirements under the Listing Rules and the Listing Manual, in particular not to exercise the issuing mandate to allot or agree to allot more than 20% of the issued share capital of our Company.

Our Directors may, in addition to our Shares which they are authorised to issue under the issuing mandate, allot, issue and deal in our Shares pursuant to a rights issue, an issue of Share pursuant to the exercise of subscription rights attaching to any warrants or bonds of our Company, scrip dividends or similar arrangements or the issue of Shares pursuant to any award which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The issuing mandate will expire:

- (a) at the conclusion of the next annual general meeting of our Company; or
- (b) upon the expiration of the period with which the next annual general meeting of our Company is required to be held in accordance with the Bye-laws or the Companies Act; or
- (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate; or
- (d) on the date Share issues have been carried out to the full extent covered under the issuing mandate,

whichever is the earliest.

Further information on the issuing mandate is set out in the paragraph headed “Resolutions of the Shareholders passed at our Company’s annual general meeting held on 29 April 2011” under the subsection headed “Further information about the Company and its subsidiaries” in Appendix VII to this prospectus.

DEALINGS IN THE SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer from four clear business days before the expected hearing date until the listing is granted. In the context of a dual primary listing of a widely held and publicly traded company, our Company has no control over the investment decisions of its Shareholders. Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules which restricts such dealings in the Shares prior to Listing. Please refer to the section headed “Waivers from strict compliance with the Listing Rules” of this prospectus for details of the waiver.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for each of the three years ended 31 December 2008, 2009 and 2010, including the notes thereto, set out in Appendix I to this prospectus (the "Accountants' Report"). Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various 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.

OVERVIEW

Our products consist of two main segments: (i) books; and (ii) specialised products.

(i) Books

We provide a full suite of services including pre-printing (including colour separation and creating ozalids), printing and post-printing services (including folding, collating, finishing and binding). Examples of book products include medical reference books and children's story and activity books.

(ii) Specialised products

We also engage in the production of specialised products, which includes the production of custom-made and value-added printing products. Currently, our specialised products include (i) value-added paper products such as pop-up children books, board books, greeting cards, post cards, journals, calendars, diaries, paper bags, stationery, puzzles, photograph albums; and (ii) leather and fabric products such as organisers with leather or fabric covers, packaging boxes for gifts, desktop stationery sets, leather-bound journals and diaries, and products with materials other than paper.

We carry out our manufacturing operations pursuant to the He Yuan Processing Arrangement and through our subsidiary Power Printing (He Yuan). Please refer to the section headed "Business" of this prospectus for further details of the processing arrangement.

We serve international publishers, book traders and retail stores and our customer base extends to a wide geographical reach covering Europe, North America and Asia. We had provided services to a total of 109 customers mainly from Hong Kong, Europe and North America in 2010.

BASIS OF PRESENTATION

Our financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of our Company. The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. Our consolidated statements of comprehensive income and consolidated statements of cash flows for the years ended 31 December 2008, 2009 and 2010 present the results of operations and cash flows. Our consolidated statements of financial position as at 31 December 2008, 2009 and 2010 present our assets and liabilities as of those dates.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the Track Record Period, our results of operations and financial condition have been, and will continue to be, affected by the factors below:

Production capacity

The sales volume we can achieve depends on our production capacity and how we deploy such capacity. As at 31 December 2010, we have totally twelve printing presses including three 2-colour presses, four 4-colour presses, three 5-colour presses and two 8-colour presses. The estimated annual maximum production capacity of our production facility in He Yuan during the Track Record Period was as follows.

Printing Press

	Year ended 31 December		
	2008	2009	2010
	<i>(No. of sheets) (million)</i>		
Annual maximum production capacity ¹	1,151.0	1,193.6	1,193.6

Our overall production capacity for printing is affected by the following factors:

- Number of colour and size of presses being produced and product mix;
- The skills and experience of our production workers and our typesetting capability; and
- Obsolescence and downtime of our printing presses.

Note:

1. Calculated based on a production capacity of 13,625 sheets per hour including the downtime required for the changing from one printing sheet to another as well as for colour adjustment, two ten-hour operating shifts per day and the respective number of printing presses operated by our Group.

Subject to the above factors, our current annual maximum production capacity of the twelve printing presses is approximately 1,193.6 million sheets. Please also refer to the paragraph headed "Production facility and production capacity" in the section headed "Business" of this prospectus.

Cost of raw materials

The major raw material consumed in our production process is paper which accounted for approximately 43.2%, 40.4% and 42.7% of our total cost of sales for FY2008, FY2009 and FY2010 respectively. As a result, any significant fluctuations in the cost of paper may materially affect our cost of sales and in turn, our profitability.

For illustrative purpose only, if the average paper costs increased or decreased by 5% during the Track Record Period, with all other variables hold constant, our profit for FY2008, FY2009 and FY2010 would have increased or decreased by approximately HK\$4.3 million, HK\$3.1 million and HK\$3.0 million, or approximately 24.5%, 16.0% and 13.8%, respectively.

Approximately 11,200 tons, 9,700 tons and 8,300 tons of paper was used for FY2008, FY2009 and FY2010 respectively, with average prices of approximately HK\$7,715 per ton, HK\$6,336 per ton and HK\$7,272 per ton respectively. The paper prices are determined principally by pulp price, market forces and our bargaining position with suppliers. During the Track Record Period, the pulp prices experienced short-term fluctuation driven by the market demand of papers and earthquakes in Chile (a major virgin pulp export country), which was beyond our control. However, our long-term relationship with suppliers enhanced our bargaining position on the price of papers and enabled us to purchase papers at a competitive price.

Environmental laws and regulations in the PRC

We are required to comply with the environmental laws and regulations in the PRC concerning the discharge of waste water, hazardous solid waste and emission of noise during our manufacturing processes. We are required to obtain clearance and authorisations from government authorities so as to properly deal with and dispose of the said pollutant. Any failure to comply with the regulations could result in substantial fines, civil and criminal sanctions, and revocation of operating permit, which could, in the worst case, suspend and cease our business operations.

In recent years, the PRC regulators have laid great emphasis on environmental issues and have imposed various national and local environmental laws and regulations, which are expected to be more stringent in the future. In view of the development of the environmental laws and regulations, we may incur substantial cost to upgrade our production facility and monitoring system to ensure that we would not violate those laws and regulations. Any failure in controlling and monitoring the related costs may materially adversely affect our business, financial condition and results of operations.

Market competition

We operate in a highly fragmented and competitive industry. For more information, please refer to section headed “Industry overview” of this prospectus. There are numerous PRC printers and Hong Kong printers established production facilities in the PRC, which are supported by better financial resources, technical expertise and sales and marketing networks comparable to or better than those of our Group.

Our success depends on our ability to compete effectively against these competitors in terms of product quality, customer service, price and timely delivery. Our competitors may have access to more advanced technologies or greater access to capital for marketing activities than we do. They may also offer more competitive cost structures due to their geographical location or nature of services provided. As a result, these companies may be able to compete more successfully over a longer period of time than we can. In addition, we may face competition from new entrants who may deliberately price their products lower than ours in order to gain access to this industry.

We expect competition from existing and new entrants in the printing industry in the PRC and in other countries in Asia, exerting pressure on the price of our printing products.

Seasonality

Seasonal fluctuation exists in our printing services and in the overall industry. The demand is generally higher in the second half of the year when our customers will generally place orders to us to meet their sales demand in Christmas and New Year holidays. Our turnover in the second half of the year was approximately HK\$151.8 million, HK\$113.7 million and HK\$116.7 million, representing approximately 57.5%, 53.4% and 57.8% of our Group’s annual turnover for FY2008, FY2009 and FY2010, respectively. For the same period, our turnover in first half of the year was approximately HK\$112.4 million, HK\$99.3 million and HK\$85.0 million, representing approximately 42.5%, 46.6% and 42.2% of our Group’s annual turnover respectively.

Seasonal fluctuations may pose negative effect on our production costs and the overall utilisation rate of our production facility in He Yuan. Our interim results for the first half of the year may not serve as an indication of our result of operation for the entire financial year. Hence, prospective investors should take into account the above-mentioned seasonal fluctuations when making any comparison of our results of operations.

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SELECTED FINANCIAL INFORMATION

The following table sets forth the consolidated statements of comprehensive income of our Group during the Track Record Period which has been derived from, and should be read in conjunction with, the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 December		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Revenue ¹	264,205	212,962	201,677
Cost of sales	(200,640)	(152,058)	(142,233)
Gross profit	63,565	60,904	59,444
Other income	549	342	2,912
Selling and distribution costs	(12,946)	(9,996)	(8,800)
Administrative expenses	(25,171)	(22,896)	(24,962)
Other operating expenses	(3,928)	(4,104)	(1,801)
Finance costs	(2,217)	(2,613)	(2,051)
Profit before income tax	19,852	21,637	24,742
Income tax expense	(2,193)	(2,417)	(2,730)
Profit for the year and attributable to owners of our Company	17,659	19,220	22,012
Other comprehensive income, including reclassification adjustments			
Available-for-sale investments	(90)	(63)	–
Exchange gain on translation of financial statements of foreign operations	4,652	525	833
Other comprehensive income for the year, including reclassification adjustments and net of tax	4,562	462	833
Total comprehensive income for the year and attributable to owners of our Company	22,221	19,682	22,845
Earnings per share for profit attributable to owners of our Company during the year			
– Basic ² (HK cents)	15.3	16.2	18.0

Notes:

- Revenue represents the invoiced value of provision of printing service and sales of specialised products, less sales returns and discounts for the year.
- The calculation of the basic earnings per Share for the Track Record Period is based on the profit for the year attributable to owners of our Company and on the weighted average number of ordinary shares in issue during the year but takes no account of any Shares which may fall to be allotted and issued under the Share Offer or any shares which may be issued upon any options that may be granted under the Share Option Scheme.

CRITICAL ACCOUNTING POLICIES

Our financial statements have been prepared in accordance with all applicable IFRSs issued by IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial information also complied to the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Listing Rules.

The significant accounting policies that have been used in the preparation of the financial information are summarised in Accountants' Report in Appendix I to this prospectus. These policies have been consistently applied to all the years presented unless otherwise stated.

Our financial information has been prepared under the historical cost convention except for financial instruments classified as available-for-sale investments, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial information. Although these estimates are based on our Directors' best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information, are disclosed in note 4 in Accountants' Report in Appendix I to this prospectus.

Accounting policies

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of our assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods; and
- Interest income is recognised on a time-proportion basis using effective interest method.

Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease are stated at cost less accumulated amortisation and any impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.12 in Accountants' Report in Appendix I of this prospectus. Amortisation is calculated on straight-line method over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by our Group from use of the land.

Property, plant and equipment

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

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Depreciation is provided to write off the cost less their estimated residual values over their estimated useful lives, using reducing balance method, at the following rates per annum:

Buildings	3 $\frac{1}{3}$ %
Plant and machinery	15%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

The asset's estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

Assets held under finance leases (see note 2.12 in Accountants' Report in Appendix I of this prospectus) are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Financial assets

Our Group's financial assets are classified into loans and receivables and available-for-sale financial assets. Our Directors determine the classification of the financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, our Group becomes a party to the contractual provisions of the instrument. Derecognition of financial assets occurs when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. If our Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, our Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If our Group retains substantially all the risks and rewards of ownership of a transferred financial asset, our Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These (including trade and other receivables, dividend receivables from subsidiary, pledged deposits and cash and cash equivalents) are recognised initially at fair value, plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the fair value reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss.

At each reporting date, loans and receivables and available-for-sale financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of our Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

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

Impairment losses are written off against the receivables directly except where the recovery of loans and receivables is considered doubtful but not remote. The impairment losses for doubtful receivables are recorded using an allowance account. When our Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on the asset previously recognised in profit or loss.

Reversals in respect of investment in equity instrument classified as available-for-sale and stated at fair value are not recognised in profit or loss. Subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in first-out method, and in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

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

Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where our Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if our Group:

- (a) has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Our Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) we have a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue primarily derived from book products and specialised products. The following table illustrates the breakdown of our revenue by products during the Track Record Period.

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Book products	153,225	58.0	147,332	69.2	110,861	55.0
Specialised products	<u>110,980</u>	42.0	<u>65,630</u>	30.8	<u>90,816</u>	45.0
Total	<u>264,205</u>	100.0	<u>212,962</u>	100.0	<u>201,677</u>	100.0

Our revenue was approximately HK\$264.2 million, HK\$213.0 million and HK\$201.7 million for FY2008, FY2009 and FY2010 respectively. Our total revenue had decreased since FY2008. There was a drop of approximately 19.4% in total revenue in FY2009 as compared to that for FY2008. In FY2010, there was a further drop in total revenue of approximately 5.3%.

Book products contributed approximately 58.0%, 69.2% and 55.0% of our revenue for FY2008, FY2009 and FY2010 respectively. Approximately 11,200,000, 9,400,000 and 8,500,000 books were manufactured and sold by our Group in FY2008, FY2009 and FY2010, at average selling prices of approximately HK\$13.70, HK\$15.70 and HK\$13.0 per book, respectively. The decrease of revenue generated from book products in FY2009 was mainly due to the decrease of customer orders as a result of global economic depression. For FY2010, the decrease was primarily attributable to the increased proportion for processing orders pursuant to which our customers supplied their own raw materials for their sales orders, resulting a reduction in our sales revenue in absolute amount even though the sales volume (in ton) remained relatively stable. Approximately 6.4%, 9.9% and 16.5% of our revenue was generated by processing orders for FY2008, FY2009 and FY2010 respectively.

Revenue from specialised products accounted for approximately 42.0%, 30.8% and 45.0% of our revenue for FY2008, FY2009 and FY2010 respectively. Given the wide product range from greeting cards to leather stationery set, the selling prices of our specialised products ranged from approximately HK\$5.0 per board book to approximately HK\$1,270.0 per leather knife packaging box during the Track Record Period. Since our specialised products are generally high-end products, the demand for, and hence, sales from this segment are relatively susceptible to the economic condition. Our revenue for specialised products generated in FY2009 was affected by the global economic depression and experienced a rebound driven by improvement of economic condition in Hong Kong in FY2010.

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

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Hong Kong	135,541	51.3	104,647	49.1	119,155	59.1
Europe						
– United Kingdom	48,112	18.2	45,551	21.4	30,961	15.4
– Germany	15,263	5.8	11,091	5.2	10,889	5.4
– France	3,956	1.5	3,384	1.6	3,035	1.5
– Others	3,273	1.2	5,840	2.7	3,902	1.9
	70,604	26.7	65,866	30.9	48,787	24.2
North America						
– United States	48,267	18.3	39,922	18.8	31,582	15.7
– Canada	2,023	0.7	–	–	432	0.2
	50,290	19.0	39,922	18.8	32,014	15.9
PRC	–	–	–	–	493	0.2
Other Asian countries						
– Singapore	3,913	1.5	1,272	0.6	917	0.4
– Japan	150	0.1	117	0.1	79	0.1
	4,063	1.6	1,389	0.7	996	0.5
Others ^(Note)	3,707	1.4	1,138	0.5	232	0.1
Total	264,205	100.0	212,962	100.0	201,677	100.0

Note: Others include mainly Australia and New Zealand.

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During FY2008, FY2009 and FY2010, Hong Kong has been the largest market of our products and contributed to approximately 51.3%, 49.1% and 59.1% of our revenue respectively. Our revenue generated from Hong Kong decreased from approximately HK\$135.5 million in FY2008, to approximately HK\$104.6 million in FY2009, and rebounded slightly to approximately HK\$119.2 million in FY2010. The decrease in FY2009 as compared to FY2008 was mainly attributable to the downturn of global economy. Following the moderate recovery in economy, our revenue contributed by Hong Kong market recorded a slight increase in FY2010 as some of our Hong Kong customers supplied raw materials purchased by themselves to us for processing their orders, which decreased our sales in absolute amount.

During the Track Record Period, our total revenue contributed by Europe has decreased from approximately HK\$70.6 million in FY2008 to approximately HK\$65.9 million in FY2009, and further dropped to approximately HK\$48.8 million in FY2010. Meanwhile, our revenue generated from North America has decreased from approximately HK\$50.3 million in FY2008 to approximately HK\$39.9 million in FY2009, and further dropped to approximately HK\$32.0 million in FY2010. The decrease in revenue contributed by both Europe and North America during the Track Record Period was principally attributable to the poor economic condition in both continents, causing the consequential drop on demand for books and specialised products. In addition, in view of the poor economic condition in these continents, our Directors were very prudent for the acceptance of sales orders from customers located in such continents during the Track Record Period.

Cost of sales

The following table illustrates the breakdown of our major component of our costs of sales during the Track Record Period:

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Costs of sales						
Cost of raw materials						
consumed	140,833	70.2	97,775	64.3	88,830	62.5
– Paper	86,593	43.2	61,418	40.4	60,697	42.7
– Accessories	36,014	17.9	21,608	14.2	14,178	10.0
– Printing plates	4,971	2.5	6,341	4.2	6,231	4.4
– Leather and fabric	4,656	2.3	1,229	0.8	710	0.5
– Other production materials	8,599	4.3	7,179	4.7	7,014	4.9
Direct labour	35,998	17.9	30,264	19.9	29,554	20.8
Depreciation	12,573	6.3	11,159	7.3	10,976	7.7
Other overhead expenses	11,236	5.6	12,860	8.5	12,873	9.0
Total	200,640	100.0	152,058	100.0	142,233	100.0

Note: Other overhead expenses are electricity and water expenses, repair and maintenance expenses, security guard charges, declaration and licence, etc.

During the Track Record Period, the major components of the cost of sales are cost of raw materials consumed including paper, accessories, printing plates, leather and fabric, and other production materials, direct labour, depreciation of our production machinery, and other overhead expenses incurred during the course of our production.

The decrement of the overall cost of raw materials was in line with the decrease in sales and the change of sales order structure. Paper is the largest component in our cost structure of raw material. During the Track Record Period, approximately 11,200 tons, 9,700 tons and 8,300 tons of paper was used for FY2008, FY2009 and FY2010 respectively. The average price of the paper we purchased slightly dropped from approximately HK\$7,715 per ton in FY2008 to approximately HK\$6,336 per ton in FY2009, but increased to approximately HK\$7,272 per ton in FY2010. The changes of average paper price was mainly due to the fluctuation in the price of virgin pulp and major raw materials for the production of paper. Accessories represent items/material for specialised products per customers' request such as stationery, toys, stickers, etc. The changes of cost of accessories during the Track Record Period were mainly due to the fluctuation in the quantity and types of accessories used in specialised products and the proportion of customers' own supply of such accessories. Printing plates are another major material consumed in our production process, accounted for approximately 2.5%, 4.2% and 4.4% of our total cost of sales for FY2008, FY2009 and FY2010 respectively. The fluctuation of printing plate cost principally followed the price fluctuation of the zinc materials. Leather and fabric represented approximately 2.3%, 0.8% and 0.5% of our total cost of sales for FY2008, FY2009 and FY2010 respectively. The decrease was mainly due to the fluctuation in quantity of leather/fabric used in the production of specialised products. Other production materials are mainly ink and glue consumed in our production process accounting for approximately 4.3%, 4.7% and 4.9% of our total cost of sales for FY2008, FY2009 and FY2010 respectively. With the aim of lessening the impact brought by the increase of cost of raw materials, we have closely monitored the material costs and have transferred part of such increase to our customers by increasing the printing charges, or advising the customers with a more economic typesetting arrangement to reduce the printing charge.

Direct labour cost accounted for approximately 17.9%, 19.9% and 20.8% of our costs of sales for FY2008, FY2009 and FY2010 respectively. The increase of direct labour cost as a percentage to our revenue was due to the increase of the average labour cost in the PRC. In view of the increase of direct labour cost as a percentage of our revenue, our Directors have started to downsize the labour force by trimming the direct labour structure. As a result, the average direct labour force decreased from approximately 1,400 workers in FY2008 to approximately 1,100 workers in FY2009 and our direct labour cost decreased from approximately HK\$36.0 million in FY2008 by approximately 15.9% to approximately HK\$30.3 million in FY2009. In FY2010, as the continuous effect of our Directors in trimming the labour structure to an average direct labour of approximately 800 workers was partially offset by the increase in average monthly salary for direct labour from approximately HK\$2,200 per worker in FY2009 to approximately HK\$2,900 per worker in FY2010, our direct labour cost only slightly decreased by approximately 2.3% to approximately HK\$29.6 million in FY2010.

We adopted a reducing balance method as our depreciation policy. This policy provides for a higher depreciation charge in the early years of the useful life of an asset and gradually decreases the charges in subsequent years. We have acquired approximately HK\$33.2 million, HK\$1.7 million and HK\$0.6 million of plant and machinery for our production for FY2008, FY2009 and FY2010 respectively. Since there was no material acquisition of plant and machinery after FY2008, the decrease of the depreciation charges during the Track Record Period was in line with our depreciation policy.

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Gross profit

The gross profit amounted to approximately HK\$63.6 million, HK\$60.9 million and HK\$59.4 million for FY2008, FY2009 and FY2010, representing the gross profit margin of approximately 24.1%, 28.6% and 29.5%, respectively. The improvement of the gross profit margins was mainly attributable to (i) the increased proportion for processing orders pursuant to which our customers supplied raw materials purchased by themselves to us for processing their sales orders, which lowered our costs of raw materials consumed from approximately HK\$140.8 million in FY2008 to approximately HK\$97.8 million and HK\$88.8 million in FY2009 and FY2010 respectively; (ii) the effort of our Directors to tighten our cost of sales during the Track Record Period by, in particular, decreasing our direct labour force and hence, reducing our direct labour cost from approximately HK\$36.0 million in FY2008 by approximately 15.9% to approximately HK\$30.3 million in FY2009 and further decreased by approximately 2.3% to approximately HK\$29.6 million in FY2010; and (iii) the decreasing depreciation as a result of the combined effect of our adoption of a reducing balance method as our depreciation policy and no material acquisition of plant and machinery after FY2008.

The following table illustrates the breakdown of our gross profit by products during the Track Record Period.

	Year ended 31 December								
	2008			2009			2010		
	Book Specialised products	Specialised products	Total	Book Specialised products	Specialised products	Total	Book Specialised products	Specialised products	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	153,225	110,980	264,205	147,332	65,630	212,962	110,861	90,816	201,677
Cost of sales	125,352	75,288	202,879	104,076	47,982	152,058	77,198	65,035	142,233
Gross profit	<u>27,873</u>	<u>35,692</u>	<u>63,565</u>	<u>43,256</u>	<u>17,648</u>	<u>60,904</u>	<u>33,663</u>	<u>25,781</u>	<u>59,444</u>
<i>Gross profit margin</i>	18.2%	32.2%	24.1%	29.4%	26.9%	28.6%	30.4%	28.4%	29.5%

The gross profit of book products amounted to approximately HK\$27.9 million, HK\$43.3 million and HK\$33.7 million for FY2008, FY2009 and FY2010, representing the gross profit margin of approximately 18.2%, 29.4% and 30.4%, respectively. The substantial improvement of the gross profit margins in FY2009 as compared to FY2008 was mainly due to our Directors' effort in downsizing the average direct labour force from approximately 1,400 workers in FY2008 to approximately 1,100 workers in FY2009 and reducing the direct labour cost by approximately 15.9%. As the continuous effort of our Directors in trimming the labour structure to an average direct labour of approximately 800 workers in FY2010 was partially offset by the increase in average monthly salary for direct labour from approximately HK\$2,200 per worker in FY2009 to approximately HK\$2,900 per worker in FY2010, our direct labour cost decreased by approximately 2.3% and our gross profit margin for book products slightly improved to approximately 30.4% in FY2010.

The gross profit of specialised products amounted to approximately HK\$35.7 million, HK\$17.6 million and HK\$25.8 million for FY2008, FY2009 and FY2010, representing the gross profit margin of approximately 32.2%, 26.9% and 28.4%, respectively. Depending on the specification as set out by our customers, our specialised products generally involve labour-intensive handworks. Their gross profit margins are determined on an order-by-order basis and vary widely ranging from approximately 10.1% to 80.7% during the Track Record Period. The more extensive and/or complex the handworks involved in the production, the higher the gross profit margin we will receive. As such, the fluctuation of the gross profit margin of specialised products was attributable to the extend and complexity of handworks involved as specified by the respective customers for the specialised products we manufactured for the year.

Other income

For FY2008, FY2009 and FY2010, other income amounted to approximately HK\$0.5 million, HK\$0.3 million and HK\$2.9 million respectively. Our other income mainly consists of gain on disposals of property, plant and equipment, interest income on financial assets stated at amortised cost, other payables written back, reversal of impairment losses on trade receivables, sales of scrap materials and sundry income.

Set out below is the breakdown of other income during the Track Record Period.

	Year ended 31 December		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Other income			
Gain on disposals of property, plant and equipment	272	–	–
Interest income on financial assets stated at amortised cost	105	8	11
Net foreign exchange gain	–	11	–
Other payables written back	–	–	573
Reversal of impairment losses on trade receivables	–	–	1,040
Sales of scrap materials	–	–	1,181
Sundry income	172	323	107
	<u>549</u>	<u>342</u>	<u>2,912</u>
Total	<u>549</u>	<u>342</u>	<u>2,912</u>

Other payables written back of approximately HK\$573,000 in FY2010 represented reversal of land use rights tax and PRC staff pension of HK\$313,000 and HK\$260,000 over-provided in prior years. In the first year of application of Urban and Township Land-Use Tax (“UTLUT”) for Power Printing (He Yuan) in 2007, the UTLUT was yet to be fixed by the local government and we had provided the UTLUT at an estimated rate of RMB8 per sq.m based on verbal communication with the local government officials. Subsequently, the local tax bureau determined the UTLUT rate at RMB5 per sq.m in 2010. Given a written confirmation was issued by the relevant government authorities on 23 February 2011 confirming

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that our Group has settled all the taxes since its establishment, the excess UTLUT of HK\$313,000 provided was written back in FY2010. Regarding the PRC staff pension, as we normally pay our contribution to the staff pensions to the relevant government authorities at the end of each month, it is practically infeasible for us to make our contribution for employees who left our Group in the middle of the month as their respective pension accounts would have been cancelled once they left our Group. As such, we had provided excess amount for the defined contribution retirement schemes for our employees in the PRC in prior year. With a written confirmation issued by the relevant government authorities on 3 March 2011 confirming that we have settled all the contributions since our establishment, the PRC staff pension of approximately HK\$260,000 over-provided in prior year was written back in FY2010.

Reversal of impairment losses on trade receivables of approximately HK\$1.04 million previously recognised as impairment losses regarding FY2010 was due to the actual recovery of long outstanding trade receivables from five customers. Recognition of the impairment losses for such trade receivables in prior years was based on the fact that (i) outstanding receivables of three customers had been past due for more than one year; and (ii) two customers experienced financial difficulties and delinquency of payments.

We had not cleared out scrap paper for sales in FY2008 and FY2009 because there was still space to store scrap paper in our industrial complex after a big clearance in 2006 and the prevailing scrap paper price was low. However, as our sales orders increased in FY2010 and the scrap paper had accumulated to a level that occupied much space of our industrial complex, we cleared and sold the scrap paper of approximately 1,000 tons for approximately HK\$1,181,000 in FY2010. For better management of the space in our industrial complex, we will clear and sell scrap materials at least twice a year in the future.

Selling and distribution costs

Our selling and distribution costs amounted to approximately HK\$12.9 million, HK\$10.0 million and HK\$8.8 million for FY2008, FY2009 and FY2010 respectively. Set out below is the breakdown of major selling and distribution costs for the Track Record Period.

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Selling and distribution costs						
Freight and transportation costs	10,817	83.6	9,080	90.8	8,035	91.3
Business trips expenses	878	6.8	468	4.7	481	5.5
Sales commission	651	5.0	72	0.7	108	1.2
Others	600	4.6	376	3.8	176	2.0
	<u>12,946</u>		<u>9,996</u>		<u>8,800</u>	
Total	<u>12,946</u>	100.0	<u>9,996</u>	100.0	<u>8,800</u>	100.0

Our selling and distribution costs mainly consist of freight and transportation costs for delivery of the finished goods to the customers, which amounted to approximately HK\$10.8 million, HK\$9.1 million and HK\$8.0 million for FY2008, FY2009 and FY2010 respectively. The decrement of the freight charges and transportation costs was primarily attributable to the decrease in sales, and the decrease in purchase as some of customers supplying their own materials. In FY2008, we had set up booths in two exhibitions, one in Europe and one in the United States, increasing our business trip expense for the year. Since our Directors were of the view that the marketing result of setting up booths in such exhibitions was not significant, we did not join and set up booths in the overseas exhibition in FY2009 and FY2010.

Sales commission represents the referral expenses to Independent Third Parties who successfully introduced business to us. Following the cessation of business with a customer in the United States referred by a local agent in FY2008, we no longer paid referral fee to such agent in FY2009 and FY2010, which resulted in the decrease in our sales commission for the years.

Administrative expenses

For FY2008, FY2009 and FY2010, our administrative expenses amounted to approximately HK\$25.2 million, HK\$22.9 million and HK\$25.0 million respectively. Set out below is the breakdown of major administrative expenses for the Track Record Period.

	Year ended 31 December					
	2008		2009		2010	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Administrative expenses						
Salaries and allowance	8,572	34.0	8,074	35.3	7,484	30.0
Depreciation expense	4,319	17.2	3,784	16.5	2,613	10.5
Directors' emolument	3,520	14.0	3,366	14.7	3,849	15.4
Entertainment expenses	704	2.8	632	2.8	1,101	4.4
Exchange loss	1,943	7.7	–	–	449	1.8
Postage and courier expenses	1,175	4.7	1,148	5.0	984	3.9
Repair and maintenance costs	484	1.9	164	0.7	1,619	6.5
Auditor's remuneration	280	1.1	355	1.6	388	1.6
Insurance	473	1.9	560	2.4	591	2.4
Motor car expenses	845	3.4	340	1.5	1,190	4.8
Other tax and levy	–	–	1,566	6.8	996	4.0
Agency fee to Xianke	454	1.8	482	2.1	483	1.9
Contribution to defined contribution plans	347	1.4	304	1.3	252	1.0
Others (Note)	2,055	8.1	2,121	9.3	2,963	11.8
Total	25,171	100.0	22,896	100.0	24,962	100.0

Note: Others are computer expense, building management fee, rent and rates, utilities, sundry expense, telephone charges, cleaning expenses, printing and stationery expense and staff messing, etc.

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Our administrative expenses mainly consist of salaries and allowance, depreciation expense, directors' emolument, entertainment expenses, postage and courier expenses and repair and maintenance costs. Administrative expenses accounted for approximately 9.5%, 10.8% and 12.4% of our total revenue for FY2008, FY2009 and FY2010 respectively.

Salaries and allowance was the largest component of our administrative expenses, accounting for approximately 34.0%, 35.3% and 30.0% of our administrative expenses for FY2008, FY2009 and FY2010 respectively. During the Track Record Period, despite that the headcount of our supporting staff in Hong Kong did not change materially, we filled the replacement vacancy with employees with a lower salary, resulting in slightly decrease in the amount of our salaries and allowance.

Following the installation of new printing machines in FY2009, the repair and maintenance cost decreased as compared to FY2008. However, in FY2010, some new printing machines installed in recent years were required to be repaired and/or some parts of them were required to be replaced, and maintenance cost for these advanced machines was more expensive.

Other operating expenses

Other operating expenses mainly consist of bank charges, legal and professional fee, and allowances for doubtful debts. Other operating expenses amounted to approximately HK\$3.9 million, HK\$4.1 million and HK\$1.8 million, representing approximately 1.5%, 1.9% and 0.9% of our total revenue, for FY2008, FY2009 and FY2010 respectively. Other operating expenses are susceptible to the amount of allowances for doubtful debts determined by our Directors at around each year end. The decrement of other operating expenses for FY2010 was substantially due to the significant drop of allowance for doubtful debts by approximately 77.5%.

Finance costs

Finance costs incurred by our Group mainly represented interest charges on bank borrowings and finance charges on obligations under finance leases, amounted to approximately HK\$2.2 million, HK\$2.6 million and HK\$2.1 million, representing approximately 0.8%, 1.2% and 1.0% of our revenue, for FY2008, FY2009 and FY2010 respectively.

Income tax expenses

Our income tax expenses mainly comprise of Hong Kong profits tax and deferred tax during the Track Record Period. Our effective tax rate (calculated as the sum of income tax and deferred tax, divided by our profit before tax) was approximately 11.0%, 11.2% and 11.0% for FY2008, FY2009 and FY2010 respectively.

Pursuant to the DIPN 21, Power Printing (HK), a wholly-owned subsidiary of our Company, having manufacturing facilities in the PRC is entitled to deduct 50% of its estimated assessable profits for the Hong Kong tax reporting purposes.

Profit for the year and attributable to owners of our Company

The profit for the year and attributable to the owners of our Company has been growing during the Track Record Period, from approximately HK\$17.7 million for FY2008 to approximately HK\$19.2 million for FY2009 and further increased to approximately HK\$22.0 million for FY2010. The net profit margins of our Group were approximately 6.7%, 9.0% and 10.9% for FY2008, FY2009 and FY2010 respectively.

DISCUSSION ON HISTORICAL OPERATING RESULTS**FY2009 as compared to FY2008***Revenue*

Our revenue was approximately HK\$213.0 million for FY2009, representing a decrease of approximately 19.4% when compared to that of FY2008. The decrease was primarily driven by the global financial crisis, and the consequential drop in sales orders.

The revenue generated from the sales of book products was relatively stable, with a slight decrease of approximately HK\$5.9 million or 3.8% when compared to FY2008. We recorded a significant drop of approximately HK\$45.4 million or 40.9% in revenue generated from specialised products for FY2009 when compared to FY2008. Since our specialised products are generally high-end products and consumers tend to spend less on luxury products during difficult period, our sales volume is susceptible to the economic condition.

Cost of sales

Cost of sales decreased by approximately 24.2% from approximately HK\$200.6 million for FY2008 to approximately HK\$152.1 million for FY2009. The decrease was primarily attributable to the decrease of material consumed by approximately 30.6% with fewer sales orders received in FY2009. In addition, in view of the increasing labour cost in PRC, our Directors started to simplified the organisational structure by reducing the unnecessary labour force. Under the implementation of such measures, the absolute amount of direct labour cost decreased from approximately HK\$36.0 million for FY2008 to approximately HK\$30.3 million for FY2009.

Gross profit

The gross profit for FY2009 amounted to approximately HK\$60.9 million, represented a decrease of approximately 4.2% when compared to FY2008. Gross profit margin, however, has increased from approximately 24.1% for FY2008 to approximately 28.6% for FY2009. The increase in gross profit margin was mainly attributable to the decrease in raw material consumed and the increase in labour efficiency.

Other income

The other income amounted to approximately HK\$0.3 million in FY2009, representing a decrease of approximately 37.7% when compared with that in FY2008. The decrement was mainly due to the decrease in interest income on financial assets stated at amortised cost of approximately HK\$0.1 million, and lack of the non-recurring gain on disposals of property, plant and equipment of approximately HK\$0.3 million which was recorded in FY2008.

Selling and distribution costs

The selling and distribution costs amounted to approximately HK\$10.0 million for FY2009, representing a drop of approximately 22.8% when compared to the costs incurred for FY2008. The selling and distribution costs as a percentage of the revenue of our Group have dropped from approximately 4.9% for FY2008 to approximately 4.7% for FY2009. This was mainly due to (i) the decrease of approximately HK\$1.7 million in transportation and freight charges as a result of decrease in sales orders; and (ii) the decrease in business trips and the consequential decrease in business trips expenses of approximately HK\$0.4 million in FY2009. The decrease of revenue from a customer referred by an agent in United States in FY2009 also led to the decrease in our sales commission by approximately HK\$0.6 million.

Administrative expenses

The administrative expenses amounted to approximately HK\$22.9 million for FY2009, representing approximately 10.8% of our revenue and a decrease of approximately 9.0% as compared to FY2008. The decrement of administrative expenses for FY2009 as compared to FY2008 was mainly attributable to (i) the lack of the non-recurring exchange loss of approximately HK\$1.9 million mainly arising from the acquisition of property plant and equipment in FY2008; and (ii) the decrease of approximately HK\$0.5 million in salaries and allowance.

Other operating expenses

Our other operating expense increased from approximately HK\$3.9 million in FY2008 to approximately HK\$4.1 million in FY2009, which was attributable to the increase of legal and professional fees and allowance to doubtful debts on trade receivables which was partly offset by the decrease in bank charges.

Finance costs

The finance costs for FY2009 amounted to approximately HK\$2.6 million, representing an increase of approximately 17.9% from approximately HK\$2.2 million for FY2008. The increase was mainly attributable to the increase in interest charges for bills financing and increase in finance charges on obligations under finance leases from approximately HK\$1.2 million and HK\$1.0 million for FY2008 to approximately HK\$1.4 million and HK\$1.2 million for FY2009 respectively.

Income tax expenses

Income tax expenses increased by approximately 10.2% from approximately HK\$2.2 million for FY2008 to approximately HK\$2.4 million for FY2009, which is attributable to higher operating profit and less tax allowances previously entitled for the acquisition of plant and equipment in FY2008.

Profit for the year and attributable to owners of our Company

The profit for the year and attributable to owners of our Company amounted to approximately HK\$19.2 million for FY2009, representing a growth of approximately 8.8% over FY2008. The growth was mainly attributable to the continuous effort of our Directors in tightening our costs control and improving our productivity. The net profit margin was approximately 9.0% for FY2009, representing an increase of approximately 2.3% when compared to that of FY2008.

FY2010 compared to as FY2009*Revenue*

Our revenue amounted to approximately HK\$201.7 million for FY2010, representing a decrease of approximately 5.3 % when compared to that for FY2009.

The revenue generated from the sales of book products in FY2010 has decreased by approximately HK\$36.5 million or 24.8% when compared to that of FY2009. The drop was mainly attributable to the increase of processing orders pursuant to which our customers supplied their own raw materials to us. Our sales revenue in absolute amount decreased even though the sales volume (in ton) remained relatively stable.

In FY2010, we have further diversified our product varieties for specialised products and benefited from the moderate recovery of economy. An increment of revenue generated from specialised products amounted to approximately HK\$25.2 million for FY2010, representing an increase of approximately 38.4% when compared to FY2009.

Costs of sales

Our costs of sales decreased by approximately 6.5%, from approximately HK\$152.1 million for FY2009 to approximately HK\$142.2 million for FY2010. As some of our customers supplied their own raw materials to us in FY2010, the cost of such materials was borne by these customers, reducing our total cost of material consumed by approximately 9.1%.

Gross profit

The gross profit of our Group for FY2010 was approximately HK\$59.4 million, representing a decrease of approximately 2.4% as compared to FY2009. However, the gross profit margin of our Group improved from approximately 28.6% for FY2009 to approximately 29.5% for FY2010, mainly as a result of decrease in cost of raw materials consumed.

Other income

Our other income increased from approximately HK\$0.3 million for FY2009 by approximately HK\$2.6 million to approximately HK\$2.9 million for FY2010. The increase was mainly contributed by the reversal of impairment losses on trade receivables of approximately HK\$1.0 million and the sales of scrap materials of approximately HK\$1.2 million in FY2010. The reversal of impairment losses on trade receivables was recognised upon the actual recovery of the long outstanding debts from our customers, while the sales of scrap materials in FY2010 was incidental to the clearance of our warehouses.

Selling and distribution costs

The selling and distribution costs were approximately HK\$8.8 million in FY2010, representing a decrease of approximately 12.0% from that of FY2009. The selling and distribution costs as a percentage to revenue of our Group has decreased from approximately 4.7% for FY2009 to approximately 4.4% for FY2010. In particular, the freight and transportation costs in FY2010 decreased by approximately 11.5% as some of our customers supplied their own materials and bore the respective transportation costs in their own accounts.

Administrative expenses

Our administrative expenses increased from approximately HK\$22.9 million for FY2009 to approximately HK\$25.0 million for FY2010. The administrative expenses as compared to revenue of our Group have risen from approximately 10.8% for FY2009 to approximately 12.4% for FY2010. The increase in administrative expenses was mainly driven by increase in repair and maintenance costs of approximately HK\$1.5 million.

Other operating costs

Our other operating expense decreased from approximately HK\$4.1 million for FY2009 to approximately HK\$1.8 million for FY2010, which was mainly attributable to the decrease of allowance to doubtful debts on trade receivables of approximately HK\$1.7 million and decrease of legal and professional fee of approximately HK\$0.4 million for FY2010.

Finance costs

The finance costs amounted to approximately HK\$2.1 million for FY2010, representing a decrease of approximately 21.5% when compared to that of FY2009. The decrease was mainly constituted by the decrease of interest charges following our repayment of obligations under a finance leases in FY2010.

Profit for the year and attributable to owners of our Company

The profit for the year and attributable to owners of our Company was approximately HK\$22.0 million for FY2010, demonstrating an increase of approximately 14.5% when compared to FY2009. The growth was contributed by the continuous effort of our Directors to tighten the credit control over the trade receivables which reduced the allowance of the doubtful debts, and cost control over direct materials. The net profit margin rose from approximately 9.0% for FY2009 to approximately 10.9% for FY2010, in line with the increase in gross profit margin for the year.

Discussion of major components in statement of financial position

Inventories

Our inventories comprise raw materials, work-in-progress and finished goods. The following table sets forth our ending inventory balances and ageing analysis as at each period ended during the Track Record Period.

	As at 31 December			Subsequent usage up to
	2008	2009	2010	30 April 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials				
Paper	17,918	12,005	11,967	10,519
Other raw materials	130	231	1,243	1,243
Work in progress	3,175	2,542	3,989	3,989
Finished goods	1,054	3,027	4,120	4,120
	<u>22,277</u>	<u>17,805</u>	<u>21,319</u>	<u>19,871</u>

	Year ended 31 December			Subsequent usage up to
	2008	2009	2010	30 April 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 – 90 days	15,418	14,444	19,524	18,076
91 – 180 days	3,610	1,801	1,197	1,197
181 – 365 days	2,707	1,200	598	598
Over 365 days	542	360	–	–
Total	<u>22,277</u>	<u>17,805</u>	<u>21,319</u>	<u>19,871</u>

The decrease in our inventories from approximately HK\$22.3 million as at 31 December 2008 to approximately HK\$17.8 million as at 31 December 2009 was mainly due to the decrease in raw materials as a result of decrease of sales orders for FY2009.

Our inventories increased from approximately HK\$17.8 million as at 31 December 2009 to approximately HK\$21.3 million as at 31 December 2010. The increase was mainly driven by the contractual commitments to deliver products to our customers in the first quarter of 2011.

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Paper is the major component of our raw materials, which accounted for approximately 99.3%, 98.1% and 90.6% of the entire material held by our Group as at 31 December 2008, 2009 and 2010 respectively. In view of its importance to our production, our Directors have exercised the inventory management policy to ensure the adequacy of paper on hand. Our sales department and PMC department work closely to schedule the production plan and assess the amount of paper and other raw materials required for different sales orders. In addition, we maintain a good relationship with our suppliers to ensure the stable supply of paper and other raw materials for both our regular and urgent orders. No material obsolescence of raw materials has been identified by our Group during the Track Record Period.

The inventory turnover days (being the average of beginning and closing inventories of the year divided by total cost of sales and multiplied by 365 days) was approximately 42 days, 48 days and 50 days as at 31 December 2008, 2009 and 2010 respectively. The increase in inventory turnover days was mainly due to the combined effect of decrease in revenue, and increase in finished goods stored in our warehouses as at 31 December 2009 and 2010.

Trade receivables

The following table set forth the ageing analysis of our ending trade receivables as at each period ended during the Track Record Period.

	Year ended 31 December			Subsequent settlement up to 30 April
	2008	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 – 90 days	36,820	37,079	43,936	37,962
91 – 120 days	16,080	14,028	11,698	11,450
121 – 180 days	6,103	5,701	7,246	6,453
181 – 365 days	4,235	1,451	2,496	536
Over 365 days	1,587	3,727	3,005	1,314
Total	<u>64,825</u>	<u>61,986</u>	<u>68,381</u>	<u>57,715</u>

Trade receivables is a major component of our current assets. Trade receivables turnover days of our Group (being the average of beginning and closing trade receivable of the year divided by the total revenue and multiplied by 365 days) were approximately 91 days, 109 days and 118 days for FY2008, FY2009 and FY2010 respectively. Trade receivables turnover days increased was mainly due to the slow payment of some of our major customers who have been adversely affected by the poor economy of Europe and North America since the 2008 financial tsunami.

We generally allow a credit period of 30 days to 120 days to our trade customers depending on their creditworthiness and relationship with our Group. During the Track Record Period, we had strictly followed the credit policy. Our finance team is responsible for monitoring the collectability of the receivables and all outstanding trade debts. Any identification of long outstanding debts would be reported to our Directors for further discussion and handling.

In determining the amount of impairment required, we review the trade receivables for evidence of impairment on both at individual and collective basis. Impairment will be assessed for each trade receivable which is unlikely to be collected. If customers experience financial difficulties that were in default or delinquency of payments or such receivables have been past due for more than one year, and have not responded to repayment demands, impairment provision will be provided for these outstanding debts. We do not hold any collateral as security or other credit enhancements over the impaired trade receivables.

As at 31 December 2008, 2009 and 2010, the accumulated impairment of receivables was approximately HK\$2.1 million, HK\$4.2 million and HK\$3.7 million respectively, representing approximately 0.8%, 2.0% and 1.8% of our revenue of the respective periods. Having assessed the recoverability of the receivables, our Directors were of the view that impairment provision was sufficient as to the trade receivables as at 31 December 2010. The assessment required judgments and estimates by our Directors and made reference to the payment history of our customers and the then prevailing economic condition.

Available-for-sale financial investments

Available-for-sale financial investments amounted to approximately HK\$1.1 million as at 31 December 2008, which wholly represented the fair values of the unlisted unit trust funds as at 31 December 2008. The investments had been sold subsequently during FY2009 and a gain of approximately HK\$0.1 million was recognised in FY2009 accordingly.

Trade payables

The following table set forth the ageing analysis of our ending trade payables as at each period ended during the Track Record Period.

	Year ended 31 December		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
0 – 90 days	10,737	10,391	12,497
91 – 180 days	8,418	4,470	3,257
181 – 365 days	1,307	92	1,030
Over 365 days	1,158	1,148	986
	<u>21,620</u>	<u>16,101</u>	<u>17,770</u>
Total	<u>21,620</u>	<u>16,101</u>	<u>17,770</u>

Trade payables was a major component of our current liabilities and amounted to approximately HK\$21.6 million, HK\$16.1 million and HK\$17.8 million as at 31 December 2008, 2009 and 2010 respectively. They were primarily related to the purchase of raw materials such as paper, printing plates, leather/fabric and printing ink. The decrease of trade payables as at 31 December 2009 and 2010 when compared with that as at 31 December 2008, was mainly attributable to the decrease in average number of purchase order by our Group. The decrease in raw materials consumed was the result of decrease in sales order in FY2009, while the decrease of raw materials consumed in FY2010 was the result of increasing processing order pursuant to which our customers supplied their own raw materials. The credit periods granted by our suppliers range from 30 to 90 days.

The trade payables turnover days (being the average of beginning and ending trade payables for the year, divided by the cost of sales for the year and multiplied by 365 days) was approximately 50 days, 45 days and 44 days as at 31 December 2008, 2009 and 2010 respectively. They were generally in line with the credit period granted by our suppliers. The decreasing trend of the turnover days was resulted by our bargaining strategy according to which we accepted a shorter credit period offered by our suppliers for a lower purchase price of raw materials.

Secured short term and long term bank borrowings

Secured short term bank borrowings mainly comprised of collateralised borrowings, trust receipt loans and term loans during the Track Record Period and were repayable within one year, or repayable on demand by the discretion of the respective banks.

Secured long term bank borrowing mainly presents the non-current portion of term loans raised by us for the expansion of our production facilities in He Yuan.

Working capital management policy

Our Directors actively and regularly review our capital structure and make adjustments in light of changes in economic conditions. Since our turnover of trade receivables and inventories is slower than the turnover of our trade payables, we factor our trade receivables to banks to reduce the cash turnaround time and utilise our banking facilities offered by banks to meet the short term capital needs. Our finance team and Directors also work closely to monitor the collectability of trade receivables so as to reduce the turnover of trade receivables to ensure the adequacy of cash flows. We secure raw materials and give credits to customers according to industry practice, which might be possible with higher level of borrowings.

Obligations under finance leases

Obligations under finance leases is another major component of our current liabilities. The balance of obligations under finance leases have decreased from approximately HK\$24.1 million as at 31 December 2008 to approximately HK\$17.1 million as at 31 December 2009 and further to approximately HK\$10.8 million as at 31 December 2010. The decrease in obligations under finance leases during the Track Record Period was mainly due to the repayment of the obligations.

The obligations under finance leases bear interests at fixed and floating rates ranging from approximately 3.25% to 8.74% per annum during the Track Record Period. Obligations under finance leases are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by our Group.

OTHER MAJOR FINANCIAL RATIO

	Year ended 31 December		
	2008	2009	2010
Gearing ratio ¹	26.4%	25.7%	18.5%
Debt to equity ratio ²	32.5%	30.2%	20.3%
Interest coverage ³	10.0	9.3	13.1
Return on total assets ⁴	6.9%	7.9%	8.9%
Return on equity ⁵	13.3%	12.8%	12.9%
Current ratio ⁶	1.0	1.2	1.7
Quick ratio ⁷	0.8	1.0	1.4

Notes:

1. The gearing ratio is calculated by dividing total bank borrowings and obligations under finance leases, with total assets as at the end of the respective financial years, and then multiplied by 100%.
2. Debt to equity ratio is calculated by dividing total bank borrowings with total equity as at the end of the respective financial years, and then multiplied by 100%.
3. Interest coverage ratio is calculated by dividing profit before interest and income tax with interest expense for the respective financial years
4. Return on total assets equals to the profit for the year and attributable to owners of our Company divided by total assets of our Company as at the end of the respective financial years, and multiplied by 100%.
5. Return on equity equals to the profit for the year and attributable to owners of our Company divided by total equity of our Company as at the respective financial years, and multiplied by 100%.
6. Current ratio is calculated by dividing current assets with current liabilities as at the end of the respective financial years.
7. Quick ratio is calculated by dividing the current assets less inventories, with current liabilities as at the end of the respective financial years.

Gearing ratio

Our gearing ratio decreased from approximately 26.4% in FY2008 to approximately 25.7% in FY2009. The decrease is primarily due to the repayment of the bank borrowings and obligations under finance leases during the year amounting to approximately HK\$13.4 million and HK\$7.0 million respectively. However, the effect of repayments was partially offset by the new bank borrowings of approximately HK\$15.7 million in FY2009 raised for settlement of other payables in relation to acquisition of plant and machinery. As a result, our gearing ratio slightly decreased in FY2009.

In FY2010, our gearing ratio further decreased to approximately 18.5%. In view of the improvement in the cash flow generated from operating activities of our Group in FY2010, we have reduced the utilisation of bank borrowing and finance lease arrangement in FY2010 by reduction of trust receipt loan of approximately HK\$12.6 million, and settlement of bank borrowings and obligations under finance leases amounting to approximately HK\$14.0 million and HK\$6.3 million during the year. However, the effect of repayment was partially offset by the new bank borrowings of approximately HK\$15.8 million in FY2010.

Debt to equity ratio

Our debt to equity ratio decreased from approximately 32.5% in FY2008 to approximately 30.2% in FY2009. The decrease is primarily due to increase of total equity of our Group by approximately HK\$18.2 million, which mainly represented the profit for the year of approximately HK\$ 19.2 million in FY2009.

Our debt to equity ratio further decreased from approximately 30.2% in FY2009 to approximately 20.3% in FY2010. The decrease is primarily driven by reduction of trust receipt loans and collateralised borrowings of approximately HK\$12.6 million, and settlement of bank borrowings of approximately HK\$14.0 million during the year. As a result, the balance of the bank borrowings has decreased by approximately HK\$10.8 million in FY2010. The improvement of debt to equity ratio has been further intensified by the increase of total equity by transfer of profit for the year to reserve of approximately HK\$22.0 million for FY2010.

Interest coverage

Our interest coverage decreased from approximately 10.0 in FY2008 to approximately 9.3 in FY2009. The decrease is driven by the increase of interest expense incurred in FY2009. In FY2010, our interest coverage, however, increased from approximately 9.3 to approximately 13.1. The improvement was driven by the decrease of interest expense incurred by reducing the utilisation of the interest-bearing borrowings.

Return on total assets

Our return on total assets increased from approximately 6.9% in FY2008 to approximately 7.9% in FY2009, and further increased to approximately 8.9% in FY2010. The improvement of our return on total assets was primarily resulted from our increase in profit for the year and attributable to owners of our Company by approximately 8.8% to approximately HK\$19.2 million in FY2009 and approximately 14.5% to approximately HK\$22.0 million in FY2010, which led to the higher return on total assets of our Group.

Return on equity

Our return on equity amounted to approximately 13.3%, 12.8% and 12.9% in FY2008, FY2009 and FY2010 respectively. The ratios are relatively stable during the Track Record Period.

Current ratio

Our current ratio increased from approximately 1.0 in FY2008 to approximately 1.2 in FY2009, which was primarily due to the decrease of trade and other payables and obligations under finance leases under current liabilities by approximately HK\$19.1 million and HK\$6.7 million respectively in FY2009. The decrease in trade and other payables of approximately HK\$19.1 million was mainly due to (i) the settlement of other payables in relation to acquisition of plant and machinery of approximately HK\$11.4 million in FY2009; and (ii) decrease in trade payables of approximately HK\$5.5 million as a result of the decrease in purchase in FY2009. The decrease in the obligations under finance leases was primarily due to the repayments of our finance lease obligations.

Our current ratio further increased from approximately 1.2 in FY2009 to approximately 1.7 in FY2010. The increase was primarily due to (i) the increase in trade and other receivables of approximately HK\$8.2 million, and (ii) decrease of bank borrowings and obligations under finance leases under current liabilities of approximately HK\$10.8 million and HK\$6.2 million respectively in FY2010. The increase of trade and other receivables was due to an increase in sales around year-end. The decrease of bank borrowings was attributable to the decrease in the trust receipt loan drawn by our Group of approximately HK\$10.7 million as a result of the improvement in cash flow from operating activities. The decrease in the obligations under finance leases was primarily due to the repayments of our finance lease obligations.

Quick ratio

Our quick ratio increased from approximately 0.8 in FY2008 to approximately 1.0, which is primarily due to the decrease in trade and other payables and obligations under finance leases under current liabilities by approximately HK\$19.1 million and HK\$6.7 million respectively in FY2009.

Our quick ratio further increased from approximately 1.0 in FY2009 to approximately 1.4 in FY2010. The increase was primarily due to the increase in trade and other receivables of approximately HK\$8.2 million, and decrease of bank borrowings and obligations under finance leases under current liabilities of approximately HK\$10.8 million and HK\$6.2 million respectively in FY2010.

TAXATION

We are carrying on business in Hong Kong and are subject to Hong Kong profits tax in respect of our profits arising in or derived from Hong Kong from such business. The applicable tax rate in Hong Kong was 16.5% during the Track Record Period.

DIPN21 states that “in contract processing, the document that governs the contractual relationship among the parties is the processing agreement. It sets out the rights and responsibilities of the Hong Kong company and the Mainland processing enterprise. The Hong Kong company is responsible for the supply of raw materials and machinery without consideration and to provide technical and managerial know-how while the Mainland processing enterprise is responsible for the provision of factory premises, utilities and labour force. In return for the processing service, the Hong Kong company pays a subcontracting charge to the Mainland enterprise. The legal title to the raw materials and finished goods remains with the Hong Kong company. In the [Hong Kong Inland Revenue] Department’s view, the Hong Kong company’s operations in Mainland China complement its operations in Hong Kong. Recognising the operations of the Hong Kong company in the Mainland, an apportionment of profits on a 50:50 basis is usually accepted”.

During the Track Record Period, we have been operating our printing business by the entering into the He Yuan Processing Arrangement with the He Yuan Factory, located in the PRC. Pursuant to the DIPN 21 issued by the Hong Kong Inland Revenue Department, our production processes are carried out at the He Yuan Factory situated in the PRC, profits from the sale of goods that were manufactured by such PRC entity can be apportioned on a 50:50 basis and the assessable profits so apportioned can be treated as non-taxable under Hong Kong profits tax. The aforesaid 50:50 apportionment also applied to the deductible expenses under Hong Kong profits tax.

FINANCIAL INFORMATION

Based on the facts that, (i) the production process relating to the business of Power Printing (HK) is carried out by the He Yuan Factory pursuant to the He Yuan Processing Arrangement in the PRC; (ii) pursuant to the He Yuan Processing Arrangement, the He Yuan factory shall handle the processing, manufacturing or assembling the goods and provision of labour force, while Power Printing (HK) shall supply the raw materials, the machinery and equipment without consideration, factory premises, the design of products, technological and managerial know-how, and (iii) we shall manage the production process and operation of the He Yuan Factory and shall be responsible for the quality control, 50% of profits from the sale of goods of Power Printing (HK) is treated as non-taxable under Hong Kong profits tax.

For the years of assessment from 2008/09 to 2010/11, 50:50 offshore claim under the DIPN 21 was applicable to Power Printing (HK). Our Directors consider that, in the absence of any unforeseeable circumstances such as a material change in the taxation legislation or its interpretation in Hong Kong and the PRC, DIPN 21 is applicable to our Group and as advised by BDO Tax Limited, our tax adviser, the possibility that the Hong Kong Inland Revenue Department would reject such adoption by our Group for the tax assessment of Power Printing (HK) is remote. Taking into account the aforesaid bases and factors considered by our Directors and the reporting accountants of our Group, we are of the view that our Directors have reasonable grounds to arrive at such views.

During the Track Record Period, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for each year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which we operate.

The tax expenses in the consolidated statement of comprehensive income of our Group represented income tax, and the deferred tax charges arising from the recognition of deferred tax liabilities in the statement of financial position of our Group. During the Track Record Period, tax expenses recognised as deferred tax charges was approximately HK\$0.3 million for FY2008, and a deferred tax reversal was approximately HK\$0.2 million for FY2009 and a deferred tax reversal was approximately HK\$0.3 million for FY2010. As a result of the 50:50 offshore claim of Power Printing (HK), the applicable tax rate of 16.5% for Carta, the non-deductible expenses incurred by our Group and the recognition of deferred taxation, the effective tax rates of our Group for FY2008, FY2009 and FY2010 were approximately 11.0%, 11.2% and 11.0% respectively.

Pursuant to the relevant PRC enterprise income tax laws and regulations which come into effective from 1 January 2008, the applicable income tax rate for Power Printing (He Yuan) is 25%. However, as a wholly foreign owned enterprise established in the PRC prior to 2008, Power Printing (He Yuan) is entitled to the preferential tax treatment granted previously during the 5-year transitional period. According to the transitional arrangement under the new Enterprise Income Tax Law, Power Printing (He Yuan) is exempted from paying enterprise income tax for the two years ended 31 December 2009 and has been granted a 50% relief from enterprise income tax for the three years ending 31 December 2012, and will be subject to the unified enterprise income tax rate of 25% afterwards. As Power Printing (He Yuan) has only commenced business operation in 2009 and has incurred losses for tax purposes largely due to expenses incurred for administrative purposes, there was no tax expense incurred for Power Printing (He Yuan) during the Track Record Period.

INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this indebtedness statement prior to printing of this prospectus, we had interest-bearing obligations under finance leases of approximately HK\$3.4 million (of which approximately HK\$2.1 million was repayable within one year, approximately HK\$1.3 million was repayable after one year but within two years and approximately nil was repayable after two years), and outstanding secured interest-bearing bank and other borrowings of approximately HK\$33.1 million (of which approximately HK\$23.8 million were repayable within one year, approximately HK\$3.2 million were repayable after one year but within two years and approximately HK\$6.1 million were repayable after two years but within five years). The following table sets forth the breakdown of our bank borrowings and obligations under finance leases as of the dates indicated:

	As at 31 December			As at
	2008	2009	2010	30 April
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Collateralised borrowings	1,306	4,464	2,500	–
Trust receipt loans	23,138	20,090	9,438	9,524
Term loans	18,628	20,947	22,744	23,568
	<u>43,072</u>	<u>45,501</u>	<u>34,682</u>	<u>33,092</u>
Bank borrowings				
Obligations under finance leases	24,064	17,099	10,834	3,423
	<u>24,064</u>	<u>17,099</u>	<u>10,834</u>	<u>3,423</u>
Total	<u>67,136</u>	<u>62,600</u>	<u>45,516</u>	<u>36,515</u>

Based on the scheduled repayment dates set out in the bank borrowing and finance lease agreements, they were repayable as follows.

	As at 31 December			As at
	2008	2009	2010	30 April
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Within one year	39,972	42,282	28,852	25,886
In the second year	13,074	13,552	9,566	4,464
In the third to fifth year	14,090	6,766	7,098	6,165
	<u>67,136</u>	<u>62,600</u>	<u>45,516</u>	<u>36,515</u>
Total	<u>67,136</u>	<u>62,600</u>	<u>45,516</u>	<u>36,515</u>

Note: The amounts due are based on the scheduled repayment dates set out in the respective agreements and ignore the effect of any repayment on demand clause.

Our bank borrowings were secured by certain property, plant and equipment, a charge over certain of our Group's trade receivables, pledged bank deposits, letters of undertaking issued by our subsidiaries, namely Power Printing (HK), Carta and Power Printing (He Yuan) and corporate guarantee issued by our Company. Collateralised borrowings and trust receipt loans were interest-bearing at floating rates. Our banking borrowings are mainly denominated in Hong Kong dollars and US dollars.

We have entered into finance leases for items of plant and machinery and other non-current assets for terms of two to five years. The finance leases are secured by plant and machinery of our Group under lease and other non-current assets.

As at 30 April 2011, we had HK\$94.5 million of unutilised bank facilities that were granted to us primarily for working capital, capital expenditure and settlement of our purchases by the issue of letters of credit. The total utilised and unutilised facilities are with four licenced banks in Hong Kong in the amounts of HK\$45.0 million, HK\$37.5 million, HK\$27.9 million and HK\$20.6 million respectively. As of 30 April 2011, HK\$36.5 million of the HK\$131.0 million facility had been utilised and is reflected as secured bank borrowing as at 30 April 2011.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, we did not have outstanding borrowings and indebtedness such as loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans and other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, pledges, charges, debentures, mortgages, guarantees or other material contingent liabilities as the close of business on 30 April 2011.

Save as disclosed in this sub-section headed "Indebtedness", we confirm that there has been no material adverse changes in our indebtedness position and contingent liabilities for our Group since 30 April 2011.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

Overview

During the Track Record Period, we financed our operations primarily through a combination of internal generated cash flows from operating activities and bank borrowings. We has cash and cash equivalents of approximately HK\$13.2 million, HK\$26.0 million and HK\$28.8 million as at 31 December 2008, 2009 and 2010 respectively. Upon the completion of the Share Offer, we will receive approximately HK\$31.1 million of net proceeds from the issue of New Shares under the Share Offer (based on the mid-point of the indicative range of the Offer Price of HK\$1.46 per Share). In general, we deposit excess cash in interest-bearing bank accounts.

We expect that our future capital and operating needs will derive primarily from the internally generated cash flows from operating activities, the net proceeds from the issue of New Shares under the Share Offer and cash on hand, and additional equity financing or bank borrowings, if in need.

Net current assets

Our net current assets position improved significantly from net current liabilities of approximately HK\$4.3 million as at 31 December 2008 to net current assets of approximately HK\$19.4 million as at 31 December 2009 and approximately HK\$49.8 million as at 31 December 2010. The improvement was primarily due to the increase in cash and cash equivalents, decrease of trade payables and decrease in obligations under finance leases as at 31 December 2009 and 2010.

The following table sets forth the breakdown of our current assets and current liabilities during the Track Record Period.

	Year ended 31 December			As at
	2008	2009	2010	30 April
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Current assets				
Inventories	22,277	17,805	21,319	22,707
Trade and other receivables	65,887	63,260	71,414	77,828
Pledged deposits	3,840	1,055	–	–
Cash and cash equivalents	13,203	25,966	28,831	17,901
	<u>105,207</u>	<u>108,086</u>	<u>121,564</u>	<u>118,436</u>
Current liabilities				
Trade and other payables	43,813	24,740	26,130	34,504
Bank borrowings, secured	41,758	45,501	34,682	33,092
Obligations under finance leases	23,722	17,063	10,834	3,423
Income tax payable	217	1,361	108	108
	<u>109,510</u>	<u>88,665</u>	<u>71,754</u>	<u>71,127</u>
Net current assets/(liabilities)	<u>(4,303)</u>	<u>19,421</u>	<u>49,810</u>	<u>47,309</u>

Our net current liabilities of approximately HK\$4.3 million as at 31 December 2008 were primarily due to the acquisition of property, plant and equipment of approximately HK\$36.3 million, which resulted in a cash outflow of approximately HK\$15.1 million and obligations under finance leases of approximately HK\$21.2 million for the year ended 31 December 2008.

Loan and banking facilities

Our obligations under finance leases amounted to approximately HK\$24.1 million, HK\$17.1 million and HK\$10.8 million as at 31 December 2008, 2009 and 2010 respectively, together with secured bank borrowings amounted to approximately HK\$43.1 million, HK\$45.5 million and HK\$34.7 million as at 31 December 2008, 2009 and 2010 respectively, resulting in a gearing ratio of approximately 26.4%, 25.7% and 18.5% as at 31 December 2008, 2009 and 2010 respectively.

The obligations under finance leases represented the amount of finance lease in relation to the acquisition of plant and machinery, while the secured bank borrowings mainly represented term loan and trust receipt loan drawn for acquisition of production facilities and for operating use.

Capital expenditure

For FY2008, FY2009 and FY2010, we have incurred capital expenditure mainly for the acquisition of property, plant and equipment amounting to approximately HK\$36.3 million, HK\$2.2 million and HK\$2.4 million respectively. The expenditure was historically funded by short term and long term bank borrowings and finance lease arrangements.

We currently plans to use approximately HK\$26.7 million for the expansion of our production capacity including construction of new workshops. Our Directors believe that such capital expenditure budget will be sufficient for our expected expenditure for the years ending 31 December 2011 and 2012.

We anticipate that the funds required for such capital expenditure will be financed by cash generated from operations and bank borrowings, as well as the net proceeds from the issue of New Shares under the Share Offer. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of our business plan. As we will continue to expand, additional capital expenditure may be incurred and we may consider raising additional funds as and when appropriate. The ability of us in obtaining additional funding in the future is subject to a variety of uncertainties including, but not limited to, the future operation results of our Group, financial condition and cash flows, economic, political and other conditions in the PRC, Hong Kong and other countries where our major customers operate.

Capital commitments

As at 31 December 2010, except for the disclosed capital commitments in Accountants' Report in Appendix I, we had no other material capital commitments.

Contingent liabilities

As at 31 December 2010, we had no significant contingent liabilities or outstanding litigation.

Operating lease commitments

As at 31 December 2010, we had operating lease commitment in respect of operating leases on office premises of approximately HK\$0.6 million, of which approximately HK\$0.4 million is due within one year.

Cash flow information

The table below sets out a summary of the cash flow information during the Track Record Period.

	Year ended 31 December		
	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	22,130	17,044	24,005
Net cash use in investing activities	(14,547)	(1,057)	(2,227)
Net cash use in financing activities	(19,837)	(3,224)	(18,913)
Cash and cash equivalents at the end of the year	13,203	25,966	28,831

Operating activities

For FY2008, net cash generated from operating activities amounted to approximately HK\$22.1 million which was mainly attributable to the operating profit before changes in working capital of approximately HK\$40.8 million, offsetting by the decrease in trade and other payables of approximately HK\$18.6 million. The decrease in trade and other payables for FY2008 was mainly due to our stronger cash flow position which allows us to purchase some raw materials on a cash basis or shorter credit period to obtain better pricing from suppliers during the year.

For FY2009, net cash generated from operating activities amounted to approximately HK\$17.0 million with operating profit before changes in working capital amounted to approximately HK\$41.4 million. The cash generated from operating profit before changes in working capital and the decrease in inventory of approximately HK\$4.5 million were offset by the decrease in trade and other payables of approximately HK\$25.8 million. The decrease in inventories was in line with our policy over inventory management that we strive to reduce the need to maintain an excess level of inventory. The decrease of trade and other payables was due to the strong cash flow position which allowed us to purchase some raw materials on a cash basis to obtain better pricing from suppliers.

For FY2010, net cash generated from operating activities amounted to approximately HK\$24.0 million. The net cash generated from operating activities primarily consisted of operating profit before changes in working capital of approximately HK\$39.4 million and increase in trade and other payables approximately HK\$1.9 million and was partially offset by the increase in inventories, and trade and other receivables of approximately HK\$3.5 million and HK\$7.5 million respectively. The growth in cash flow from operating activities was principally owing to the increased profit before taxation.

Investing activities

Net cash used in investing activities amounted to approximately HK\$14.5 million, HK\$1.1 million and HK\$2.2 million for FY2008, FY2009 and FY2010 respectively. The cash used in investing activities were mainly related to the acquisition of plant and machinery amounted to approximately HK\$15.1 million, HK\$2.2 million and HK\$2.4 million for FY2008, FY2009 and FY2010 respectively. In addition, there was disposal of available-for-sale investment which generated proceeds of approximately HK\$1.1 million for FY2009.

Financing activities

Net cash used in financing activities amounted to approximately HK\$19.8 million, HK\$3.2 million and HK\$18.9 million for FY2008, FY2009 and FY2010 respectively.

The net cash used in financing activities for FY2008 mainly represented the cash dividend of approximately HK\$7.9 million, repayment of long term bank borrowings of approximately HK\$9.7 million (mainly represented the bank borrowing for expansion of production facility in He Yuan) and repayment of capital element of obligations under finance leases of approximately HK\$4.1 million, which were offset by short term bank borrowing (mainly represented import loans and discounted bills repayable within one year) of approximately HK\$2.9 million.

The net cash used in financing activities for FY2009 mainly represented the repayment of long term bank borrowings of approximately HK\$13.4 million (mainly represented the bank borrowing for expansion of production facility in He Yuan) and repayment of capital element of obligations under finance leases of approximately HK\$7.0 million, which were offset by the new long term bank borrowing of approximately HK\$15.7 million.

The net cash used in financing activities for FY2010 mainly contributed by the decrease of trust receipt loans and collateralised borrowing of approximately HK\$12.6 million, the repayment of long term bank borrowings of approximately HK\$14.0 million (mainly represented the bank borrowing for expansion of productions facility in He Yuan) and repayment of capital element of obligations under finance leases of approximately HK\$6.3 million, which were offset by proceeds from new bank borrowing of approximately HK\$15.8 million.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks, including credit risk, foreign exchange risk, interest rate risk and liquidity risk in the normal course of our business.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to our Group. Our exposure to credit risk mainly arises from credit terms granted to customers in the ordinary course of our operations and from our investing activities. Our maximum exposure to credit risk is limited to the carrying amount of the financial assets at the reporting dates. We do not provide any financial guarantee which would expose to credit risk.

In order to minimise credit risk, our Directors have a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Details of our credit policy is set out in the paragraph headed "Credit management" in the section headed "Business" of this prospectus.

In addition, our credit risk on bank balances and bank deposits is limited and insignificant because they are normally placed in financial institutions with sound reputations and credit ratings.

Foreign Currency Risk

Foreign Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We operate mainly in Hong Kong and the PRC with majority of the transactions denominated in Hong Kong dollars, RMB, US dollars and Euro dollars (“EUR”).

Our Group’s exposure to currency risk arise from our overseas sales and purchases, which are primarily denominated in EUR, RMB and US dollars. These are not the functional currencies of our Group entities to which these transactions relate. We also have bank deposits denominated in RMB, US dollars and other foreign currencies. Furthermore, our Group has borrowings denominated in US dollars.

As we expand our operations, we may incur a certain portion of our cash flow in currencies other than US dollars, EUR and RMB and, thereby, may increase our exposure to fluctuations on exchange rates. We do not hedge our foreign currency risks with HKD or RMB as our Directors do not consider our foreign exchange risk to be significant. However, our Directors review the foreign currency exposure regularly and will consider hedging significant foreign currency exposure should the need arise.

Please refer to the paragraph headed “We are exposed to the risk of an appreciation of the RMB against the US\$ or HK\$” in the section headed “Risk factors” of this prospectus for further details.

Interest Rate Risks

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 rates.

Our Group’s interest rate risk arises primarily from bank borrowings and finance lease arrangements. Borrowings bearing variable rates and fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for our Group’s short term bank deposits is considered immaterial. Our Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. Our Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations.

We currently do not use any derivative instruments to manage our interest rate. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Liquidity Risk

Liquidity risk relates to the risk that we will not be able to meet our obligations associated with our financial liabilities that are settled by cash or another financial asset. We exposed to liquidity risk in respect of settlement of trade payables and our financing obligations, and also in respect of our cash flow management.

To manage the liquidity risk, we regularly monitor current and expected liquidity requirements and the compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that we maintains 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.

DIVIDENDS

In determining the form, frequency and amount of future dividends on our Shares in any particular year, we will take into account, among other things, the results of our Group, our level of cash and retained earnings, our results of operations, our capital expenditure requirements, our expansion and/or investment plans and other factors that our Directors may deem appropriate.

In considering dividend payments for the financial years thereafter, our Directors will take into account our current desire to maintain and potentially increase dividend level subject to our objective of maximising shareholder value over longer term and the factors stated above.

The amount of distributable profits is based on IFRSs, the memorandum of association of our Company and Bye-laws, the Bermuda Companies Act, applicable laws and regulations and other factors that are relevant to our Group, including, but not limited to, the consent from certain banks which have credit lines with our Group.

Our Company has declared dividend for FY2008, FY2009 and FY2010 amounting to approximately HK\$5.3 million, HK\$2.9 million and HK\$4.4 million respectively. The dividend of approximately HK\$4.4 million for FY2010 has been paid in June 2011. Nevertheless, this should not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Amounts due to Directors

As at 30 September 2006 and 26 December 2006, our Board declared dividend of approximately HK\$8.0 million and HK\$7.8 million respectively, to be distributed after 31 December 2007. Accordingly, Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin, our executive Directors, were entitled to dividend of approximately HK\$5,530,000, HK\$4,740,000, HK\$3,160,000 and HK\$2,370,000 respectively. In order to abate the impact of dividend distribution on our Company's cashflow, Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin agreed that such amounts would be settled by installments. Before the full settlement, such amounts would be recorded as "amounts due to Directors" in the accounts of our Company.

The outstanding balance of amounts due to Directors was approximately HK\$8.2 million as at 31 December 2008 and was fully settled by 30 November 2009.

RECONCILIATION OF BOOK VALUE AND THE FAIR VALUE OF PROPERTIES

Particulars of our Group's property interests are set out in Appendix III to this prospectus. DTZ Debenham Tie Leung Limited has valued the property interests of our Group as at 30 April 2011. A summary of values and valuation certificates issued by DTZ Debenham Tie Leung Limited are included in Appendix III to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of property interests from our Group's audited consolidated financial statements as 31 December 2010 to the unaudited net book amount of our property interests as at 30 April 2011:

	<i>HK\$('000)</i>
Net book amount of property interest of our Group as at 31 December 2010	62,819
Additions	4,716
Depreciation	(691)
Disposal	—
Exchange differences	1,639
	<hr/>
Net book amount as at 30 April 2011	68,483
Valuation surplus on property interests as at 30 April 2011	10,517
	<hr/>
Valuation as at 30 April 2011 per Property Valuation as set out in Appendix III to this prospectus	<u>79,000</u>

DISTRIBUTABLE RESERVE

There was no reserve available for distribution to the owners as at 31 December 2010 (being the date at which the latest audited financial statements of our Group were made up).

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not engage in trading activities involving non-exchange traded contracts.

WORKING CAPITAL

Our Directors are of the opinion that after taking into account the cash flow generated from the operating activities, the existing financial resources available to our Group including internally generated funds, the available banking facilities and the estimated net proceeds from the issue of New Shares under the Share Offer, we have sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since 31 December 2010 (being the date to which our latest audited consolidated financial statements were prepared which was set out in the Accountants' Report in Appendix I to this prospectus).

FINANCIAL INFORMATION

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DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of our Group which is based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as of 31 December 2010 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, adjusted as described below. It has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group after the Share Offer or at any future dates.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2010 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share (Note 3) HK\$
Based on the Offer Price of HK\$1.56 per Offer Share	170,644	34,000	204,644	1.34
Based on the Offer Price of HK\$1.36 per Offer Share	170,644	28,200	198,844	1.31

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of our Company as at 31 December 2010 are based on audited consolidated net assets attributable to the owners of our Company as of 31 December 2010 of approximately HK\$170,644,000 as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of the upper and lower limit of HK\$1.56 and HK\$1.36 per Share, respectively, after deduction of the underwriting fees and other related expenses* in connection with the Share Offer and take no account of any Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme or of any Shares which may be issued by our Company pursuant to the issuing mandate as set out in Appendix VII to this prospectus.
- (3) The calculation of the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at after making the adjustments referred to in this section and on the basis of a total of 152,209,373 Shares in issue immediately following the completion of the Share Offer.

- (4) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2010 in the computation of the unaudited pro forma adjusted consolidated net tangible assets, including but not limited to the final dividend of HK\$0.036 per Share amounting to HK\$4,400,000, which was declared to the Shareholders in February 2011.
- (5) By comparing the valuation of our property interests as set out in Appendix III to this prospectus, the net valuation surplus is approximately HK\$10,517,000 as compared to the carrying amounts of our property interests as of 30 April 2011, which has not been included in the aforementioned unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company. The valuation surplus of our property interests will not be incorporated in our consolidated financial statements for the year ending 31 December 2011 or at any future date. If the revaluation surplus were to be included in the our consolidated financial statements, an additional depreciation and amortisation charge of approximately HK\$228,000 per annum would be incurred.
- * Based on management's best estimation, the expenses included, amongst others, financial, legal and other professional advisory fees, underwriting commission, printing and translating costs, and other expenses relating to application for listing of the Offer Shares, which are directly attributable to the Share Offer and will be subject to further changes upon completion of the Share Offer.

OUR STRATEGIES AND FUTURE PLANS

We are optimistic about the prospects of the industry and our Group. With the aims of enhancing our market position and capturing higher market shares, we tend to implement strategic initiatives (1) to develop the market of children's booklets and stationery; (2) to establish sale offices for specialised products in the PRC; and (3) to explore new business opportunities for existing products in different markets. Our strategies are set out below.

(a) Focus on the children's booklets and stationery

With parents' increasing awareness of early childhood education, we anticipate that parents will be more willing to spend in this aspect and there will be a consequential growing demand for children's booklets and stationery. In particular, we intend to focus on the development of value-added children products such as pop-up books, touch-and-feel books and board books, the manufacturing of which requires more specialised skills and technique and can enjoy a higher profit margin. We will place more emphasis and resources for marketing these products when participating and setting up booths in international and domestic trade fairs.

In order to cope with the expected higher demand on children's booklets and stationery, we are expanding our production capacity on specialised products and constructing two new workshops. Our Directors are of the view that the new workshops will bring competitive advantages to our Group since we can leverage on our production expertise on specialised products and to reduce reliance on revenue generated from book products.

(b) Establish sales offices for specialised products in the PRC

In FY 2010, we generated revenue of approximately HK\$493,000 from sales of specialised product in PRC market. In view of an increase of average income in major cities and improvement of general standard of living in the PRC, we expect that there will be a growing demand for high-end specialised products such as journals, diaries, organizers and stationery with leather or fabric covers. Leveraging our expertise on manufacturing skills and experience in designing trendy and tasteful leather bound or fabric bound products, we believe our specialised products would be well received by the PRC market.

In order to enter into the PRC market, we plan to set up sales offices/showrooms in major cities to market our products. Our potential customers include individual customers with high disposable incomes and corporate customers which would like to present themselves as trendy and tasteful. Currently, we are looking for suitable offices/showrooms in city centres in Shanghai and Beijing.

(c) Explore new business opportunities for existing products in different markets

We will endeavour to explore new business opportunities for our existing products in Hong Kong, Europe and North America. Besides maintaining our business relationship with our customers, we plan to intensify our marketing effort to secure more sales orders from them through enhancing our sales service by increasing the size of our marketing team.

We tend to expand our sales and marketing network through visits by our sales and marketing personnel, as well as actively attending and participating in more international exhibitions and trades shows in potential markets.

CONSTRUCTION OF NEW WORKSHOPS

The average annual utilisation rate of our production facility for the Track Record Period ranged from approximately 56.9% to 69.9%. Given that manufacture of printing products involves various finishing and binding steps, much space is required for temporary placement of semi-finished products in the printing and binding production area between steps. Currently, the printing and binding production area occupies approximately 6,000 sq. m. in our existing workshop, and approximately half of such area is occupied by the production machinery and production lines. Most of the remaining area has been used for temporary placement of semi-finished products for further processing, which limits our actual production capacity. The limited space for temporary placement of semi-finished products in our existing workshop constrains us from improving our utilisation rate.

In order to cope with our anticipated growth, it is necessary to expand the production area for temporary placement of semi-finished products to increase our actual production capacity and improve the utilisation rate of our existing production facility. Pursuant to an agreement entered into between a construction firm (an Independent Third Party) and us dated 15 January 2011, two four-storey workshops with a gross floor area of approximately 20,000 sq.m. will be constructed at a total cost of approximately RMB23.6 million. The construction is expected to be completed in early 2012. The construction cost of the new workshops will be financed by internal resources, the proceeds from the issue of New Shares under the Share Offer and/or bank borrowings.

Upon completion of the two new workshops, the labour-intensive production procedures such as sewing of leather/fabric covers and putting touch-and-feel materials into children book sets will be performed in the new workshops while the printing process will be performed in the existing two workshops which will then have spare space available for temporary placement of semi-finished products, thereby improving the utilization rate of our existing production facility. Despite that our production capacity for printing will not be increased as we are not planning to install new printing machines, our Directors believe that with the aforementioned expansion of our factory premises, our existing production facility can be better utilized so as to cope with the expected business growth.

USE OF PROCEEDS

The net proceeds from the issue of the New Shares under the Share Offer, after deducting related underwriting fees and estimated expenses payable by us in connection thereto, are estimated to be approximately HK\$31.1 million, assuming an Offer Price of HK\$1.46 per Offer Share (being the mid-point of the proposed Offer Price range of HK\$1.36 to HK\$1.56 per Offer Share).

The Board intends to apply such net proceeds as follows:

- approximately 86% of the net proceeds, or approximately HK\$26.7 million, for the expansion of our production capacity including construction of new workshops;
- approximately 5% of the net proceeds, or approximately HK\$1.6 million for the expansion of our sale and distribution network and the promotion of our new products; and

FUTURE PLANS AND USE OF PROCEEDS

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- the remaining approximately 9% of the net proceeds, or approximately HK\$2.8 million for the working capital of our Group.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds from the issue of the New Shares under the Share Offer will increase or decrease by approximately HK\$2.9 million respectively. We intend to adjust the net proceeds to the above uses in the proportions stated above.

In the event that the Offer Price is set at below HK\$1.36 per Offer Share, the net proceeds from the issue of the New Shares under the Share Offer will decrease accordingly. Under such circumstances, we intend to apply such net proceeds in the following order: (i) up to HK\$26.7 million for the expansion of our production capacity; and (ii) the remaining balance, if any, to be allocated in proportions stated above for the expansion of our sales and distribution network and for general working capital.

To the extent that the net proceeds from the issue of the New Shares under the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licenced banks and/or financial institutions in Hong Kong.

Based on the Offer Price of HK\$1.46 per Offer Share (being the mid-point of the proposed Offer Price range of HK\$1.36 to HK\$1.56 per Offer Share), the Selling Shareholder will receive approximately HK\$11.6 million, after deducting underwriting fees and other applicable expenses relating to the Sale Shares payable by the Selling Shareholder.

LISTINGS

Our Company currently has a primary listing of Shares on the SGX-ST, which it intends to maintain alongside its proposed dual primary listing of Shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the New Shares to be issued in the Share Offer, and any Shares which may fall to be allotted and issued pursuant to the Share Option Scheme.

REGISTRATION

The Bermuda Share Register is maintained in Bermuda by Codan Services Limited whose address is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. Our Company has established the Hong Kong Branch Share Register which is maintained by Tricor Investor Services Limited whose address is 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The Singapore Share Transfer Agent is Boardroom Corporate & Advisory Services Pte Ltd whose address is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Certificates in respect of the Shares registered on the Hong Kong Branch Share Register will, as far as practicable, and unless otherwise requested, be issued in board lots of 2,000 Shares. The Bermuda Share Registrar will keep in Bermuda duplicates of the Hong Kong Share Branch Register, which will be updated from time to time.

Certificates

Only certificates for Shares issued by the Hong Kong Branch Share Registrar will be valid for delivery in respect of dealings effected on the Stock Exchange. Only certificates for Shares issued by the Bermuda Share Registrar will be valid for delivery in respect of dealings effected on the SGX-ST. For ease of identification, the certificates for Shares issued by the Bermuda Share Registrar are red in colour, while the Share certificates issued by the Hong Kong Branch Share Registrar will be pink in colour.

DEALINGS

Dealings in Shares on the Stock Exchange and SGX-ST will be conducted in Hong Kong dollars and Singapore dollars respectively. The Shares are traded on SGX-ST in board lots of 1,000 Shares each and will be traded on the Stock Exchange in board lots of 2,000 Shares. The transaction costs of dealings in the Shares on the Stock Exchange include a Stock Exchange trading fee of 0.005%, a SFC transaction levy of 0.003%, a transfer deed stamp duty of HK\$5.00 per transfer deed and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of the Shares transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

The brokerage commission in respect of trades of Shares on the SGX-ST is freely negotiable. A clearing fee in Singapore is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600 per transaction. The clearing fee is subject to goods and services tax in Singapore (currently at 7.0%).

SETTLEMENT

Settlement of dealings in Singapore

Shares listed on the SGX-ST are traded under the book-entry settlement system of CDP and all dealings in and transactions of Shares through the SGX-ST are effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

Shares will be registered in the name of CDP or its nominees and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Bermuda Companies Act and the Bye-laws only recognise the registered owners or holders of the Shares as members. CDP depositors and depository agents on whose behalf CDP holds Shares, may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive shareholders' circulars, proxy forms, annual reports, prospectuses and take over documents. CDP depositors and depository agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for foreign securities.

Persons holding Shares in a securities account with the CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with the Bye-laws. A fee of S\$10.0 for each withdrawal of 1,000 Shares or less and a fee of S\$25.0 for each withdrawal of more than 1,000 Shares will be payable upon the withdrawal of Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.0 (or such other amounts as our Directors may decide) will be payable to the Singapore Share Transfer Agent for each share certificate issued, and stamp duty of S\$10.0 is also payable where Shares are withdrawn in the name of the person withdrawing Shares, or S\$0.2 per S\$100.0 or part thereof of the last-transacted price where Shares are withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.0 is payable upon the deposit of each instrument of transfer with CDP. The fees charged by the Singapore Share Transfer Agent and CDP are subject to goods and services tax in Singapore (currently at 7.0%)

Transactions in Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the transfer of the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value, subject to a maximum of S\$600 per transaction. The clearing fee, instrument of transfer deposit fees and share withdrawal fee are subject to Singapore goods and services tax currently at 7.0%.

Dealings in the Shares on SGX-ST will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal “ready” basis on the SGX-ST generally takes place on the third market day following the transaction date, and payment for the securities is generally settled on the following day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

Settlement of dealings in Hong Kong

Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant’s stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the CCASS Rules. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker or custodian before the settlement date.

An investor may arrange with his broker or custodian on a settlement date in respect of his trades executed on the Stock Exchange. Under the Listing Rules and the CCASS Rules, the date of settlement must not be later than the second Settlement Day (a day on which the settlement services of CCASS are open for use by CCASS Participants) following the trade date (T+2). For trades settled under CCASS, the CCASS Rules provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty to a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade.

Dividends

Dividends are declared in Hong Kong dollars.

Foreign Exchange Risk

Investors in Singapore who trade in the Shares on the SGX-ST should note that their trades will be effected in Singapore dollars. Investors in Hong Kong who trade in the Shares on the Stock Exchange should note that their trades will be effected in Hong Kong dollars. Accordingly, investors should be aware of the foreign exchange risks associated with such trading. Please see the section headed “Risk factors” of this prospectus for a discussion on foreign exchange risks.

Removal of Shares

Currently, all the Shares are registered on the Bermuda Share Register. For the purpose of trading on the Stock Exchange, the Shares must be registered on the Hong Kong Branch Share Register. Shares may be transferred between the Bermuda Share Register and the Hong Kong Branch Share Register. An investor who wishes to trade on the SGX-ST must have his Shares registered on the Bermuda Share Register under the name of CDP and an investor who wishes to trade on the Stock Exchange must have his Shares registered on the Hong Kong Branch Share Register by removing them from the Bermuda Share Register and transferring them to the Hong Kong Branch Share Register. A resolution has been passed by our Directors authorising the removal of Shares between the Bermuda Share Register and the Hong Kong Branch Share Register as may from time to time be requested by the members of our Company.

From SGX-ST to the Stock Exchange

Following the Listing, if an investor whose Shares are traded on the SGX-ST wishes to trade his Shares on the Stock Exchange, he must effect a removal of Shares from the Bermuda Share Register to the Hong Kong Branch Share Register.

A removal of our Shares from the Bermuda Share Register to the Hong Kong Branch Share Register would involve the following procedures:

- (a) If the investor's Shares have been deposited with the CDP, the investor must first withdraw his Shares from the CDP by submitting to CDP (i) a Withdrawal of Securities Form (CDP Form 3.1) (the "CDP Withdrawal Form") available from the CDP, (ii) transfer deed, (iii) certificate of stamp duty (where applicable) and (iv) the withdrawal fee as prescribed by the CDP from time to time.
- (b) The CDP will then send a duly completed transfer deed, certificate of stamp duty, and the relevant Share certificate(s) registered under the name of the CDP to the Singapore Share Transfer Agent directly.
- (c) The investor shall complete a removal request form (the "Singapore Removal Request Form") obtained from the Singapore Share Transfer Agent and submit the Singapore Removal Request Form to the Singapore Share Transfer Agent.
- (d) Upon receipt of the duly completed documents referred to above together with bank drafts for the amount as prescribed by the Singapore Share Transfer Agent and the Hong Kong Branch Share Registrar from time to time, the Singapore Share Transfer Agent shall take all actions necessary to effect the transfer and removal of Shares on the Bermuda Share Register. A copy of the relevant documents will be sent from the Singapore Share Transfer Agent to the Bermuda Share Registrar.
- (e) On completion, the Singapore Share Transfer Agent shall then notify the Hong Kong Branch Share Registrar of the removal whereupon the Hong Kong Branch Share Registrar shall update the Hong Kong Branch Share Register and issue Share certificate(s) in the name of the investor and send such Share certificate(s) to the address specified by the investor. Despatch of Share certificate(s) will be made at the risk and expense of the investor as specified in the Removal Request Form.

- (f) If the investor's Shares upon being registered in Hong Kong are to be deposited with CCASS, the investor must deposit the Shares into CCASS for credit to his investor participant stock account or his designated CCASS participant's stock account. In order to deposit Shares to the CCASS or to effect the sale of Shares in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from the offices of the Hong Kong Branch Share Registrar and deliver it together with his Share certificate(s) issued by the Hong Kong Branch Share Registrar to HKSCC directly if he intends to deposit the investor's Shares into CCASS for credit to his CCASS Investor Participant stock account or via a CCASS Participant if he wants our Shares to be credited to his designated CCASS Participant's stock account.

Note: Under normal circumstances, steps (a) to (e) generally require 12 Business Days to complete. For the batch-transfers, steps (a) to (e) require 10 Business Days to complete on an expedited basis.

From Stock Exchange to SGX-ST

If an investor whose Shares are traded on the Stock Exchange wishes to trade his Shares on the SGX-ST, he must effect a removal of the Shares from the Hong Kong Branch Share Register to the Bermuda Share Register, and deposit such Shares into CDP. Such removal and deposit of the Shares would involve the following procedures:

- (a) If the investor's Shares are registered in the investor's own name, the investor shall complete the Combined Share Removal and Transfer Form and Delivery Instruction Form (the "HK Removal Request Form") available from the Hong Kong Branch Share Registrar and submit the same together with the Share certificate(s) in his name and bank draft for the amount as prescribed by the Singapore Share Transfer Agent and Hong Kong Branch Share Registrar from time to time to the Hong Kong Branch Share Registrar. If the investor's Shares have been deposited with CCASS, the investor must first withdraw such Shares from his CCASS Investor Participant stock account with CCASS or from the stock account of his designated CCASS Participant and submit the relevant Share transfer form(s) duly stamped and executed by HKSCC Nominees Limited and the investor, the relevant Share certificate(s) and a duly completed HK Removal Request Form together with a bank draft for the amount as prescribed by the Singapore Share Transfer Agent and the Hong Kong Branch Share Registrar from time to time to the Hong Kong Branch Share Registrar.
- (b) Upon receipt of the HK Removal Request Form, the relevant Share certificate(s) and where appropriate, the completed share transfer form(s) duly stamped and executed by HKSCC Nominees Limited and the investor, the Hong Kong Branch Share Registrar shall take all actions necessary to effect the transfer and the removal of the Shares from the Hong Kong Branch Share Register to the Bermuda Share Register.
- (c) The Hong Kong Branch Share Registrar shall then notify the Singapore Share Transfer Agent of the removal whereupon the Singapore Share Transfer Agent shall liaise with the Bermuda Share Registrar to arrange for the update of the Bermuda Share Register. Upon completion, the Singapore Share Transfer Agent shall issue the relevant Share certificate(s) in the name of the investor and deliver the Share certificate(s) to the investor.

- (d) If the investor requires the Singapore Share Transfer Agent to assist in depositing the Share certificate(s) into the CDP, he should submit a duly completed and signed Form of transfer/Delivery Instruction as provided on the HK Removal Request Form and a bank draft for the amount as prescribed by the CDP from time to time to the Singapore Share Transfer Agent at the same time he submits the relevant documents (as contemplated in paragraph (a) above) to the Hong Kong Branch Share Registrar. The Hong Kong Branch Share Registrar shall then notify the Singapore Share Transfer Agent of the removal of Shares from the Hong Kong Branch Share Register, and request the Singapore Share Transfer Agent to issue the relevant Share certificate(s) in the name of the CDP and arrange to deposit the same with the CDP. Upon receipt of the relevant documents and once payment of the deposit fee is in good order, the CDP shall credit the specified number of Shares into the investor's securities account with the CDP. The investor must have a securities account in his own name with the CDP or a sub-account with a CDP depository agent so that the investor's Shares can be credited to his securities account with the CDP or sub-account with a CDP depository agent before dealing in our Shares.

Note: Under normal circumstances, step (a) to (c) generally require 10 Business Days to complete.

For those Shares which are registered on the Hong Kong Branch Share Register, any transfer thereof or dealings therein will be subject to Hong Kong stamp duty.

Costs

All costs attributable to the removal of Shares from the Hong Kong Branch Share Register to the Bermuda Share Register and the removal from the Bermuda Share Register to the Hong Kong Branch Share Register shall be borne by the Shareholder requesting the removal. In particular, Shareholders should note that the Hong Kong Branch Share Registrar will charge HK\$300 for each removal of Shares, HK\$20 for postage (if required), and a fee of HK\$2.50 (or such higher fee as may from time to time be permitted under the Listing Rules) for each Share certificate cancelled or issued by it, whichever number is greater, and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore. In addition, the Singapore Share Transfer Agent will charge S\$30.00 (plus applicable taxes) for each removal of Shares and a fee of S\$2.00 (plus applicable taxes) for each transfer form in respect of transfer of Shares or for each Share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore.

Efforts and measures taken to facilitate the trading of the Shares in Hong Kong

With the following efforts and measures taken including:

- (a) details of the registration, dealings and settlement process, (b) the mechanism for the transfer of the Shares between the Bermuda Share Register for trading in SGX-ST and the Hong Kong Branch Share Register for trading in the Stock Exchange, (c) historical shares prices and average daily trading volume of the Shares since the Shares commenced trading on SGX-ST on 14 May 2007 up to the Latest Practicable Date; and (d) investor education measures to be taken by our Group have been disclosed in this section;
- Shareholders may at their discretion transfer Shares from the Bermuda Share Register to the Hong Kong Branch Share Register for trading in the Stock Exchange with details as disclosed in the paragraph headed "Removal of Shares" in this section;

- Book Partners China Limited, one of our customers, has confirmed to our Company that it will remove, and/or procure the removal of, 10,032,000 Shares, representing approximately 6.59% of the enlarged share capital of our Company immediately after completion of the Share Offer, to the Hong Kong Branch Share Register prior to the Listing. These Shares may help contribute to the general liquidity of our Shares on the Hong Kong market; and
- taking into account (i) the Shares to be removed to the Hong Kong Branch Share Register by Book Partners China Limited; and (ii) the New Shares to be issued under the Share Offer, there will be more than 30% of the enlarged share capital of our Company immediately after completion of the Share Offer being held by the public under the Hong Kong Branch Share Register which is eligible to trade on the Stock Exchange; and the market capitalization of such Shares held by the public will be more than HK\$50,000,000 (based on the lowest indicative Offer Price of HK\$1.36).

Our Directors consider that all reasonable efforts and measures have been made to facilitate the trading of the Shares in Hong Kong would be conducted in a fair and orderly manner.

Liquidity Risk

The Shares must be registered in the Hong Kong Branch Share Register before they can be traded on the Stock Exchange upon Listing, and only certificates for Shares issued by the Hong Kong Branch Share Registrar will be valid for delivery in respect of dealings effected on the Stock Exchange. The Share certificate(s) issued by the Bermuda Share Registrar will be valid for delivery in respect of dealings effected on SGX-ST. As the Shares have not been traded on the Stock Exchange before the Listing, there is only an issuance of 30,000,000 New Shares and placement of 9,000,000 Sale Shares under the Share Offer and, Book Partners China Limited, a customer of our Company, has confirmed to our Company that it will remove, and/or procure the removal of, 10,032,000 Shares to the Hong Kong Branch Share Register before the Listing (in aggregate, representing approximately 32.2% of the enlarged issued share capital of our Company immediately after completion of the Share Offer), there may be limited liquidity in the Shares after Listing if few or no other Shareholders are willing to remove their holdings in our Company from the Bermuda Share Register to the Hong Kong Branch Share Register prior to or following the Listing. Investors may therefore not be able to purchase Shares or liquidate their position quickly or at prices attractive to them. The market price of the Shares may be volatile and may go down as well as up and investors may therefore not recover their original costs of investment, especially as the Shares may have limited liquidity. In addition, the price at which investors may dispose of their Shares may be influenced by a number of factors, some of which may pertain to our Company, and others of which are extraneous to it.

LISTING, REGISTRATION, DEALINGS AND SETTLEMENT

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SHARE PRICES

The following table sets forth for the periods indicated the reported high, low, month end and monthly average of the closing trading prices on the SGX-ST of the Shares from 14 May 2007 until the Latest Practicable Date. Historical Share prices may not be indicative of the prices at which the Shares will trade following completion of the Listing. Please refer to the paragraph headed “The performance of our Shares traded on the SGX-ST and that on Main Board may be different because of different characteristics between the Singapore stock market and Hong Kong stock market” in the section headed “Risk factors” of this prospectus.

SGX-ST

	High (S\$)	Low (S\$)	Month End (S\$)	Monthly Average (S\$)
2007				
May (from 14 May 2007)	0.270	0.225	0.225	0.243
June	0.265	0.230	0.255	0.245
July	0.255	0.245	0.250	0.251
August	0.240	0.215	0.240	0.229
September	0.245	0.225	0.240	0.239
October	0.260	0.225	0.225	0.237
November	0.230	0.200	0.210	0.219
December	0.230	0.200	0.230	0.213
2008				
January	0.210	0.170	0.170	0.196
February	0.220	0.170	0.180	0.187
March	0.200	0.180	0.180	0.190
April	0.190	0.170	0.185	0.180
May	0.180	0.170	0.170	0.173
June	0.170	0.170	0.170	0.170
July	0.195	0.125	0.170	0.154
August	0.175	0.150	0.150	0.164
September	0.160	0.150	0.150	0.156
October	0.160	0.100	0.100	0.143
November	0.100	0.100	0.100	0.100
December	0.150	0.120	0.120	0.135

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	High (S\$)	Low (S\$)	Month End (S\$)	Monthly Average (S\$)
2009				
January	0.150	0.150	0.150	0.150
February	0.130	0.130	0.130	0.130
March	0.130	0.130	0.130	0.130
April	0.110	0.110	0.110	0.110
May	0.130	0.120	0.120	0.125
June	0.120	0.120	0.120	0.120
July	0.160	0.140	0.140	0.150
August	0.175	0.130	0.175	0.158
September	0.230	0.170	0.205	0.198
October	0.195	0.150	0.150	0.173
November	0.160	0.150	0.160	0.155
December	0.165	0.160	0.165	0.163
2010				
January	0.160	0.160	0.160	0.160
February	0.160	0.160	0.160	0.160
March	0.170	0.160	0.160	0.163
April	0.170	0.170	0.170	0.170
May	0.170	0.170	0.170	0.170
June	0.170	0.170	0.170	0.170
July	0.170	0.170	0.170	0.170
August	0.170	0.170	0.170	0.170
September	0.170	0.170	0.170	0.170
October	0.180	0.165	0.165	0.168
November	0.180	0.160	0.160	0.175
December	0.190	0.190	0.190	0.190
2011				
January	0.200	0.165	0.185	0.192
February	0.220	0.190	0.200	0.202
March	0.210	0.200	0.200	0.206
April	0.225	0.210	0.225	0.216
May	0.230	0.230	0.230	0.230
June (up to the Latest Practicable Date)	0.220	0.170	0.220	0.203

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The following table set forth the average daily trading volume and turnover of each month of the Shares. The Shares commenced trading on SGX-ST in 14 May 2007.

	Average Daily Volume (Shares)	Average Daily Turnover (S\$)
2007		
May (from 14 May 2007)	3,031,231	823,212
June	1,423,000	367,171
July	452,727	116,597
August	156,765	35,698
September	121,267	29,175
October	160,100	39,696
November	79,429	17,494
December	84,000	16,900
2008		
January	41,000	7,780
February	48,714	8,763
March	81,167	14,678
April	97,727	17,540
May	45,500	7,890
June	102,000	17,340
July	79,500	13,159
August	129,714	21,346
September	178,778	27,373
October	170,833	25,003
November	11,333	1,133
December	35,000	4,900

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	Average Daily Volume <i>(Shares)</i>	Average Daily Turnover <i>(\$)</i>
2009		
January	10,000	1,500
February	15,000	1,950
March	432,667	56,247
April	19,500	2,145
May	21,500	2,695
June	120,000	14,400
July	20,000	2,900
August	53,333	7,567
September	57,308	11,800
October	24,000	4,208
November	12,000	1,900
December	211,200	41,832
2010		
January	98,600	15,776
February	62,000	9,920
March	35,250	5,703
April	20,000	3,400
May	17,667	3,003
June	80,000	13,600
July	16,200	2,754
August	12,167	2,068
September	38,400	6,528
October	36,400	6,306
November	37,800	6,677
December	45,000	7,750
2011		
January	16,300	3,104
February	16,700	3,346
March	25,000	5,115
April	7,750	1,641
May	48,000	11,040
June (up to the Latest Practicable Date)	63,333	12,172

INVESTOR EDUCATION

Prior to the Listing, we had despatched a circular dated 4 May 2011 to the then existing Shareholders to, among others, inform the Shareholders of the relevant procedures of the transfer of Shares from Bermuda Share Register to Hong Kong Branch Share Register. We had also made, an announcement dated 23 June 2011 on the SGX-ST to inform the Shareholders of the progress of the Listing and once again to educate our Shareholders of the details of the relevant share transfer procedures thereon. After the dealings of the Shares on the Stock Exchange have taken place, we may continue to take measures to educate the public. The following measures will be taken to enhance transparency of our Company:

- investors relation activities will be conducted to maintain the interest of investors in our Shares and our business;
- details of the share transfer procedures as summarised in the sub-section headed “Removal of Shares” hereinabove will be posted on the website of our Company;
- information, including our daily closing price, trading volume and other relevant historical data will be disclosed on the website of our Company. Furthermore, during a period of 3 Business Days prior to the commencement of dealings in our Shares on the Stock Exchange, a daily announcement will be released on the websites of the Stock Exchange and our Company disclosing the daily closing price of the Shares traded on the SGX-ST;
- to further facilitate the liquidity of trading in the Shares on the Hong Kong market after Listing, we will make an announcement on the website of the SGX-ST at the beginning of each month after Listing, for a period of 3 consecutive months, to educate the Shareholders of the relevant share transfer procedures; and
- electronic copies of this prospectus will be disseminated through the website of our Company and the websites of the Stock Exchange and the SGX-ST. In addition, physical copies of the prospectus will be made available for collection at the locations specified in the section headed “How to apply for the Public Offer Shares” of this prospectus.

Other Sources of Information

Real-time trading information in respect of our Shares can be obtained from the following sources:

Company Name	Designated website
SGX-ST	www.sgx.com
AAstocks.com Limited	www.aastocks.com
ETNet Limited	www.etnet.com.hk
Oriental Press Group Limited	www.on.cc

or through service providers that provide such facilities at investors' own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

UNDERWRITERS**Placing Underwriters**

VC Brokerage Limited
Yuanta Securities (Hong Kong) Company Limited
China Everbright Securities (HK) Limited
China Merchants Securities (HK) Co., Limited

Public Offer Underwriters

VC Brokerage Limited
Yuanta Securities (Hong Kong) Company Limited
China Everbright Securities (HK) Limited
China Merchants Securities (HK) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES**Public Offer Underwriting Agreement**

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by way of the Public Offer subject to the terms and conditions set out in this prospectus and the related Application Forms.

Subject to, among other matters (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue, the New Shares to be issued pursuant to the Share Offer and Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme; (ii) the SGX-ST granting listing of, and permission to deal in the New Shares to be issued pursuant to the Share Offer and the options granted under the Share Option Scheme; and (iii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) agreeing on the Offer Price on or before the Price Determination Date), the Public Offer Underwriters have severally but not jointly agreed to subscribe for or procure subscribers to subscribe for their respective applicable proportions (as set out in the Public Offer Underwriting Agreement) of the Public Offer Shares now being offered for subscription under the Public Offer and which are not taken up under the Public Offer, on the terms and subject to the conditions set out in this prospectus, the related Application Forms and the Public Offer Underwriting Agreement. If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Lead Manager (for itself and on behalf of the Public Offer Underwriters), the Share Offer will not proceed.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares will be subject to termination by notice in writing from the Lead Manager (on behalf of the Joint Sponsors, for itself and on behalf of the Public Offer Underwriters) if any of the following events occur before 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Bermuda, the PRC, Singapore or any of the jurisdiction in which the Group operates, which in the reasonable opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriters) has or could reasonably be expected to have a material adverse effect on the business or financial conditions or prospects of the Group taken as a whole; or
 - (ii) any material change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong, the PRC, Singapore, the United States, Europe, Bermuda, Asia, national, regional or international financial, political, military, industrial, fiscal, regulatory, economic, currency, exchange control, stock or other financial market conditions, prospects circumstances or matters; or
 - (iii) any material change in the conditions of Hong Kong, Singapore or international securities or other financial markets (or in conditions affecting a sector only of such market), including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such market; or
 - (iv) without prejudice to paragraph (ii) or (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (v) any material change or development involving a prospective change in Hong Kong, the PRC, Singapore, Bermuda or any jurisdictions in which the Group operates, taxation or exchange controls which will or can reasonably be expected to materially and adversely affect the Group as a whole or the present or prospective shareholders of the Company in their capacity as such; or
 - (vi) the imposition of economic sanctions, withdrawal of trading privileges, embargo, restraint or prohibition of import and export, in whatever form, by the United States or the European Union (or any member thereof) on Hong Kong, Singapore, or the PRC; or
 - (vii) any investigation or litigation or claim being threatened or instituted against any director of the Company or any member of the Group; or

- (viii) any event, act or omission which gives rise or is likely to give rise to any material liability of the Group pursuant to the indemnities contained in the Public Offer Underwriting Agreement; or
- (ix) a material change in the system under which the value of Hong Kong currency is linked to that of the United States currency; or
- (x) a material change in the exchange rate between the United States dollars and the Renminbi or between Hong Kong dollars and the Renminbi; or
- (xi) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lockout which shall have occurred, happened or come into effect;

and any such event, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriters) is or will have or is likely to be materially adverse or prejudicial to the businesses, financial conditions or prospects of any member of the Group, has or could reasonably be expected to have a material adverse effect on the success of, or makes it inadvisable or inexpedient to proceed with the Share Offer; or

- (b) there comes to the notice of the Lead Manager (for itself and on behalf of the Public Offer Underwriters) any matter or event showing any of the representations and warranties contained in clause 9 and Schedule 2 to be untrue or inaccurate or misleading in any material respect or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate or misleading in any respect reasonably considered by the Lead Manager (for itself and on behalf of the Public Offer Underwriters) to be material or showing any of the undertakings contained in clause 11 or other obligations or undertakings expressed to be assumed by or imposed on the Company, the Covenantors and the Executive Directors under the Public Offer Underwriting Agreement not to have been complied with in any material respect reasonably considered by the Lead Manager (for itself and on behalf of the Public Offer Underwriters) to be material; or
- (c) any statement contained in the Prospectus or the Application Forms relating hereto, other reports, documents and legal opinions connected with the Share Offer or the application for listing of the Shares on the Stock Exchange has become or been discovered to be untrue, incorrect or misleading in any material respect or is reasonably considered by the Lead Manager (for itself and on behalf of the Public Offer Underwriters) to be material in the context of the Share Offer; or
- (d) matters have arisen or have been discovered or alleged which would, if the Prospectus was to be issued at that time, constitute a material omission therefrom; or
- (e) there is any material adverse change in the business or in the financial or trading position or prospects of any member of the Group which in the reasonable opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriters) is material in the context of the Share Offer; or

- (f) there comes to the notice of the Lead Manager or the Public Offer Underwriters any breach on the part of the Company, the executive Directors or any of the parties to the Public Offer Underwriting Agreement (except the Lead Manager and the Public Offer Underwriters) of any provisions of the Public Offer Underwriting Agreement in any material respect or which is reasonably considered by the Lead Manager (for itself and on behalf of the Public Offer Underwriters) to be material in the context of the Share Offer.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Selling Shareholder, among other parties, will enter into the Placing Underwriting Agreement with the Placing Underwriters. The Placing Shares are being offered for subscription and sale subject to the terms and conditions of the Placing, in each case, at the Offer Price. Under the Placing Underwriting Agreement, subject to the conditions set out therein, the Placing Underwriters would severally agree to procure subscribers or purchasers to subscribe for or to purchase the Placing Shares subject to the terms and conditions of the Placing. It is also expected that the Placing Underwriting Agreement may be terminated upon 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.

Undertakings

Each of China Print Power Limited, Mr. Sze Chun Lee and Mr. Chan Wai Ming jointly and severally undertakes to and covenants with the Company, the Joint Sponsors, the Lead Manager and the Public Offer Underwriters that:

- (i) without the prior written consent of the Joint Sponsors and the Lead Manager (on behalf of the Public Offer Underwriters), which they may withhold in their absolute and unfettered discretion regardless of whether or not the Stock Exchange shall have consented thereto, he and it shall not, and shall procure that none of his or its associates (as defined in the Listing Rules) or companies controlled by him or it and any nominee or trustee holding in trust for him or it shall, within the period of six months commencing from the Listing Date, (a) offer, accept subscription for, pledge, issue, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any of the Shares or securities of the Company beneficially owned by it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/it) which is directly or indirectly a beneficial owner of any of the Shares or securities of the Company (the “**Relevant Securities**”); or (b) enter into any swap or other arrangement or any transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Relevant Securities; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities, in cash or otherwise;

- (ii) without the prior written consent of the Joint Sponsors and the Lead Manager (on behalf of the Public Offer Underwriters), within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, he or it shall not, and shall procure that none of his or its associates (as defined in the Listing Rules) or the companies controlled by him or it and any nominee or trustee holding in trust for him or it shall, directly or indirectly, dispose of or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or interests in respect of) any Relevant Securities or any interests therein referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such option, charge, encumbrance or rights over or interests in, any shares in any company controlled by him or it which is the beneficial owner of such Relevant Securities if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of 30% or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or it which owns any such Relevant Securities; and
- (iii) in the event of any disposal of Relevant Securities or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and
- (iv) he or it shall, and shall procure that his or its respective associates and companies controlled by him or it and any nominees or trustees holding in trust for him or it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him or it or by the registered holder controlled by him or it of any Relevant Securities.

The Company undertakes to and covenants with the Joint Sponsors, the Lead Manager and the Public Offer Underwriters that, and each of the Executive Directors jointly and severally undertakes to and covenants with the Joint Sponsors, the Lead Manager and the Public Offer Underwriters to procure that, without the prior written consent of the Joint Sponsors and the Lead Manager (for itself and on behalf of the Public Offer Underwriters), the Company will not, save for the Offer, the grant of any option under the Share Option Scheme or the exercise of any option granted under the Share Option Scheme or any scrip dividend schemes or similar schemes providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the Bye-laws (a) within the period of six months from the Listing Date, allot and issue or agree to allot and issue any shares or securities in the Company or any of its major subsidiaries or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of the Company or any of its major subsidiaries; and (b) within a further six months following the six-month period referred to in (a) above, issue or agree to issue any shares or securities in the Company or any of its major subsidiaries or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for, any Shares or securities in the Company or any of its major subsidiaries so as to result in China Print Power Limited, Mr. Sze Chun Lee or Mr. Chan Wai Ming cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or hold a controlling interest (that is to say, an interest of 30% or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or it which owns any Shares.

Each of the Company and the Executive Directors undertakes to and covenants with the Joint Sponsors, the Lead Manager and the Public Offer Underwriters that save with prior written consent of the Joint Sponsors and the Lead Manager (for itself and on behalf of the Public Offer Underwriters), no company in the Group will within the period of six months from the Listing Date purchase any securities of the Company.

Each of China Print Power Limited, Mr. Sze Chun Lee or Mr. Chan Wai Ming undertakes and covenants with the Joint Sponsors, the Lead Manager and the Public Offer Underwriters not to and shall procure that none of its associates or the companies controlled by him or it will, within the period of 12 months from the Listing Date, pledge, charge, encumber or create any third-party rights in respect of any of the Shares owned or held by any of them or the relevant company (whether directly or indirectly) save with the prior written consent of the Joint Sponsors and the Lead Manager (for itself and on behalf of the Public Offer Underwriters).

Each of China Print Power Limited, Mr. Sze Chun Lee or Mr. Chan Wai Ming undertakes and covenants with the Company, the Joint Sponsors, the Lead Manager and the Public Offer Underwriters that in the event that consent is granted by the Joint Sponsors and the Lead Manager pursuant to the paragraph above to pledge, charge, encumber or create any third-party rights in respect of any of the Shares owned or held by any of them or the relevant company (whether directly or indirectly), he or it shall:

- (i) immediately inform the Company, the Joint Sponsors and the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and the Stock Exchange details of such arrangement in writing prior to entering into such arrangement; and
- (ii) immediately inform the Company, the Joint Sponsors and the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and the Stock Exchange when it receives indications, either verbal or written, from the relevant pledgee or chargee that it shall enforce right in respect of any of the pledged or charged Shares.

The Company undertakes and covenants with the Joint Sponsors and the Lead Manager and the Public Offer Underwriters that the Company shall forthwith inform the Joint Sponsors and the Lead Manager (for itself and on behalf of the Public Offer Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraphs (i) and (ii) above and the Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

Undertakings with respect to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement 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 or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and to the Stock Exchange, except pursuant to the Share Offer, that he/it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), 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 in respect of which he/it is shown by this prospectus to be the beneficial owners (as defined in Rule 10.07(2) of the Listing Rules) (the "Relevant Shares"); or
- (ii) in the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), 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 Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Further, pursuant to Note (3) to Rule 10.07 (2) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and to Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he/it will:

- (i) when he/it pledges or charges any of the securities beneficially owned by him/it in favor of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Our Company must inform the Stock Exchange as soon as it has been informed of the above matters by any of the Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Commission

The Public Offer Underwriters will receive a commission of 3.0% of the aggregate Offer Price of all the Public Offer Shares and the Placing Underwriters will receive an underwriting commission of 3.0% of the aggregate of the Offer Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions. The Selling Shareholder will be responsible for its own legal fees, duties payable on the transfer of the Sale Shares, if any. The underwriting commission, documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$14.2 million in total and out of which approximately HK\$12.7 million and HK\$1.5 million are payable by our Company and the Selling Shareholder respectively.

Joint Sponsors' independence

The Joint Sponsors satisfy the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

Underwriters' interests in our Company

Save for their respective interests and obligations under the Underwriting Agreements, none of the Underwriters or any of their respective associates has any shareholding interests in our Company or any of our Company's subsidiaries or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our Company's subsidiaries.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on or before the Price Determination Date, which is currently scheduled on 5 July 2011 and in any event by no later than 8 July 2011 (Hong Kong time). **If the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) are unable to reach an agreement on the Offer Price on or before 8 July 2011, the Share Offer will not become unconditional and will lapse.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.56 per Offer Share and is expected to be not less than HK\$1.36 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than 12:00 noon of the last day for lodging applications under the Public Offer.

The Lead Manager (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company (for itself and on behalf of the Selling Shareholder), reduce the indicative Offer Price range below that stated in this prospectus at any time no later than 12:00 noon 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 12:00 noon of the day which is the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company (for itself and on behalf of the Selling Shareholders), will be fixed within such revised 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" of this prospectus, and any other financial information which may change as a result of such reduction. **If applications for the Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.** In the absence of any notice being published in The Standard (in English) and Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before 12:00 noon of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Our Company expects to announce the final Offer Price, the level of indication of interests under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before 11 July 2011 in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on the website of our Company at www.powerprinting.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Results of allocation in the Public Offer, including the Hong Kong Identity Card/passport/Hong Kong Business Registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** application forms will be made available as described under the paragraph headed “Publication of results” in the section headed “How to apply for the Public Offer Shares” of this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.56 per Offer Share and is expected to be not less than HK\$1.36 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$1.56 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, amounting to a total of HK\$3,151.45 per board lot of 2,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$1.56 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 the Public Offer Shares” of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of the applications for the Public Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the New Shares in issue and to be issued pursuant to the Share Offer and the Shares which fall to be allotted and issued upon the exercise of any options which may be granted under pursuant to the Share Option Scheme (and such listing and permission not subsequently being revoked or withdrawn prior to the commencement of dealings in the Shares on the Stock Exchange);
- (b) the SGX-ST granting the listing of, and permission to deal in, the New Shares to be issued under the Share Offer and any Shares to be issued pursuant to the Share Option Scheme; and
- (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (which requires, amongst other things, that the Offer Price be agreed between the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) by no later than the Price Determination Date and the Price Determination Agreement has been duly entered into, and if relevant, as a result of the waiver of any conditions given by the Lead Manager (for itself and on behalf of the Underwriters)), and the Underwriting Agreements not being terminated. Details of the Underwriting Agreements and grounds for termination are set out in the section headed “Underwriting” of this prospectus.

If the Lead Manager (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) are unable to reach the Price Determination Agreement, the Share Offer will not proceed. If the above conditions are not fulfilled on the date and time specified in the Underwriting Agreements or such later date as the Lead Manager (for itself and on behalf of the Underwriters) may in its sole discretion determine, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on the website of our Company at www.powerprinting.com.hk and the website of the Stock Exchange at www.hkexnews.hk on the next Business Day following such lapse, and all application monies will be refunded, without interest, and by post at your own risk on the terms set out in the section headed “How to apply for the Public Offer Shares” of the prospectus and on the terms set out under the paragraph headed “Despatch/Collection of share certificates and refund of application monies” in the notes attached to the Application Forms. In the meantime, such application monies will be held in one or more separate bank accounts with the receiving banker(s) or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 39,000,000 Shares comprising 30,000,000 New Shares and 9,000,000 Sale Shares, will initially be made available under the Share Offer, of which 35,100,000 Shares comprising 26,100,000 New Shares and 9,000,000 Sale Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Placing. The remaining 3,900,000 New Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription and sale under the Public Offer. The number of Shares offered for subscription under the Share Offer will be subject to reallocation on the basis described below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

The Public Offer is open to the public as well as to institutional, professional and private investors in Hong Kong. The Placing involves selective marketing of the Placing Shares by the Placing Underwriters to professional and private investors. Investors may either apply for the Shares under the Public Offer or indicate an interest for the Shares under the Placing, and may only receive an allocation of Shares under the Public Offer or the Placing. Save as disclosed in this prospectus, the Offer Shares are not available for subscription by our Directors, chief executive of our Company or their respective associates.

THE PLACING

35,100,000 Shares comprising 26,100,000 New Shares and 9,000,000 Sale Shares (subject to reallocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 90% of the total number of Shares being initially offered under the Share Offer, will initially be made available for subscription and sale by way of Placing. The Placing is lead managed by the Lead Manager and is expected to be fully underwritten by the Placing Underwriters. Pursuant to the Placing, it is expected that the Placing Underwriters or any selling agents which they nominate will, on behalf of our Company, conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and private investors. Professional and institutional investors

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares pursuant to the Placing will be effected in accordance with the “book-building” process undertaken by the Placing Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Placing Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid broad professional shareholders base to the benefit of our Company and the Shareholders as a whole.

Investors who have been allocated any of the Placing Shares under the Placing are required to give an undertake and confirmation that he/she/it/they has not applied for or taken up or received any Public Offer Shares or otherwise participated in the Public Offer.

THE PUBLIC OFFER

3,900,000 New Shares (subject to reallocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Public Offer and the Placing” below), representing 10% of the total number of Shares being initially offered under the Share Offer, are offered at the Offer Price for subscription under the Public Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for or taken up or received any Placing Shares or indicated an interest for the Placing Shares or otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the 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. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. 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. The results of the Public Offer and basis of allotment of the Public Offer Shares (with successful applicant’s identification document numbers, where appropriate) are expected to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) on 11 July 2011.

Applications under the Public Offer from investors receiving the Placing Shares under the Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the Placing Shares under the Placing. Multiple applications or suspected multiple applications are liable to be rejected. The Public Offer is subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” above.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Placing and the Public Offer is subject to reallocation. If the number of Shares validly applied for in the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 7,800,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 11,700,000 Shares will be available under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 11,700,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 15,600,000 Shares will be available under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer; and
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 15,600,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 19,500,000 Shares will be available under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer.

If the Public Offer is not fully subscribed, the Lead Manager (for itself and on behalf of the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing provided that there is sufficient demand under the Placing to take up such unsubscribed Public Offer Shares. If the Placing is not fully subscribed, the Lead Manager (for itself and on behalf of the Underwriters) has the authority to re-allocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares. Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on 11 July 2011.

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METHODS OF APPLYING FOR PUBLIC OFFER SHARES

To make an application for the Public Offer Shares, you may (i) use a **WHITE** or **YELLOW** Application Form or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by any of the above methods.

WHICH APPLICATION METHOD YOU SHOULD USE

- (a) Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.
- (b) Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- (c) Instead of using a **YELLOW** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Public Offer Shares are not available to the Directors or chief executive of our Company or any of its subsidiaries, the existing beneficial owners of the Shares or any of their respective associates.

WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** Application Form, may be obtained during normal business hours from 9:00 a.m. on 28 June 2011 until 12:00 noon on 4 July 2011 from:

Any of the following addresses of the Underwriters:

VC Brokerage Limited

28/F, The Centrium,
60 Wyndham Street,
Central

or

Yuanta Securities (Hong Kong) Company Limited

23/F., Li Po Chun Chambers,
189 Des Voeux Road Central,
Hong Kong

or

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China Everbright Securities (HK) Limited

40/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

or

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square,
Central,
Hong Kong

or any one of the following branches of **Hang Seng Bank Limited**:

	Branch Name	Address
Hong Kong Island:	Head Office	83 Des Voeux Road Central
	Wanchai Branch	200 Hennessy Road
	North Point Branch	335 King's Road
Kowloon:	Tsimshatsui Branch	18 Carnarvon Road
	Kowloon Main Branch	618 Nathan Road
New Territories:	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

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or any one of the following branches of **Industrial and Commercial Bank of China (Asia) Limited**:

	Branch Name	Address
Hong Kong Island:	West Point Branch	242-244 Queen's Road West, Sai Ying Pun
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road
Kowloon:	Yaumatei Branch	542 Nathan Road, Yaumatei
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F., Phase II, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories:	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung
	Tsuen Wan Castle Peak Road Branch	G/F., 423-427 Castle Peak Road, Tsuen Wan
	Shatin Branch	Shop 22J, Level 3, Shatin Centre

The **YELLOW** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on 28 June 2011 until 12:00 noon on 4 July 2011 at the Depository Counter of HKSCC located at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **YELLOW** Application Forms and the prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made through a duly authorised attorney, our Company or the Lead Manager (for itself and on behalf of the Public Offer Underwriters) may accept your application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and the Lead Manager, in the capacity (for itself and on behalf of the Public Offer Underwriters) will have full discretion to reject.

You should note that by completing and submitting an Application Form, among other things:

- (a) you agree with our Company, for itself and for the benefit of each of the Shareholders to observe and comply with the Bermuda Companies Act, the Companies Ordinance, the memorandum of association of our Company and Bye-laws;
- (b) you confirm that you 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 save as set out in any supplement to this prospectus;
- (c) you agree that none of our Company, the Selling Shareholder, the Joint Sponsors, the Lead Manager, the Public Offer 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 thereto);
- (d) you undertake and confirm that you (if the application is made for your benefit) or the person(s) or whose benefit you have made the application have not applied for, taken up, or received or indicated an interest for, and will not apply for, take up, receive or indicate an interest for, any Placing Shares nor otherwise participate in the Placing; and
- (e) you agree to disclose to our Company, the Selling Shareholder, the share registrars, receiving bankers, the Joint Sponsors, the Lead Manager, the Public Offer Underwriters and their respective advisers and agents any personal data which they require about you and the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid, you, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signature will be accepted.

(a) if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.

(b) if the application is made by an individual CCASS Investor Participant:

- (i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
- (ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.

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(c) if the application is made by a joint individual CCASS Investor Participant:

- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and
- (ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.

(d) if the application is made by a corporate CCASS Investor Participant:

- (i) the Application Form must contain the CCASS Investor Participant's Company name and the Hong Kong business registration certificate number; and
- (ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (include participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorised attorney, our Company or the Lead Manager (for itself and on behalf of the Public Offer Underwriters) may accept the application at their discretion, and subject to any conditions they may think fit, including evidence of the authority of your attorney. Our Company and the Lead Manager, in the capacity (for itself and on behalf of the Public Offer Underwriters), will have full discretion to reject or accept any application, in full or in part, without assigning any reasons.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the CCASS Rules.
- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

HKSCC's Customer Service Centre
2/F Infinitus Plaza,
199 Des Voeux Road Central,
Hong Kong

and complete an input request form. Prospectuses are available for collection from the above address.

- (c) 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 Public Offer Shares on your behalf.
- (d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to the Company and the Hong Kong Branch Share Registrar.
- (e) You may give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the multiples set out in the table in the Application Form.
- (f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:
 - (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
 - (ii) HKSCC Nominees does all the following things on behalf of each of such person:
 - **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - **undertakes** and **confirms** that that person has not applied for or taken up or indicated an interest for any Offer Shares under the Placing nor otherwise participated in the Placing;
 - (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that person is duly authorised to give those instructions as that other person's agent;

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- **understands** that the above declaration will be relied upon by the Company, the Directors, the Joint Sponsors, the Bookrunner and the Lead Manager in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if he makes a false declaration;
- **authorises** the Company to place the name of HKSCC Nominees on the Company's register of members as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund cheques (if any) in accordance with the arrangements separately agreed between the Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in the Application Form and in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf save as set out in any supplement to this prospectus;
- **agrees** that the Company, the Joint Sponsors, the Bookrunner, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents or advisers and any other parties involved in the Share Offer are liable only for and that that person has only relied upon, the information and representations contained in this prospectus and any supplement thereto;
- **agrees** to disclose to the Company, the Lead Manager, the Joint Sponsors, the Company's registrars, the receiving bankers and/or their respective advisers and agents any personal data or information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation or other than as provided;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close as described under the paragraph headed "Effect of bad weather on the opening and closing of the application lists" below, when such agreement is to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a

Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under which section which excludes or limits the responsibility of that person for this prospectus;

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;
 - **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the CCASS Rules, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares;
 - **agrees** with the Company, for itself and for the benefit of each of the Shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Bermuda Companies Act, the Companies Ordinance, the Memorandum and Articles of Association of the Company and the Bye-laws;
 - **agrees** with the Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and
 - **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.
- (g) By giving **electronic application instructions** to HKSCC or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:
- 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, and the related brokerage, the 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 the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and
 - instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

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- (h) 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 in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.
- (i) For the purpose of allocating Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.
- (j) The section of the Application Form entitled “Personal data” applies to any personal data held by the Joint Sponsors, the Company and the Hong Kong Branch Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.
- (k) For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

Application for Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Joint Sponsors, the Bookrunner, the Lead Manager, the Underwriters and any parties involved in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) submit the **WHITE** or **YELLOW** Application Form (as appropriate); or
- (b) go to HKSCC’s Customer Service Centre to complete an electronic application instruction input request form before 12:00 noon on 4 July 2011 or such later time as described under the paragraph headed “Effect of bad weather on the opening and closing of the application lists” below.

HOW MANY APPLICATIONS YOU CAN MAKE

There is only one situation where you may make more than one application for the Public Offer Shares:

If you are a nominee, in which case you may make an application by giving **electronic application instructions** to HKSCC (if you are CCASS Participant), and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominee(s)” you must include for each beneficial owner or, in the case of joint beneficial owners, for each of such beneficial owners:

- an account number; or
- some other identification code.

If you do not include this information, the application will be treated as being made for your benefit. **Otherwise, multiple applications are not allowed.**

Multiple applications are not allowed

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) **warrant** that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form;
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of the beneficial owner that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form, and that you are duly authorised to sign the relevant Application Form as that other person’s agent;

Multiple applications or suspected multiple applications will be rejected and all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with other(s)) on a **WHITE** and/or **YELLOW** Application Form; or
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form, whether individually or jointly with others, for more than 3,900,000 Public Offer Shares, being 100% of the Public Offer Shares initially available to the public for subscription under the Public Offer; or
- make application on a **WHITE** or **YELLOW** Application Form and make an application for, take up, receive or indicate an interest in any Placing Shares under the Placing or otherwise participate in the Placing; or
- apply, whether individually or jointly with others, on one **WHITE** Application Form and one **YELLOW** Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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All of your applications will also be rejected as multiple applications if more than one application is made for your benefit or you have applied for, taken up or received any Placing Shares or indicated an interest for the Placing or otherwise participated in the Placing. 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 own benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of that company; and/or
- control more than half of the voting power of that company; and/or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH TO PAY FOR THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$1.56 per Offer Share. You must also pay 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. The board lot for trading in the Shares is 2,000 Shares. This means that for every 2,000 Public Offer Shares, you will pay HK\$3,151.45.

Each of the Application Forms has a table showing the exact amount payable for certain multiples of Public Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms set forth in the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on 4 July 2011. If your application is successful, brokerage is paid to participants of the Stock Exchange, the trading fee is paid to the Stock Exchange and the transaction levy is paid to the Stock Exchange on behalf of the SFC. If the Offer Price as finally determined is less than HK\$1.56 per Offer Share, appropriate refund payments (including related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interest. Details of the procedures for refund are contained in the section headed "Despatch/Collection of share certificates and refund of application monies" below. Our Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on 4 July 2011, or if the application lists do not open on that day, then by 12:00 noon on the next business day when the application lists open.

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached and made payable to “Hang Seng (Nominee) Limited – China Print Power Group Public Offer”, should be deposited in any of the special collection boxes provided at any of the branches of Hang Seng Bank Limited or Industrial and Commercial Bank of China (Asia) Limited listed under the paragraph headed “Where to collect the Application Forms” above at the following times:

28 June 2011	– 9:00 a.m. to 5:00 p.m.
29 June 2011	– 9:00 a.m. to 5:00 p.m.
30 June 2011	– 9:00 a.m. to 5:00 p.m.
2 July 2011	– 9:00 a.m. to 1:00 p.m.
4 July 2011	– 9:00 a.m. to 12:00 noon

Electronic applications instructions to HKSCC

CCASS Clearing Participants and CCASS Custodian Participants should input **electronic application instructions** via CCASS at the following times on the following dates:

28 June 2011	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
29 June 2011	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
30 June 2011	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
2 July 2011	– 8:00 a.m. to 1:00 p.m.⁽¹⁾
4 July 2011	– 8:00 a.m.⁽¹⁾ to 12:00 noon

Note: (1) These times are subject to such changes 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 28 June 2011 until 12:00 noon on 4 July 2011 (24 hours daily, except the first and last application dates). The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on 4 July 2011 or if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather on the opening and closing of the application lists” below.

Application lists

Subject to the events as described in the paragraph headed “Effect of bad weather on the opening and closing of the application lists” below, the application lists will open from 11:45 a.m. to 12:00 noon on 4 July 2011. No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

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EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “**BLACK**” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 4 July 2011. Instead the application lists will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE PUBLIC OFFER SHARES

Details of the circumstances in which you will not be allotted the Public Offer Shares are set out in the notes contained in the related Application Forms, and you should read them carefully. You should note in particular the following situations in which the Public Offer Shares will not be allocated to you:

If your application is revoked

By completing and lodging an Application Form, you agree that your application or the application made by HKSCC Nominees on your behalf cannot revoke on or before the expiration of the fifth Business Day after the time of the opening of the application lists. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth Business Day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth Business Day after the the time of opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure so notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application that has been made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application has been accepted, it cannot be revoked or withdrawn. Acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of our Company and its agents to reject or accept your application

Our Company and the Lead Manager (for itself and on behalf of the Public Offer Underwriters), have the full discretion to reject or accept any application, in whole or in part, without assigning any reason therefore.

If your application is rejected

Your application will be rejected if:

- it is a multiple or a suspected multiple application;
- your Application Form is not completed correctly or fully completed;
- your payment is not made in the correct form or amount;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- your application is for more than 3,900,000 Public Offer Shares being 100% of the Public Offer Shares initially available for subscription under the Public Offer;
- you or the person(s) for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allotted (including provisionally and/or conditionally) Placing Shares; or
- our Company and the Lead Manager (for itself and on behalf of the Public Offer Underwriters) or their respective agents or nominees as the agent of our Company believe that by accepting your application, they would violate the applicable securities laws or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located.

If your application is not accepted

Your application will not be accepted if:

- the Public Offer Underwriting Agreement does not become unconditional; or
- the Public Offer Underwriting Agreement is terminated in accordance with its terms and conditions; or
- no agreement has been reached on the Offer Price on or before the Price Determination Date.

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If the allotment of Public Offer Shares is void

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares on the Main Board 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.

PUBLICATION OF RESULTS

The announcement of (i) the final Offer Price, (ii) the level of indications of interest in the Placing; (iii) the level of applications in the Public Offer; (iv) the basis of allotment of the Public Offer Shares; and (v) the number of Offer Shares re-allocated between the Public Offer and the Placing, if any, will be published in The Standard (in English), Hong Kong Economic Times (in Chinese), our Company's website at www.powerprinting.com.hk and the Stock Exchange's website at www.hkexnews.hk on or before 11 July 2011.

The results of allocations of the Public Offer Shares, including applications made under **WHITE** or **YELLOW** Application Forms, which will include the Hong Kong identity card numbers/passport numbers/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of the Public Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below (in addition to the announcements in the newspapers referred to above):

- on our Company's website at www.powerprinting.com.hk and the Stock Exchange's website at www.hkexnews.hk on 11 July 2011 onwards;
- on the website of Tricor Investor Services Limited at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on 11 July 2011 to 12:00 midnight on 15 July 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its Application Form to search for his/her/its own allocation result;
- from the Public Offer allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from 11 July 2011 to 14 July 2011 (excluding Saturday, Sunday and public holidays in Hong Kong); and
- from special allocation results booklets setting out the results of allocations available for inspection during opening hours of the designated branches of the receiving banks of the Public Offer from 11 July 2011 to 13 July 2011 at the addresses set forth under the paragraphs headed "Where to collect the Application Forms" above in this section.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on 4 July 2011. Our Company will keep any interest accrued on your application monies (up till, in the case of monies to be refunded, the date of despatch of refund cheque).

Any certificate relating to the Offer Shares issued by our Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title at 8:00 a.m. on the Listing Date if the Public Offer has become unconditional in all aspects and the Public Offer Underwriting Agreement has not been terminated in accordance with their terms on or before 8:00 a.m. on the Listing Date.

Your application monies, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the SFC transaction levy, will be refunded, without interest if:

- your application is rejected, not accepted or only accepted in part;
- the Offer Price as finally determined is less than the maximum indicative Offer Price;
- the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer" of this prospectus;
- any application is revoked or any allocation pursuant thereto has become void; or
- any of the reasons set forth under the paragraph headed "Circumstances in which you will not be allotted the Public Offer Shares" above.

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

You will receive one share certificate for all the Public Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms where the share certificate will be deposited into CCASS as described below).

Subject to the provisions mentioned below, in due course that will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

- for applicants on **WHITE** Application Forms: (i) share certificate for all the Public Offer Shares applied for, if your application is wholly successful; or (ii) share certificate for the number of Public Offer Shares successfully applied for, if your application is partially successful; and/or
- for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the excessive application money for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the

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application is wholly unsuccessful; and/or (iii) the difference between the Offer Price as determined and the maximum indicative Offer Price, payable upon application, in the event that the Offer Price is lower than the maximum indicative Offer Price, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003%, without interest. 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 the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

In a contingency situation involving a very high level of over-subscription, at the discretion of our Company and the Lead Manager, applications for certain small denominations of the Public Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

Subject as mentioned below, refund cheques (if any) and share certificates for successful applicants under **WHITE** Application Forms are expected to be despatched on 11 July 2011. We reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker's cashier order(s).

If you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form and have indicated on your Application Form that you wish to collect your share certificate (if any) and/or refund cheque (if any) in person, you may collect it/them in person from the branch share registrar of our Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, between 9:00 a.m. and 1:00 p.m. on 11 July 2011 (Hong Kong time) or any other date notified by our Company by way of a newspaper announcement as the date of despatch of share certificates/refund cheques.

If you are an individual who opts for collection in person, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) of corporation, as the case may be, must produce at the time of collection, evidence of authority and identity acceptable to Tricor Investor Services Limited.

If you have opted for collection in person but do not collect your share certificate (if any) and/or refund cheque(s) (if any) within the time specified, it/they will be sent to the address (or in the case of joint applicants, the address of the first-named applicant) on your Application Form by ordinary post and at your own risk on or shortly after the date of despatch.

If you have applied for less than 1,000,000 Public Offer Shares, or if you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form but have not indicated on your Application Form that you intend to collect your share certificate (where applicable) and/or refund cheque (if any) in person, then your share certificate (where applicable) and/or refund cheque, if any, will be sent to the address (or in the case of joint applicants, the address of the first-named applicant) on your Application Form on 11 July 2011 or any other date as notified by us in the newspapers as the date of despatch of share certificate/cheques by ordinary post and at your own risk.

Deposit of share certificates into CCASS

If you apply for the Public Offer Shares using a **YELLOW** Application Form, and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you on 11 July 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- 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 (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account. Our Company expects to publish the application results of CCASS Investor Participants using **YELLOW** Application Form on 11 July 2011 as described in the paragraph headed "Publication of results" above in this section. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on 11 July 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

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If you apply by giving 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 each such instructions is given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on 11 July 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- It is expected to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, information relating to the relevant beneficial owner will be included), your Hong Kong identity card number/passport number or other identification number (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the newspapers on 11 July 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on 11 July 2011 or such other date as shall be 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 cheques (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 (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 11 July 2011. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund to your designated 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 (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on 11 July 2011. No interest will be paid thereon.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. on the Listing Date, dealings in the Shares on the Main Board are expected to commence on 12 July 2011. Shares will be traded in board lots of 2,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong:



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www.bdo.com.hk

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111 Connaught Road Central
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香港干諾道中111號
永安中心25樓

28 June 2011

The Directors
China Print Power Group Limited
Yuanta Securities (Hong Kong) Company Limited
VC Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Print Power Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), for inclusion in the prospectus of the Company dated 28 June 2011 (the "Prospectus") in connection with the dual primary listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board of the Stock Exchange"). The Financial Information, prepared on the basis of preparation set forth in Section II below, comprises the consolidated statements of financial position as at 31 December 2008, 2009 and 2010, the statements of financial position of the Company as at 31 December 2008, 2009 and 2010, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information.

The Company was incorporated in Bermuda on 12 October 2006 as an exempted company with limited liability and its shares have been listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") since 14 May 2007. The principal activity of the Company is investment holding. The Group is principally engaged in the printing business and sale of paper and leather products. All companies comprising the Group have adopted 31 December as their financial year end date.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong private company). The particulars of the subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Power Printing Products Limited	Hong Kong, 16 March 2001	3,000,000 ordinary shares of HK\$1 each	100	–	Printing business and sale of paper and leather products
Carta & Cuoio Company Limited	Hong Kong, 11 October 2000	30,000 ordinary shares of HK\$1 each	100	–	Sale of leather and related stationery products
Power Printing (He Yuan) Co., Ltd (威利印刷(河源)有 限公司)	The People's Republic of China (the "PRC"), 8 December 2004	Registered capital of RMB80,877,285	–	100	Printing business and property holding

Note: Power Printing (He Yuan) Co., Ltd. was established as a wholly-foreign owned enterprise on 8 December 2004. The English translation of the name above is for reference only. Its official name is in Chinese.

The consolidated financial statements of the Company for each of the years ended 31 December 2008 and 2009, prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), were audited by Grant Thornton, Certified Public Accountants in Hong Kong (now known as JBPB & Co.) and we have acted as auditor of the Company for the year ended 31 December 2010.

The statutory financial statements of Power Printing Products Limited and Carta & Cuoio Company Limited were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Their statutory financial statements for each of the two years ended 31 December 2008 and 2009 were audited by Grant Thornton (now known as JBPB & Co.), Certified Public Accountants, Hong Kong and those for the year ended 31 December 2010 were audited by BDO Limited, Certified Public Accountants, Hong Kong in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA.

The statutory financial statements of Power Printing (He Yuan) Co., Ltd were prepared in accordance with the generally accepted accounting principles of the PRC. Its statutory financial statements for the years ended 31 December 2008 and 2010 were audited by Guangdong Dachuan Certified Public Accountants (廣東大川會計師事務所) whilst that for the year ended 31 December 2009 were audited by Guangdong Xiangyu Certified Public Accountants Ltd (廣東翔宇會計師事務所有限公司). We have not acted as its auditors for the Relevant Periods referred to in this report.

No statutory audited financial statements have been prepared for all companies comprising the Group in respect of any period subsequent to 31 December 2010.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements"), in accordance with IFRSs issued by the IASB, based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group.

The Financial Information has been prepared based on the Underlying Financial Statements on the basis set out in note 2.1 of Section II below, for the purpose of preparing this report for inclusion in the Prospectus. The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The directors of the Company are responsible for the preparation of the Financial Information which give a true and fair view and the contents of the Prospectus in which this report is included.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion on the Financial Information, based on our audit, and to report our opinion to you.

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with the International Standards on Auditing and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 2.1 of Section II below, gives a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008, 2009 and 2010 and of the consolidated results and cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION

1. Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 December		
		2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Revenue	6	264,205	212,962	201,677
Cost of sales		<u>(200,640)</u>	<u>(152,058)</u>	<u>(142,233)</u>
Gross profit		63,565	60,904	59,444
Other income	6	549	342	2,912
Selling and distribution costs		(12,946)	(9,996)	(8,800)
Administrative expenses		(25,171)	(22,896)	(24,962)
Other operating expenses		(3,928)	(4,104)	(1,801)
Finance costs	7	<u>(2,217)</u>	<u>(2,613)</u>	<u>(2,051)</u>
Profit before income tax	8	19,852	21,637	24,742
Income tax expense	9	<u>(2,193)</u>	<u>(2,417)</u>	<u>(2,730)</u>
Profit for the year and attributable to owners of the Company	10	<u>17,659</u>	<u>19,220</u>	<u>22,012</u>
Other comprehensive income, including reclassification adjustments				
Available-for-sale investments		(90)	(63)	–
Exchange gain on translation of financial statements of foreign operations		<u>4,652</u>	<u>525</u>	<u>833</u>
Other comprehensive income for the year, including reclassification adjustments and net of tax		<u>4,562</u>	<u>462</u>	<u>833</u>
Total comprehensive income for the year and attributable to owners of the Company		<u>22,221</u>	<u>19,682</u>	<u>22,845</u>
Earnings per share for profit attributable to owners of the Company during the year	12			
– Basic (<i>HK cents</i>)		<u>15.3</u>	<u>16.2</u>	<u>18.0</u>

2. Consolidated Statements of Financial Position

	Notes	As at 31 December		
		2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
ASSETS AND LIABILITIES				
Non-current assets				
Leasehold land and land use rights	14	5,654	5,532	5,474
Property, plant and equipment	15	141,700	128,923	118,294
Available-for-sale investments	16	1,069	–	–
Other non-current assets		875	779	690
		<u>149,298</u>	<u>135,234</u>	<u>124,458</u>
Current assets				
Inventories	18	22,277	17,805	21,319
Trade and other receivables	19	65,887	63,260	71,414
Pledged deposits	20	3,840	1,055	–
Cash and cash equivalents	20	13,203	25,966	28,831
		<u>105,207</u>	<u>108,086</u>	<u>121,564</u>
Current liabilities				
Trade and other payables	21	43,813	24,740	26,130
Bank borrowings, secured	22	41,758	45,501	34,682
Obligations under finance leases	23	23,722	17,063	10,834
Income tax payable		217	1,361	108
		<u>109,510</u>	<u>88,665</u>	<u>71,754</u>
Net current assets/(liabilities)		<u>(4,303)</u>	<u>19,421</u>	<u>49,810</u>
Total assets less current liabilities		<u>144,995</u>	<u>154,655</u>	<u>174,268</u>
Non-current liabilities				
Bank borrowings, secured	22	1,314	–	–
Obligations under finance leases	23	342	36	–
Amounts due to directors	21(c)	6,732	–	–
Deferred tax liabilities	24	4,133	3,936	3,624
		<u>12,521</u>	<u>3,972</u>	<u>3,624</u>
Net assets		<u>132,474</u>	<u>150,683</u>	<u>170,644</u>
EQUITY ATTRIBUTABLE TO COMPANY'S OWNERS				
Share capital	25	63,678	67,215	67,215
Reserves	26	68,796	83,468	103,429
Total equity		<u>132,474</u>	<u>150,683</u>	<u>170,644</u>

3. Statements of Financial Position

	Notes	As at 31 December		
		2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	17	<u>46,078</u>	<u>46,078</u>	<u>46,078</u>
Current assets				
Other receivables	19	28,262	27,318	26,630
Dividend receivables from subsidiary		6,600	9,127	11,444
Cash and cash equivalents	20	<u>—</u>	<u>—</u>	<u>46</u>
		<u>34,862</u>	<u>36,445</u>	<u>38,120</u>
Net assets/Total assets less current liabilities		<u><u>80,940</u></u>	<u><u>82,523</u></u>	<u><u>84,198</u></u>
EQUITY				
Share capital	25	63,678	67,215	67,215
Reserves	26	<u>17,262</u>	<u>15,308</u>	<u>16,983</u>
Total equity		<u><u>80,940</u></u>	<u><u>82,523</u></u>	<u><u>84,198</u></u>

4. Consolidated Statements of Cash Flows

	Year ended 31 December		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities			
Profit before income tax	19,852	21,637	24,742
Adjustments for:			
Amortisation of leasehold land and land use rights	118	122	124
Currency translation adjustment	77	–	–
Depreciation of property, plant and equipment	16,898	14,942	13,588
Gain on disposals of available-for-sale investments	–	(94)	–
(Gain)/Loss on disposals of property, plant and equipment	(272)	–	49
Impairment losses on trade receivables	2,010	2,218	500
Interest income	(105)	(8)	(11)
Interest expenses	2,217	2,613	2,051
Other payables written back	–	–	(573)
Reversal of impairment loss on trade receivables	–	–	(1,040)
	<u>40,795</u>	<u>41,430</u>	<u>39,430</u>
Operating profit before working capital changes	40,795	41,430	39,430
Decrease/(Increase) in inventories	1,762	4,472	(3,509)
Decrease/(Increase) in trade and other receivables	2,508	1,030	(7,481)
(Decrease)/Increase in trade and other payables	<u>(18,582)</u>	<u>(25,805)</u>	<u>1,911</u>
	<u>26,483</u>	<u>21,127</u>	<u>30,351</u>
Cash generated from operations	26,483	21,127	30,351
Income taxes paid	(2,136)	(1,470)	(4,295)
Interest paid	<u>(2,217)</u>	<u>(2,613)</u>	<u>(2,051)</u>
	<u>22,130</u>	<u>17,044</u>	<u>24,005</u>
Net cash from operating activities	22,130	17,044	24,005

	Year ended 31 December		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Cash flows from investing activities			
Interest received	105	8	11
Purchases of property, plant and equipment	(15,068)	(2,174)	(2,350)
Purchases of other non-current assets	(294)	–	–
Proceeds from disposals of available-for-sale investments	–	1,100	–
Proceeds from disposals of property, plant and equipment	710	9	112
	<u>710</u>	<u>9</u>	<u>112</u>
<i>Net cash used in investing activities</i>	<u>(14,547)</u>	<u>(1,057)</u>	<u>(2,227)</u>
Cash flows from financing activities			
Dividends paid	(7,900)	(1,473)	(2,884)
(Increase)/Decrease in pledged deposits	(1,082)	2,785	1,055
Increase/(Decrease) in trust receipt loans and collateralised borrowings	2,930	110	(12,616)
Proceeds from new bank borrowings	–	15,698	15,800
Repayments of bank borrowings	(9,721)	(13,379)	(14,003)
Repayments of obligations under finance leases	(4,064)	(6,965)	(6,265)
	<u>(4,064)</u>	<u>(6,965)</u>	<u>(6,265)</u>
<i>Net cash used in financing activities</i>	<u>(19,837)</u>	<u>(3,224)</u>	<u>(18,913)</u>
Net (decrease)/increase in cash and cash equivalents	(12,254)	12,763	2,865
Cash and cash equivalents at 1 January	<u>25,457</u>	<u>13,203</u>	<u>25,966</u>
Cash and cash equivalents at 31 December	<u><u>13,203</u></u>	<u><u>25,966</u></u>	<u><u>28,831</u></u>

5. Consolidated Statements of Changes in Equity

	Attributable to owners of the Company							
	Share capital HK\$'000 (note 25)	Share premium* HK\$'000 (note 26)	Merger reserve* HK\$'000 (note 26)	Fair value reserve* HK\$'000	Translation reserve* HK\$'000	Proposed final dividend* HK\$'000	Retained profits* HK\$'000	Total equity HK\$'000
Balance at 1 January 2008	63,678	11,789	(43,048)	153	8,050	7,900	69,631	118,153
2007 final dividend approved	-	-	-	-	-	(7,900)	-	(7,900)
Transactions with owners	-	-	-	-	-	(7,900)	-	(7,900)
Profit for the year	-	-	-	-	-	-	17,659	17,659
Other comprehensive income								
– Change in fair value of available-for-sale investments	-	-	-	(90)	-	-	-	(90)
– Exchange gain on translation of financial statements of foreign operations	-	-	-	-	4,652	-	-	4,652
Total comprehensive income for the year	-	-	-	(90)	4,652	-	17,659	22,221
2008 final dividend proposed	-	-	-	-	-	5,300	(5,300)	-
Balance at 31 December 2008 and 1 January 2009	63,678	11,789	(43,048)	63	12,702	5,300	81,990	132,474
2008 final dividend approved	-	-	-	-	-	(5,300)	(98)	(5,398)
Issue of shares as a result of scrip dividend scheme	3,537	388	-	-	-	-	-	3,925
Transactions with owners	3,537	388	-	-	-	(5,300)	(98)	(1,473)

	Attributable to owners of the Company							
	Share capital HK\$'000 (note 25)	Share premium* HK\$'000 (note 26)	Merger reserve* HK\$'000 (note 26)	Fair value reserve* HK\$'000	Translation reserve* HK\$'000	Proposed final dividend* HK\$'000	Retained profits* HK\$'000	Total equity HK\$'000
Profit for the year	-	-	-	-	-	-	19,220	19,220
Other comprehensive income								
– Reclassified to profit or loss on disposals of available-for-sale investments	-	-	-	(63)	-	-	-	(63)
– Exchange gain on translation of financial statements of foreign operations	-	-	-	-	525	-	-	525
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63)</u>	<u>525</u>	<u>-</u>	<u>19,220</u>	<u>19,682</u>
2009 final dividend proposed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,884</u>	<u>(2,884)</u>	<u>-</u>
Balance at 31 December 2009 and 1 January 2010	<u>67,215</u>	<u>12,177</u>	<u>(43,048)</u>	<u>-</u>	<u>13,227</u>	<u>2,884</u>	<u>98,228</u>	<u>150,683</u>
2009 final dividend approved	-	-	-	-	-	(2,884)	-	(2,884)
Transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,884)</u>	<u>-</u>	<u>(2,884)</u>
Profit for the year	-	-	-	-	-	-	22,012	22,012
Other comprehensive income								
– Exchange gain on translation of financial statements of foreign operations	-	-	-	-	833	-	-	833
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>833</u>	<u>-</u>	<u>22,012</u>	<u>22,845</u>
2010 final dividend proposed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,400</u>	<u>(4,400)</u>	<u>-</u>
Balance at 31 December 2010	<u>67,215</u>	<u>12,177</u>	<u>(43,048)</u>	<u>-</u>	<u>14,060</u>	<u>4,400</u>	<u>115,840</u>	<u>170,644</u>

* The total of these reserves accounts amounted to HK\$68,796,000, HK\$83,468,000 and HK\$103,429,000 as at 31 December 2008, 2009 and 2010, respectively.

II. NOTES TO THE FINANCIAL INFORMATION

1. General Information

China Print Power Group Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The principal activity of the Company is investment holding, its subsidiaries are principally engaged in the printing business, sale of paper and leather products. The Company and its subsidiaries are referred to as the "Group" hereinafter. There were no significant changes in the nature of the Group's principal activities during the Relevant Periods and the Group's operations are based in The People's Republic of China, including Hong Kong (the "PRC"). The Company's ultimate parent company is China Print Power Limited, a company incorporated in the British Virgin Islands.

The Financial Information are presented in Hong Kong dollars ("HK\$") which is also the functional currency of the Company and all values are rounded to the nearest thousands ("HK\$'000") except when otherwise indicated.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The Financial Information have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The Financial Information also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The significant accounting policies that have been used in the preparation of the Financial Information are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The Financial Information has been prepared under the historical cost convention except for financial instruments classified as available-for-sale investments, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

2.2 Basis of consolidation

The Financial Information incorporates the financial statements of the Company and its subsidiaries (see 2.3 below) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Financial Information. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Foreign currency translation

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

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.5 Property, plant and equipment

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

Depreciation is provided to write off the cost less their estimated residual values over their estimated useful lives, using reducing balance method, at the following rates per annum:

Buildings	3- $\frac{1}{3}$ %
Plant and machinery	15%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

The asset's estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

Assets held under finance leases (see note 2.12) are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

2.6 Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease are stated at cost less accumulated amortisation and any impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.12. Amortisation is calculated on straight-line method over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.7 Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Derecognition of financial assets occurs when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These (including trade and other receivables, dividend receivables from subsidiary, pledged deposits and cash and cash equivalents) are recognised initially at fair value, plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the fair value reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss.

At each reporting date, loans and receivables and available-for-sale financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

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

Impairment losses are written off against the receivables directly except where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on the asset previously recognised in profit or loss.

Reversals in respect of investment in equity instrument classified as available-for-sale and stated at fair value are not recognised in profit or loss. Subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in first-out method, and in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

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

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and form an integral part of the Group's cash management.

2.10 Financial liabilities

The Group's financial liabilities included finance lease liabilities, borrowings and trade and other payables. These are included in line items in the statements of financial position as obligations under finance leases and bank borrowings under current or non-current liabilities, amounts due to directors and trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.18).

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

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.12).

Borrowings

Borrowings include term loans, trust receipt loans and collateralised borrowings. These are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Trade and other payables

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

2.11 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2.13 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.12 Leases

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

(i) *Classification of assets leased to the Group*

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

(ii) *Assets acquired under finance leases*

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

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

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

(iii) *Operating lease charges as the lessee*

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

2.13 *Provision and contingent liabilities*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligations.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of the Group's assets yielding interest, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods; and
- interest income is recognised on a time-proportion basis using effective interest method.

2.16 Impairment of non-financial assets

Property, plant and equipment, leasehold land and land use rights; and the Company's interests in subsidiaries are subject to impairment testing. All assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

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

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

2.17 Retirement benefit and short-term employee benefits

Retirement benefits

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and the PRC, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the scheme.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of the employees' relevant income and there are no other further obligations to the Group.

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. Contributions are made based on 5% of the employee's basic salaries, with a cap of monthly salaries of HK\$20,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contribution vested fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.18 Borrowings cost

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

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

2.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 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 resource allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The Group has identified the following reportable segments:

- book products – provision of full suite of services from pre-printing to printing to finishing/binding services; and
- specialised products – production of custom-made and value-added printing and leather products.

Each of these operating segments is managed separately as each of the product lines requires different resources as well as marketing approaches. The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs except for finance costs, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude tax and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include taxable payable, deferred tax liabilities and corporate borrowings.

No asymmetrical allocations have been applied to reportable segments.

2.21 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly, or indirectly through one or more intermediaries, to controls the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expect to influence, or be influenced by, that individual in their dealings with the entity.

3. Adoption of New or Amended IFRSs

The Group have not early adopted any new and amended IFRSs that have been issued but are not yet effective during the Relevant Periods.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended IFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 9 Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors of the Company are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities. The changes resulting from the amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in the credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value changes in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other requirements under IAS 39 in respect of liabilities are carried forward into IFRS 9.

4. Critical Accounting Estimates and Judgements

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

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

(i) *Estimated impairment of loans and receivables*

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The Group's policy for the impairment of loans and receivables is based on the evaluation of collectability and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstanding, including the current creditworthiness or the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment will be required.

(ii) *Net realisable value of inventories*

Inventory is valued at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. The Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

(iii) *Depreciation of property, plant and equipment*

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using reducing balance method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

5. Segment Reporting

The executive directors have identified the Group's two product lines as operating segments as described in note 2.20.

Segment revenue below represents revenue from external customers. There were no inter-segment sales during the Relevant Periods.

	Segment revenue			Segment profit		
	2008	2009	2010	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Book products	153,225	147,332	110,861	27,873	43,256	33,663
Specialised products	110,980	65,630	90,816	33,453	17,648	25,781
Segment total	<u>264,205</u>	<u>212,962</u>	<u>201,677</u>	<u>61,326</u>	<u>60,904</u>	<u>59,444</u>

	Segment assets			Segment liabilities		
	2008	2009	2010	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Book products	140,963	123,548	121,494	9,116	8,607	13,490
Specialised products	20,462	20,855	23,596	11,881	8,669	4,763
Segment total	<u>161,425</u>	<u>144,403</u>	<u>145,090</u>	<u>20,997</u>	<u>17,276</u>	<u>18,253</u>

	Depreciation and amortisation			Additions to non-current assets		
	2008	2009	2010	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Book products	8,526	8,408	8,767	31,022	1,671	499
Specialised products	1,138	2,751	1,071	2,121	22	62
Segment total	<u>9,664</u>	<u>11,159</u>	<u>9,838</u>	<u>33,143</u>	<u>1,693</u>	<u>561</u>

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Financial Information as follows:

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment profit	61,326	60,904	59,444
Unallocated corporate income	549	342	2,912
Unallocated corporate expenses	(39,806)	(36,996)	(35,563)
Finance costs	(2,217)	(2,613)	(2,051)
	<u>19,852</u>	<u>21,637</u>	<u>24,742</u>
Profit before income tax	<u>19,852</u>	<u>21,637</u>	<u>24,742</u>
Reportable segment assets	161,425	144,403	145,090
Leasehold land and land use rights	5,654	5,532	5,474
Pledged deposits	3,840	1,055	–
Cash and cash equivalents	13,203	25,966	28,831
Other corporate assets	70,383	66,364	66,627
	<u>254,505</u>	<u>243,320</u>	<u>246,022</u>
Group assets	<u>254,505</u>	<u>243,320</u>	<u>246,022</u>
Reportable segment liabilities	20,997	17,276	18,253
Bank borrowings	43,072	45,501	34,682
Obligations under finance leases	24,064	17,099	10,834
Tax payables	217	1,361	108
Amounts due to directors	6,732	–	–
Deferred tax liabilities	4,133	3,936	3,624
Other corporate liabilities	22,816	7,464	7,877
	<u>122,031</u>	<u>92,637</u>	<u>75,378</u>
Group liabilities	<u>122,031</u>	<u>92,637</u>	<u>75,378</u>

Geographical location of customers is based on the location at which the customers reside. The Group's revenue from external customers is divided into the following geographical areas:

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC, including Hong Kong	135,541	104,647	119,648
United Kingdom	48,112	45,551	30,961
United States	48,267	39,922	31,582
Germany	15,263	11,091	10,889
Others	17,022	11,751	8,597
	<u>264,205</u>	<u>212,962</u>	<u>201,677</u>
	<u>264,205</u>	<u>212,962</u>	<u>201,677</u>

During the Relevant Periods, there was no revenue from external customers attributed to Bermuda (domicile) and no non-current assets were located in Bermuda. The country of domicile is the country where the Company was incorporated for the purpose of the disclosures as required by IFRS 8 "Operating Segments".

Geographical location of the non-current assets is based on the physical location of the asset. All of the Group's non-current assets are located in the PRC.

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues. During each of the years ended 31 December 2008, 2009 and 2010, revenue derived from these customers, including sales to entities which are known to the Group to be under common control, are as follows:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Customer A*	n/a	33,662	36,425
Customer B*	31,736	n/a	25,406

* Attributable to books and specialised products segments

6. Revenue and Other Income

Revenue, which is also the Group's turnover, represented the invoiced value of goods sold, after allowance for returns and trade discounts, and elimination of all significant inter-company transactions.

An analysis of the Group's revenue and other income is as follows:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue			
Sales of goods	264,205	212,962	201,677
Other income			
Gain on disposals of property, plant and equipment	272	–	–
Interest income on financial assets stated at amortised cost	105	8	11
Net foreign exchange gain	–	11	–
Other payables written back	–	–	573
Reversal of impairment losses on trade receivables	–	–	1,040
Sundry income	172	323	1,288
	<u>549</u>	<u>342</u>	<u>2,912</u>

7. Finance Costs

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest charges on:			
Bank borrowings wholly repayable within five years	1,240	1,398	1,298
Finance charges on obligations under finance lease	<u>977</u>	<u>1,215</u>	<u>753</u>
Total finance costs	<u><u>2,217</u></u>	<u><u>2,613</u></u>	<u><u>2,051</u></u>

8. Profit Before Income Tax

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before income tax is arrived at after charging/(crediting):			
Auditor's remuneration			
– Current year	350	355	388
– Over-provision in respect of prior years	<u>(70)</u>	<u>–</u>	<u>–</u>
	<u>280</u>	<u>355</u>	<u>388</u>
Amortisation of leasehold land and land use rights	118	122	124
Cost of inventories recognised as expense*	200,640	152,058	142,233
Depreciation of property, plant and equipment*			
– Owned assets	11,654	11,148	10,745
– Leased assets	<u>5,244</u>	<u>3,794</u>	<u>2,843</u>
	<u>16,898</u>	<u>14,942</u>	<u>13,588</u>
Employee benefit expense* (including directors' emoluments)			
– Salaries and allowances	46,682	40,503	41,549
– Contribution to defined contribution plans	<u>2,106</u>	<u>1,553</u>	<u>1,042</u>
	<u>48,788</u>	<u>42,056</u>	<u>42,591</u>

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Impairment losses on trade receivables	2,010	2,218	500
Net foreign exchange loss/(gain)	1,943	(11)	449
Net (gain)/loss on disposal of property, plant and equipment	(272)	–	49
Operating lease charges on			
– premises	606	444	452
– motor vehicles	336	336	336
	<u>942</u>	<u>780</u>	<u>788</u>

* Included in cost of inventories for the years ended 31 December 2008, 2009 and 2010 are depreciation and employee benefit expense of HK\$48,571,000, HK\$41,423,000 and HK\$41,949,000, which have also been included in the respective total amounts as disclosed above

9. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising for each of the year during the Relevant Periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the years at the rates of taxation prevailing in the countries in which the Group operates.

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current tax – Hong Kong profits tax			
Current year	1,671	2,614	3,364
Under/(Over)-provision in respect of prior years	266	–	(322)
	<u>1,937</u>	<u>2,614</u>	<u>3,042</u>
Deferred tax			
Origination and reversal of temporary differences	256	(197)	(312)
Total income tax expense	<u>2,193</u>	<u>2,417</u>	<u>2,730</u>

Reconciliation between the income tax expense and accounting profit at applicable tax rates:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before income tax	<u>19,852</u>	<u>21,637</u>	<u>24,742</u>
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	3,276	3,021	3,427
Tax effect of non-deductible expenses	1,454	1,804	2,095
Tax effect of non-taxable revenue	(26)	(43)	(61)
Tax effect of 50% non-taxable manufacturing profits*	(2,423)	(2,365)	(2,409)
Under/(Over)-provision in respect of prior years	266	–	(322)
Other difference	<u>(354)</u>	<u>–</u>	<u>–</u>
Income tax expense	<u><u>2,193</u></u>	<u><u>2,417</u></u>	<u><u>2,730</u></u>

* Pursuant to the Departmental Interpretation and Practice Note No. 21 issued by the Hong Kong Inland Revenue Department, Power Printing Products Limited, a wholly-owned subsidiary of the Company, having manufacturing facilities in the PRC are entitled to deduct 50% of its estimated assessable profits for Hong Kong tax reporting purposes and thus 50% of the estimated assessable profits for the Relevant Periods are subject to Hong Kong profits tax. Power Printing Products Limited has been submitting its tax return based on the above income tax treatment since it made assessable profits. So far, the Hong Kong Inland Revenue Department did not raise any objections to these tax returns.

10. Profit Attributable to the Owners of the Company

The consolidated profit attributable to the owners of the Company includes a profit of HK\$5,269,000, HK\$3,056,000 and HK\$4,559,000 for each of the three years ended 31 December 2008, 2009 and 2010, respectively, which have been dealt with in the financial statements of the Company.

11. Dividends

(a) Dividends attributable to the year

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Proposed final dividend, per ordinary shares			
– HK4.58 cents	5,300	–	–
– HK2.36 cents	–	2,884	–
– HK3.60 cents	–	–	4,400
Adjustment to final dividend	<u>–</u>	<u>98</u>	<u>–</u>
	<u><u>5,300</u></u>	<u><u>2,982</u></u>	<u><u>4,400</u></u>

Final dividends proposed in each of the years ended are not recognised as a liability at the respective reporting dates, but reflected as an appropriation of retained profits for each of the year during the Relevant Periods.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend, per ordinary share in respect of the previous financial year:			
– HK6.82 cents	7,900	–	–
– HK4.58 cents	–	5,398	–
– HK2.36 cents	–	–	2,884
	<u> </u>	<u> </u>	<u> </u>

12. Earnings Per Share

The calculation of the basic earnings per share is based on the followings:

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings			
Profit attributable to owners of the Company	<u>17,659</u>	<u>19,220</u>	<u>22,012</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Number of shares			
Weighted average number of ordinary shares in issue	<u>115,778</u>	<u>118,879</u>	<u>122,209</u>

Diluted earnings per share for the years ended 31 December 2008, 2009 and 2010 are not presented as there is no dilutive potential ordinary share.

13. Directors' Remuneration and Five Highest Paid Individuals

No emoluments were paid by the Group to any of the following directors and the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office or are there any arrangement under which a director waived or agree to waive any remuneration during the Relevant Periods.

(a) Directors' emoluments

	Fee	Salaries and allowances	Retirement scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended				
31 December 2008				
Executive directors				
Sze Chun Lee	–	915	12	927
Chan Wai Ming	–	780	12	792
Kwan Wing Hang	–	560	12	572
Lam Shek Kin	–	600	12	612
Independent non-executive directors				
Lim Siang Kai	262	–	–	262
Leong Ka Yew	164	–	–	164
Wee Piew	191	–	–	191
	<u>617</u>	<u>2,855</u>	<u>48</u>	<u>3,520</u>

	Fee <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2009				
Executive directors				
Sze Chun Lee	–	854	12	866
Chan Wai Ming	–	728	12	740
Kwan Wing Hang	–	560	12	572
Lam Shek Kin	–	560	12	572
Independent non-executive directors				
Lim Siang Kai	261	–	–	261
Leong Ka Yew	164	–	–	164
Wee Piew	191	–	–	191
	<u>616</u>	<u>2,702</u>	<u>48</u>	<u>3,366</u>
Year ended 31 December 2010				
Executive directors				
Sze Chun Lee	–	1,000	12	1,012
Chan Wai Ming	–	853	12	865
Kwan Wing Hang	–	656	12	668
Lam Shek Kin	–	656	12	668
Independent non-executive directors				
Lim Siang Kai	274	–	–	274
Leong Ka Yew	167	–	–	167
Wee Piew	195	–	–	195
	<u>636</u>	<u>3,165</u>	<u>48</u>	<u>3,849</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Period included four directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individual, during the Relevant Periods are as follows:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Salaries and other emoluments	588	661	668
Retirement scheme contributions	<u>12</u>	<u>12</u>	<u>12</u>
	<u>600</u>	<u>673</u>	<u>680</u>

14. Leasehold Land and Land Use Rights – Group

The Group's interests in leasehold land and land use rights, which are located in the PRC and held on leases of between 10 and 50 years, represent prepaid operating lease payments.

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
At 1 January			
Cost	5,727	6,123	6,123
Accumulated amortisation	<u>(319)</u>	<u>(469)</u>	<u>(591)</u>
Net carrying amount	<u>5,408</u>	<u>5,654</u>	<u>5,532</u>
Year ended 31 December			
Opening net carrying amount	5,408	5,654	5,532
Exchange differences	364	–	66
Amortisation	<u>(118)</u>	<u>(122)</u>	<u>(124)</u>
Closing net carrying amount	<u>5,654</u>	<u>5,532</u>	<u>5,474</u>
At 31 December			
Cost	6,123	6,123	6,197
Accumulated amortisation	<u>(469)</u>	<u>(591)</u>	<u>(723)</u>
Net carrying amount	<u>5,654</u>	<u>5,532</u>	<u>5,474</u>

15. Property, Plant and Equipment – Group

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008					
Cost	60,898	90,872	8,149	905	160,824
Accumulated depreciation	(3,499)	(34,715)	(3,586)	(467)	(42,267)
Net book amount	<u>57,399</u>	<u>56,157</u>	<u>4,563</u>	<u>438</u>	<u>118,557</u>
Year ended					
31 December 2008					
Opening net book amount	57,399	56,157	4,563	438	118,557
Additions	1,546	33,190	1,532	–	36,268
Disposals	–	(438)	–	–	(438)
Depreciation	(2,148)	(13,393)	(1,225)	(132)	(16,898)
Exchange differences	3,893	255	57	6	4,211
Closing net book amount	<u>60,690</u>	<u>75,771</u>	<u>4,927</u>	<u>312</u>	<u>141,700</u>
At 31 December 2008					
Cost	66,650	123,495	9,766	926	200,837
Accumulated depreciation	(5,960)	(47,724)	(4,839)	(614)	(59,137)
Net book amount	<u>60,690</u>	<u>75,771</u>	<u>4,927</u>	<u>312</u>	<u>141,700</u>
Year ended					
31 December 2009					
Opening net book amount	60,690	75,771	4,927	312	141,700
Additions	227	1,693	254	–	2,174
Disposals	–	–	(9)	–	(9)
Depreciation	(2,224)	(11,596)	(1,026)	(96)	(14,942)
Closing net book amount	<u>58,693</u>	<u>65,868</u>	<u>4,146</u>	<u>216</u>	<u>128,923</u>
At 31 December 2009					
Cost	66,877	125,188	10,011	926	203,002
Accumulated depreciation	(8,184)	(59,320)	(5,865)	(710)	(74,079)
Net book amount	<u>58,693</u>	<u>65,868</u>	<u>4,146</u>	<u>216</u>	<u>128,923</u>

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended					
31 December 2010					
Opening net book amount	58,693	65,868	4,146	216	128,923
Additions	209	561	923	657	2,350
Disposals	–	–	–	(161)	(161)
Depreciation	(2,261)	(10,026)	(1,034)	(267)	(13,588)
Exchange differences	704	56	9	1	770
	<u>57,345</u>	<u>56,459</u>	<u>4,044</u>	<u>446</u>	<u>118,294</u>
Closing net book amount	<u>57,345</u>	<u>56,459</u>	<u>4,044</u>	<u>446</u>	<u>118,294</u>
At 31 December 2010					
Cost	67,889	125,834	10,953	705	205,381
Accumulated depreciation	(10,544)	(69,375)	(6,909)	(259)	(87,087)
	<u>57,345</u>	<u>56,459</u>	<u>4,044</u>	<u>446</u>	<u>118,294</u>
Net book amount	<u>57,345</u>	<u>56,459</u>	<u>4,044</u>	<u>446</u>	<u>118,294</u>

The Group's buildings are erected on the land located in the PRC with lease term between 10 and 50 years. During the Relevant Periods, the Group was in the process of applying for the building certificates for its buildings with net carrying amounts of HK\$3,486,000, HK\$3,365,000 and HK\$3,283,000 as at 31 December 2008, 2009 and 2010, respectively, and the relevant title certificates have been obtained subsequent to 31 December 2010.

16. Available-for-sale Investments – Group

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Unit trust funds, unlisted and at fair value	<u>1,069</u>	<u>–</u>	<u>–</u>

The unit trust funds were disposed in 2009 and a gain of HK\$94,000 was recognised in profit or loss for that year.

17. Interests in Subsidiaries – Company

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Unlisted shares, at cost	<u>46,078</u>	<u>46,078</u>	<u>46,078</u>

18. Inventories – Group

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	18,048	12,236	13,210
Work-in-progress	3,175	2,542	3,989
Finished goods	1,054	3,027	4,120
	<u>22,277</u>	<u>17,805</u>	<u>21,319</u>

19. Trade and Other Receivables

	<i>Notes</i>	Group			Company		
		2008	2009	2010	2008	2009	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		66,908	66,222	72,077	–	–	–
Less: Provision for impairment loss	<i>(b)</i>	<u>(2,083)</u>	<u>(4,236)</u>	<u>(3,696)</u>	–	–	–
Trade receivables – net	<i>(c), (e)</i>	64,825	61,986	68,381	–	–	–
Deposits, prepayments and other receivables		1,062	1,274	3,033	–	–	–
Amounts due from a subsidiary	<i>(f)</i>	<u>–</u>	<u>–</u>	<u>–</u>	<u>28,262</u>	<u>27,318</u>	<u>26,630</u>
		<u>65,887</u>	<u>63,260</u>	<u>71,414</u>	<u>28,262</u>	<u>27,318</u>	<u>26,630</u>

Notes:

- (a) The directors of the Company consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

- (b) Movements in the Group's provision for impairment of trade receivables are as follows:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
At 1 January	73	2,083	4,236
Impairment loss recognised	2,010	2,218	500
Impairment loss reversed	–	–	(1,040)
Amount written off as uncollectible	–	(65)	–
	<u>–</u>	<u>(65)</u>	<u>–</u>
At 31 December	<u>2,083</u>	<u>4,236</u>	<u>3,696</u>

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. At 31 December 2008, 2009 and 2010, the Group determined trade receivables of HK\$2,083,000 HK\$4,236,000 and HK\$5,200,000 as individually impaired. Based on these assessments, impairment losses of HK\$2,010,000 HK\$2,218,000 and HK\$500,000 are recognised for the years ended 31 December 2008, 2009 and 2010, respectively. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments or have been past due for more than one year and have not responded to repayment demands.

The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

- (c) The Group generally allows a credit period of 30 days to 120 days to its trade customers. Before accepting any new customers, the Group performs credit check to assess the potential customer's credit quality and defines credit limits by customers. Based on the invoice dates, ageing analysis of trade receivables (net of provision for impairment) was as follows:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 – 90 days	36,820	37,079	43,936
91 – 120 days	16,080	14,028	11,698
121 – 180 days	6,103	5,701	7,246
181 – 365 days	4,235	1,451	2,496
Over 365 days	1,587	3,727	3,005
	<u>64,825</u>	<u>61,986</u>	<u>68,381</u>

- (d) Ageing analysis of trade receivables that were not impaired, based on due date is as follows:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Neither past due nor impaired	41,045	40,176	41,062
0 – 90 days past due	18,569	15,665	20,537
91 – 180 days past due	3,156	1,234	2,037
181 – 365 days past due	1,430	1,184	2,250
Over 365 days past due	625	3,727	991
	<u>64,825</u>	<u>61,986</u>	<u>66,877</u>

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral over these balances.

- (e) Included in the trade receivables as at 31 December 2010 are interest-free and unsecured amounts of HK\$772,000 and HK\$1,901,000 due from two related companies. Certain directors of the Company have equity interest in one of the company while a member of key management personnel of the Company has significant influence in the other company. The amounts due from these two related companies are either repayable on demand or have a credit period of 60 days.
- (f) Amounts due from a subsidiary are unsecured, interest-free and repayable on demand.
- (g) During the Relevant Periods, the Group assigned to certain banks the rights to receive cash from its trade receivables. In case the Group defaulted in the bank loan repayments, the banks had the rights to collect the outstanding due from these trade receivables. As the Group retains substantially all the risks and rewards of ownerships of these receivables, the Group continues to recognise the whole carrying amounts of the receivables and accounted for the rights to receive the outstanding on assignment as a security of the borrowings (note 22). As at 31 December 2008, 2009 and 2010, the carrying amounts of trade receivables were HK\$5,891,000, HK\$8,074,000 and HK\$4,930,000, whilst the associated borrowings were HK\$1,306,000, HK\$4,464,000 and HK\$2,500,000, respectively.

20. Pledged Deposits and Cash and Cash Equivalents

	Group			Company		
	2008	2009	2010	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and in hand	13,203	25,430	28,295	–	–	46
Short-term bank deposits	3,840	1,591	536	–	–	–
	17,043	27,021	28,831	–	–	46
Less: Pledged deposits	(3,840)	(1,055)	–	–	–	–
Cash and cash equivalents	<u>13,203</u>	<u>25,966</u>	<u>28,831</u>	<u>–</u>	<u>–</u>	<u>46</u>

Short-term bank deposits earn interest at 0.15% to 1.10%, 0.01% to 0.20% and 0.20% per annum as at 31 December 2008, 2009 and 2010 and have a maturity of 30 or 60 days.

The directors of the Company consider that the fair value of the short-term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

The Group did not have any pledged time deposit as at 31 December 2010. Pledged time deposits as at 31 December 2008 and 2009 earned interest at 0.15% to 1.10% and 0.01% per annum respectively and had a maturity of 30 or 60 days. These deposits were pledged as securities to the bank borrowings (note 31).

Included in bank and cash balances of the Group as at 31 December 2008, 2009 and 2010 are bank balances of HK\$1,351,000, HK\$1,559,000 and HK\$4,626,000 denominated in Renminbi ("RMB") which are placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

The Company did not have any cash or deposits denominated in RMB as at 31 December 2008, 2009 and 2010.

21. Trade and Other Payables – Group

	Notes	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
Trade payables	(a)	21,620	16,101	17,770
Accrued charges and other creditors	(b)	19,803	8,015	7,661
Trade deposits received		890	624	699
Amounts due to directors	(c)	8,232	–	–
		50,545	24,740	26,130
Less: Non-current portion of amounts due to directors	(c)	(6,732)	–	–
Current portion		43,813	24,740	26,130

Notes:

- (a) The Group was granted by its suppliers' credit periods ranging from 30 to 90 days. Based on the invoice dates, ageing analysis of trade payables were as follows:

	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000
0 – 90 days	10,737	10,391	12,497
91 – 180 days	8,418	4,470	3,257
181 – 365 days	1,307	92	1,030
Over 365 days	1,158	1,148	986
	21,620	16,101	17,770

- (b) The balances as at 31 December 2008, 2009 and 2010 include accrued salaries and allowances payable to certain directors of the Company, amounting to HK\$727,000, HK\$625,000 and HK\$627,000, respectively.
- (c) Amounts due to directors represent advances from certain directors of the Company who are also the Company's shareholders. These amounts were unsecured, interest-free and were fully repaid in 2009.

22. Bank Borrowings, Secured – Group

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Collateralised borrowings	1,306	4,464	2,500
Trust receipt loans	23,138	20,090	9,438
Term loans	18,628	20,947	22,744
	<u>43,072</u>	<u>45,501</u>	<u>34,682</u>
	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Total bank borrowings	43,072	45,501	34,682
Less: Current portion			
– Amounts due within one year	(33,051)	(36,054)	(23,259)
– Amounts repayable after one year but contain a repayable on demand clause	(8,707)	(9,447)	(11,423)
	<u>(41,758)</u>	<u>(45,501)</u>	<u>(34,682)</u>
Non-current portion	<u>1,314</u>	<u>–</u>	<u>–</u>

Certain of the Group's bank loan agreements contain clauses which give the banks the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. None of the amounts due for repayment after one year containing a repayment on demand clause that is classified as a current liability is expected to be settled within one year.

Based on the schedule repayment dates set out in the loan agreements, the Group's bank borrowings were repayable as follows:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within one year	33,051	36,054	23,259
In the second year	6,816	7,922	4,325
In the third to fifth year	3,205	1,525	7,098
	<u>43,072</u>	<u>45,501</u>	<u>34,682</u>

Collateralised borrowings and trust receipt loans are interest-bearing at floating rates. The effective interest rates for each of the three years ended 31 December 2008, 2009 and 2010 are 4.21%, 4.81% and 3.43%, respectively.

Term loans bear interest at fixed or floating rates ranging from 3.125% to 5.25%, 2.31% to 5.75%, and 2.08% to 5.75% per annum for each of the three years ended 31 December 2008, 2009 and 2010, respectively.

The Group's bank borrowings are secured by:

- (i) the pledge of certain property, plant and equipment (note 31);
- (ii) a charge over certain of the Group's trade receivables (note 31);
- (iii) the pledge of bank deposits (notes 20 and 31);
- (iv) letters of undertaking issued by subsidiaries, namely Power Printing Products Limited, Carta & Cuoio Company Limited and Power Printing (He Yuan) Co., Ltd (note 29); and
- (v) corporate guarantee issued by the Company (note 29).

23. Obligations Under Finance Leases – Group

	Present value of minimum lease payments			Minimum lease payments		
	2008	2009	2010	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within 1 year or repayable on demand	23,722	17,063	10,834	23,767	17,080	10,834
Due in the 2nd to 5th years inclusive	342	36	–	362	39	–
	24,064	17,099	10,834	24,129	17,119	10,834
Future finance charges	–	–	–	(65)	(20)	–
Present value	24,064	17,099	10,834	24,064	17,099	10,834
Less: Portion due within 1 year or repayable on demand included under current liabilities	(23,722)	(17,063)	(10,834)			
Portion due after 1 year included under non-current liabilities	342	36	–			

Certain of the Group's finance lease arrangements contain clauses which give the lessors the rights at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. None of the amounts due for repayment after one year containing a repayment on demand clause that is classified as a current liability is expected to be settled within one year.

Based on the schedule repayment dates set out in the agreements, the Group's obligations under finance leases were repayable as follows:

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	6,921	6,228	5,593
In the second year	6,258	5,630	5,241
In the third to fifth year	10,885	5,241	—
	<u>24,064</u>	<u>17,099</u>	<u>10,834</u>

The Group has entered into finance leases for items of plant and machinery with lease periods of 2 to 5 years. The Group has the option to purchase these leased assets at a price that is expected to be lower than the fair value of the leased asset at the end of the lease. None of the leases include contingent rentals. Finance leases as at 31 December 2008, 2009 and 2010 bear interests at fixed and floating rates ranging from 3.25% to 6.75%, 3.25% to 8.74% and 3.25% to 8.74% per annum, respectively.

Finance lease liabilities are secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default in repayment by the Group.

24. Deferred Tax Liabilities – Group

Deferred tax liabilities represent accelerated tax depreciation allowances in respect of property, plant and equipment. Movements in deferred tax liabilities during the Relevant Periods are as follows:

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	3,877	4,133	3,936
Recognised in profit or loss	256	(197)	(312)
At 31 December	<u>4,133</u>	<u>3,936</u>	<u>3,624</u>

25. Share Capital

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised		
Ordinary shares of HK\$0.55 each		
As at 1 January 2008, 31 December 2008, 31 December 2009 and 31 December 2010	<u>909,090,909</u>	<u>500,000</u>
Issued and fully paid		
At 1 January 2008, 31 December 2008 and 1 January 2009	115,777,533	63,678
Issue of shares as a result of scrip dividend scheme (<i>note</i>)	<u>6,431,840</u>	<u>3,537</u>
At 31 December 2009, 1 January 2010 and 31 December 2010	<u>122,209,373</u>	<u>67,215</u>

Note: On 9 July 2009, the Company issued and allotted 6,431,840 ordinary shares of HK\$0.55 each at approximately HK\$0.61 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2008 final dividend pursuant to the scrip dividend scheme announced by the Company in April 2009. An amount of HK\$388,000 in excess of par value was credited to the share premium in 2009. All shares issued rank *pari passu* with the existing shares of the Company in all respects.

26. Reserves – Group and Company***Share premium***

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be distributed in the form of fully paid bonus shares.

Merger reserve

This arose from the restructuring exercise and represents the difference between the nominal value of the Company's shares issued in exchange for the then consolidated net assets of the subsidiaries acquired as at 26 March 2007.

Company

	Share premium HK\$'000	Proposed final dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2008	11,789	7,900	204	19,893
2007 final dividend approved	–	(7,900)	–	(7,900)
Transactions with owners	–	(7,900)	–	(7,900)
Profit for the year	–	–	5,269	5,269
Total comprehensive income for the year	–	–	5,269	5,269
2008 final dividend proposed	–	5,300	(5,300)	–
Balance at 31 December 2008 and 1 January 2009	11,789	5,300	173	17,262
2008 final dividend approved	–	(5,300)	(98)	(5,398)
Issue of shares as a result of scrip dividend scheme	388	–	–	388
Transactions with owners	388	(5,300)	(98)	(5,010)
Profit for the year	–	–	3,056	3,056
Total comprehensive income for the year	–	–	3,056	3,056
2009 final dividend proposed	–	2,884	(2,884)	–
Balance at 31 December 2009 and 1 January 2010	12,177	2,884	247	15,308
2009 final dividend approved	–	(2,884)	–	(2,884)
Transactions with owners	–	(2,884)	–	(2,884)
Profit for the year	–	–	4,559	4,559
Total comprehensive income for the year	–	–	4,559	4,559
2010 final dividend proposed	–	4,400	(4,400)	–
Balance at 31 December 2010	12,177	4,400	406	16,983

27. Commitments

*Capital commitments***Group**

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Contracted but not provided for in respect of:			
– property, plant and equipment	3	64	668
– intangible assets	675	675	270
	<u>678</u>	<u>739</u>	<u>938</u>

Company

At the reporting dates, the Company did not have any significant capital commitments.

*Operating lease commitments***Group**

At the reporting date, the total future minimum lease payments payable by the Group in respect of land and buildings under non-cancellable operating leases are as follows:

	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Within one year	384	224	396
In the second to fifth year inclusive	224	–	231
	<u>608</u>	<u>224</u>	<u>627</u>

The Group leases its office premises under an operating lease. The lease runs for an initial period of two years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the landlord. The lease does not include contingent rentals.

Company

At the reporting dates, the Company did not have any significant operating lease commitments.

28. Related Party Transactions

In addition to the transactions or information disclosed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Key management personnel			
Short-term employee benefits	5,409	4,285	4,860
Post employment benefits	96	72	72
	<u>5,505</u>	<u>4,357</u>	<u>4,932</u>
A company in which certain directors of the Company have equity interest			
Rental expenses	336	336	336
Sales of goods	–	–	912
	<u>–</u>	<u>–</u>	<u>912</u>
A company in which a member of key management personnel of the Company have significant influence			
Sales of goods	–	–	4,674
	<u>–</u>	<u>–</u>	<u>4,674</u>

29. Financial Guarantee Contracts – Company

As at 31 December 2008, 2009 and 2010, the Company and certain of its subsidiaries have executed guarantees amounting to approximately HK\$190,968,000, HK\$242,266,000 and HK\$237,532,000 respectively, in connection with the banking facilities granted to certain subsidiaries, of which HK\$57,911,000, HK\$60,992,000 and HK\$45,516,000 were utilised as at respective dates. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the borrowings from the subsidiaries. Accordingly, the outstanding balances of the Group's bank borrowings at the reporting dates represent the Company's maximum exposure under the financial guarantee contract. No provision for the Company's obligation under the guarantee contracts has been made as the directors of the Company consider it is not probable that the repayment of the borrowings would be in default.

30. Note to the Consolidated Statements of Cash Flows***Major non-cash transactions***

- (a) In 2008, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$21,781,000. No new finance lease arrangement was entered into in 2009 and 2010.
- (b) In 2009, HK\$3,925,000 of the 2008 final dividend, amounting to HK\$5,398,000, was settled in form of shares in the Company pursuant to the scrip dividend scheme as announced by the Company in April 2009.

31. Pledge of Assets

Assets with the following carrying amounts have been pledged to secure bank borrowings utilised by the Group:

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	7,896	8,236	5,387
Trade receivables	5,891	8,074	4,930
Available-for-sale investments	1,069	–	–
Pledged deposits	3,840	1,055	–
	<u>18,696</u>	<u>17,365</u>	<u>10,317</u>

In addition to the above, the Group's obligations under finance leases (notes 15 and 23) are secured by plant and machinery with carrying amounts of HK\$29,716,000, HK\$21,499,000 and HK\$16,109,000 and other non-current assets with carrying amounts of HK\$875,000, HK\$779,000 and HK\$Nil as at 31 December 2008, 2009 and 2010, respectively.

In addition, certain of the Group's property, plant and equipment with net carrying amount of HK\$57,204,000, HK\$55,328,000 and HK\$54,062,000 as at 31 December 2008, 2009 and 2010, respectively have been pledged as securities. Similarly, leasehold land and land use rights with net carrying amount of HK\$5,654,000, HK\$5,532,000 and HK\$5,474,000 as at 31 December 2008, 2009 and 2010, respectively have been pledged as securities. These assets are pledged for the banking facilities granted, which are not utilised by the Group at the respective reporting dates.

32. Capital Management

The Group's capital management objectives are to ensure the Group's ability to continue to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to capital ratio. For this purpose, net debt is defined as borrowings less pledged deposits and cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statements of financial position, plus net debt. The Group's goal in capital management is to maintain the ratio of not more than 50%. In order to maintain the ratio, Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise net debt financing or sell assets to reduce debt.

Net debt to total capital ratio at the reporting date was:

	2008	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings	43,072	45,501	34,682
Obligations under finance leases	24,064	17,099	10,834
Amounts due to directors	6,732	–	–
	<u>73,868</u>	<u>62,600</u>	<u>45,516</u>
Total borrowings	73,868	62,600	45,516
Less: Pledged deposits	(3,840)	(1,055)	–
Less: Cash and cash equivalents	(13,203)	(25,966)	(28,831)
	<u>56,825</u>	<u>35,579</u>	<u>16,685</u>
Net debt	56,825	35,579	16,685
Total equity	132,474	150,683	170,644
	<u>189,299</u>	<u>186,262</u>	<u>187,329</u>
Total capital	189,299	186,262	187,329
	<u>30%</u>	<u>19%</u>	<u>9%</u>
Net debt to total capital ratio	30%	19%	9%

33. Financial Risk Management and Fair Value Measurements

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. In light of the simplicity of the operations, the risk management of the Group is carried out by the board of directors directly. The Board discusses principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

33.1 Categories of financial instruments

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group			Company		
	2008	2009	2010	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets						
Loans and receivables						
– Trade and other receivables	65,887	63,260	71,414	28,262	27,318	26,630
– Pledged deposits	3,840	1,055	–	–	–	–
– Dividend receivables	–	–	–	6,600	9,127	9,744
– Cash and cash equivalents	13,203	25,966	28,831	–	–	46
	<u>82,930</u>	<u>90,281</u>	<u>100,245</u>	<u>34,862</u>	<u>36,445</u>	<u>36,420</u>
Available-for-sale financial assets						
– Available-for-sale investments	1,069	–	–	–	–	–
	<u>83,999</u>	<u>90,281</u>	<u>100,245</u>	<u>34,862</u>	<u>36,445</u>	<u>36,420</u>
Financial liabilities						
Financial liabilities measured at amortised cost						
– Trade and other payables	43,813	24,740	26,130	–	–	–
– Bank borrowings	43,072	45,501	34,682	–	–	–
– Obligations under finance leases	24,064	17,099	10,834	–	–	–
– Amounts due to directors	6,732	–	–	–	–	–
	<u>117,681</u>	<u>87,340</u>	<u>71,646</u>	<u>–</u>	<u>–</u>	<u>–</u>

33.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from credit terms granted to customers in the ordinary course of its operations and from its investing activities. The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets at the reporting dates. The Group does not provide any financial guarantee which would expose to credit risk. Further details of the Group's exposure to credit risk on trade and other receivables are set out in note 19.

The credit risk for liquid funds is considered negligible as the counterparties are reputable banks with high quality external credit ratings.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount including assessing the customer's creditworthiness and financial standing.

The general credit terms allowed range from 30 to 120 days. As at the reporting dates, the Group does not hold any collateral from its customers but has a certain degree of concentration in credit risk. The debts due from the Group's largest customer represent 2%, 19% and 18% of total trade receivables as at 31 December 2008, 2009 and 2010, respectively. Moreover, the debts due from the five largest customers of the Group represent 29%, 38% and 53% of the total trade receivables as at 31 December 2008, 2009 and 2010.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

33.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains an appropriate level of liquid assets and committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at respective reporting dates. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on which the Group can be required to pay. Bank loans and obligations under finance leases with a repayment on demand clause are

included in the earliest time band regardless of the probability of the banks and other financial institutions choose to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities. The amounts for variable interest rate instrument are subject to change if changes in variable interest rates different to those of estimates determined at the end of the reporting period.

Group

	On demand or within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
As at 31 December 2008			
Trade and other payables	43,813	–	–
Bank borrowings*	41,827	1,290	50
Obligations under finance leases*	23,767	313	49
Amounts due to directors	–	6,732	–
	<u>109,407</u>	<u>8,335</u>	<u>99</u>
As at 31 December 2009			
Trade and other payables	24,470	–	–
Bank borrowings*	45,501	–	–
Obligations under finance leases*	17,080	39	–
	<u>87,051</u>	<u>39</u>	<u>–</u>
As at 31 December 2010			
Trade and other payables	26,130	–	–
Bank borrowings*	34,682	–	–
Obligations under finance leases*	10,834	–	–
	<u>71,646</u>	<u>–</u>	<u>–</u>

* Bank borrowings and obligations under finance leases with a repayment on demand clause are categorised as "On demand or within 1 year" in the above maturity analysis. As at 31 December 2008, 2009 and 2010, the aggregate undiscounted principal amounts of these financial liabilities amounted to HK\$67,011,000 and HK\$64,565,000 and HK\$47,216,000 respectively.

The following table summarises the maturity analysis of bank borrowings and obligations under finance leases based on the agreed schedule repayments set out in the respective agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors of the Company believe that it is not probable that these banks and other financial institutions will exercise their discretionary rights to demand for immediate repayment and such bank borrowings and obligations under finance leases will be repaid in accordance with the scheduled repayment dates set out in the respective agreements.

	On demand or within 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
As at 31 December 2008			
Bank borrowings	33,720	7,043	3,246
Obligations under finance leases	7,955	6,980	11,434
	<u>41,675</u>	<u>14,023</u>	<u>14,680</u>
As at 31 December 2009			
Bank borrowings	36,827	8,142	1,544
Obligations under finance leases	6,946	11,424	–
	<u>43,773</u>	<u>19,566</u>	<u>1,544</u>
As at 31 December 2010			
Bank borrowings	23,882	4,586	7,364
Obligations under finance leases	6,009	5,375	–
	<u>29,891</u>	<u>9,961</u>	<u>7,364</u>

Company

The Company has no financial liabilities other than the financial guarantee issued as at 31 December 2008, 2009 and 2010, which represented the maximum amount (note 29) the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the reporting dates, the directors of the Company consider that it is more likely than not that such an amount will not be payable under the arrangement.

33.4 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 rates. The Group's interest rate risk arises primarily from bank borrowings and finance lease arrangements. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

The Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The policies to manage interest rate risk have been followed by the Group since prior year are considered to be effective.

At 31 December 2008, 2009 and 2010, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax and retained profits by approximately HK\$241,000, HK\$151,000 and HK\$72,000, respectively. The assumed changes in interest rates are considered to be reasonably possible change on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The calculations are based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variable are held constant.

The Company does have any exposure to interest rate risk at the reporting dates.

33.5 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk arise from its overseas sales and purchases, which are primarily denominated in Euro dollars ("EUR"), RMB and the United States dollars ("USD"). These are not the functional currencies of the Group entities to which these transactions relate. The Group also has bank deposits denominated in RMB, USD and other foreign currencies. Furthermore, the Group has borrowings denominated in USD.

The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign exchange risk becomes significant.

The following table provides details of the Group's exposure at the reporting date to foreign exchange risk arising from recognised financial assets and financial liabilities denominated in a currency other than the functional currency of the entities to which they relate:

	AUD '000	EUR '000	GBP '000	JPY '000	RMB '000	SGD '000	USD '000
At 31 December 2008							
Trade and other receivables	41	692	24	-	250	-	4,216
Bank balances and cash	7	103	2	-	1,184	9	584
Available-for-sale investments	-	-	-	-	-	-	138
Trade and other payables	-	-	-	(133,000)	(12,628)	-	(32)
Bank borrowings	-	-	-	-	-	-	(339)
Net exposure	<u>48</u>	<u>795</u>	<u>26</u>	<u>(133,000)</u>	<u>(11,194)</u>	<u>9</u>	<u>4,567</u>
At 31 December 2009							
Trade and other receivables	-	272	6	-	201	-	4,972
Bank balances and cash	31	158	24	-	1,263	-	2,061
Trade and other payables	-	-	-	-	(5,837)	-	-
Bank borrowings	-	-	-	-	-	-	(247)
Net exposure	<u>31</u>	<u>430</u>	<u>30</u>	<u>-</u>	<u>(4,373)</u>	<u>-</u>	<u>6,786</u>
At 31 December 2010							
Trade and other receivables	29	214	36	-	148	-	5,873
Bank balances and cash	40	107	11	-	2,860	21	1,542
Trade and other payables	-	-	-	-	(9,371)	-	-
Net exposure	<u>69</u>	<u>321</u>	<u>47</u>	<u>-</u>	<u>(6,363)</u>	<u>21</u>	<u>7,415</u>

The Company does not have any exposures to foreign currencies at the reporting dates.

At 31 December 2008, 2009 and 2010, if HK\$ had weakened/strengthened by 2% against the above foreign currencies, with all other variables held constant, the Group's profit after income tax and retained profits for the respective years would have been lower/higher by HK\$1,209,000, HK\$77,000 and HK\$59,000 respectively.

33.6 Fair value hierarchy

The Group's available-for-sale investments in note 16 were measured at fair value by Level 1 (quoted price (unadjusted) in active markets for identical assets) fair value hierarchy measurement as defined in IFRS 7.

III. SUBSEQUENT EVENTS

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2010.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by the Group in respect of any period subsequent to 31 December 2010.

Yours faithfully,

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number: P05018

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The information set out in this Appendix was prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is for information purposes only and does not form part of the accountants' report prepared by the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out here to illustrate how the proposed listing might have affected the net tangible assets of our Group after the completion of the Share Offer as if the Share Offer had taken place on 31 December 2010.

Although reasonable care has been exercised in preparing such information, prospective investor who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our financial positions of the financial periods concerned or any future periods.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of our Group which is based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as of 31 December 2010 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. It has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group after the Share Offer or at any future dates.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of 31 December 2010 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$1.56 per Offer Share	170,644	34,000	204,644	1.34
Based in the Offer Price of HK\$1.36 per Offer Share	170,644	28,200	198,844	1.31

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of our Company as at 31 December 2010 are based on audited consolidated net assets attributable to the owners of our Company as of 31 December 2010 of approximately HK\$170,644,000 as set out in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

II-2

- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of the upper and lower limit of HK\$1.56 and HK\$1.36 per Share, respectively, after deduction of the underwriting fees and other related expenses* in connection with the Share Offer and take no account of any Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme, or of any Shares which may be issued by the Company pursuant to the issuing mandate, as set out in Appendix VII to this prospectus.
 - (3) The calculation of the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at after making the adjustments referred to in this appendix and on the basis of a total of 152,209,373 Shares in issue immediately following the completion of the Share Offer.
 - (4) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2010 in the computation of the unaudited pro forma adjusted consolidated net tangible assets, including but not limited to the final dividend of HK\$0.036 per Share amounting to HK\$4,400,000, which was declared to the Shareholders in February 2011.
 - (5) By comparing the valuation of our property interests as set out in Appendix III to this prospectus, the net valuation surplus is approximately HK\$10,517,000 as compared to the carrying amounts of our property interests as of 30 April 2011, which has not been included in the aforementioned unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company. The valuation surplus of our property interests will not be incorporated in our consolidated financial statements for the year ending 31 December 2011 or at any future date. If the revaluation surplus were to be included in the our consolidated financial statements, an additional depreciation and amortisation charge of approximately HK\$228,000 per annum would be incurred.
- * Based on management's best estimation, the expenses included, amongst others, financial, legal and other professional advisory fees, underwriting commission, printing and translating costs, and other expenses relating to application for listing of the Offer Shares, which are directly attributable to the Share Offer and will be subject to further changes upon completion of the Share Offer.

(B) REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from BDO Limited, the reporting accountants of the Company, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.



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香港干諾道中111號
永安中心25樓

28 June 2011

The Directors
China Print Power Group Limited
Flat 2, 13th Floor
Kodak House II
39 Healthy Street East
North Point
Hong Kong

Dear Sirs,

China Print Power Group Limited

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of China Print Power Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out on page II-1 to II-2 under the heading of "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 28 June 2011 (the "Prospectus") in connection with Share Offer on the Main Board of The Stock Exchange of Hong Kong Limited. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed offering might have affected the financial information presented if offering had taken place as at 31 December 2010. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page II-1 to II-2 under the heading "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group" in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2010 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

BDO Limited

Certified Public Accountants

Au Yiu Kwan

Practising Certificate Number: P05018

Hong Kong

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 DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests in Hong Kong and the PRC as at 30 April 2011.



16/F, Jardine House
1 Connaught Place
Central
Hong Kong

28 June 2011

The Directors
China Print Power Group Limited
Flat 02, 13th Floor
Kodak House II
No.39 Healthy Street East
North Point
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by China Print Power Group Limited (the "Company") or its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of those property interests as at 30 April 2011 (the "date of valuation").

Our valuation of each of the property interests represents the market value which in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation of each of the property interests excludes 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 valuing the property interest in Group I which is held and occupied by the Group in the PRC, we have adopted "Depreciated Replacement Cost" ("DRC") Approach due to the special nature of the property. DRC is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of a property, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The DRC is subject to adequate service potential of the entity from the use of assets as a whole.

The property interest in Group II which is leased to the Group in Hong Kong, is considered to have no commercial value due mainly to the prohibition against assignment of the property interest or otherwise due to the lack of substantial profit rents.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (First Edition 2005) on Properties published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, in the course of our valuation of the property interest situated in the PRC, we have assumed that transferable land use rights in respect of the property interest for a specific term at nominal annual land use fees have been granted and that, any premium payable have already been fully settled. We have also assumed that the grantees or the users of the property interest have free and uninterrupted rights to use or to assign the property interest for the whole of the unexpired terms as granted. We have relied on the advice given by the Group and the Group's legal advisers, Shun Jin Law Firm, on the PRC laws regarding the title to the property interest and the Group interests in the property in the PRC.

We have relied to a very considerable extent on the information given by the Group and its legal advisers on the PRC laws. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of property interest, particulars of occupancy, tenancy details, site and floor plans, site and floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Group and are therefore only approximations. We have not carried out detailed on-site measurements to verify the site and floor areas of the properties and have assumed that the areas shown on the copies of documents provided to us are correct. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which are material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Unless otherwise stated, all money amounts stated in our valuations are in Hong Kong Dollars ("HK\$"), the official currency of Hong Kong. The exchange rate adopted in our valuations is approximately HK\$1=RMB0.84 which is approximately the prevailing exchange rate as at the date of valuation.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor
(General Practice Division)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Senior Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 23 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Property Interest	Capital value in existing state as at 30 April 2011 (HK\$)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at 30 April 2011 (HK\$)
Group I – Property interest held and occupied by the Group in the PRC			
1. An Industrial Complex situated in Gaopu Technology Industrial Park Heyuan High Technology Development Zone Heyuan Guangdong Province The People's Republic of China	79,000,000	100	79,000,000
	Total of Group I:		<u>79,000,000</u>
Group II – Property interest leased to the Group in Hong Kong			
2. Flat 02, 13th Floor Kodak House II No.39 Healthy Street East North Point Hong Kong			No commercial value
	Total of Group II:		<u>No commercial value</u>
	Grand Total:		<u><u>79,000,000</u></u>

VALUATION CERTIFICATE

Group I – Property interest held and occupied by the Group in the PRC

Property Interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011																				
1. An Industrial Complex situated in Gaopu Technology Industrial Park, Heyuan High Technology Development Zone, Heyuan, Guangdong Province, The People's Republic of China	<p>The property comprises an industrial complex erected upon a plot of land with a site area of approximately 104,349.20 sq.m.</p> <p>The industrial complex comprises a single storey workshop, a 4-storey workshop, a 5-storey ancillary office, two single storey warehouses, two 6-storey dormitories, a 3-storey canteen and other ancillary structures. All of the buildings and structures of the industrial complex are completed between 2006 and 2007.</p> <p>According to eight Real Estate Title Certificates, the property has a total gross floor area of approximately 54,714.03 sq.m. with details as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate Gross Floor Area sq.m.</th> </tr> </thead> <tbody> <tr> <td>Workshop A</td> <td>7,048.14</td> </tr> <tr> <td>Workshop B</td> <td>15,485.96</td> </tr> <tr> <td>Ancillary Office</td> <td>6,076.99</td> </tr> <tr> <td>Warehouse A</td> <td>6,983.00</td> </tr> <tr> <td>Warehouse B</td> <td>4,633.28</td> </tr> <tr> <td>Dormitory A</td> <td>5,270.11</td> </tr> <tr> <td>Dormitory B</td> <td>5,242.99</td> </tr> <tr> <td>Canteen</td> <td>3,973.56</td> </tr> <tr> <td>Total:</td> <td>54,714.03</td> </tr> </tbody> </table>	Use	Approximate Gross Floor Area sq.m.	Workshop A	7,048.14	Workshop B	15,485.96	Ancillary Office	6,076.99	Warehouse A	6,983.00	Warehouse B	4,633.28	Dormitory A	5,270.11	Dormitory B	5,242.99	Canteen	3,973.56	Total:	54,714.03	As at the date of valuation, the property was occupied by the Group as workshops, ancillary offices, warehouses, dormitories, canteen and other ancillary uses.	HK\$79,000,000 (100% interest attributable to the Group HK\$79,000,000)
Use	Approximate Gross Floor Area sq.m.																						
Workshop A	7,048.14																						
Workshop B	15,485.96																						
Ancillary Office	6,076.99																						
Warehouse A	6,983.00																						
Warehouse B	4,633.28																						
Dormitory A	5,270.11																						
Dormitory B	5,242.99																						
Canteen	3,973.56																						
Total:	54,714.03																						
	The land use rights of the property have been granted for a term due to expire on 23 March 2056 for industrial use.																						

Notes:

(1) According to Certificate for State-owned Land Use Rights (國有土地使用証) No. 河國用 2006第 00537號 issued by The People's Government of Heyuan (河源市人民政府) on 20 April 2006, the land use rights of the property comprising a site area of 104,349.20 sq.m. have been granted to Power Printing (He Yuan) Co., Ltd. (威利印刷(河源)有限公司) for a land use term due to expire on 23 March 2056 for industrial use.

(2) According to seven Real Estate Title Certificates (房地產權証) all issued by The People's Government of Heyuan (河源市人民政府), the real estate title of the property comprising a total gross floor area of 50,080.75 sq.m. has been vested in Power Printing (He Yuan) Co., Ltd. (威利印刷(河源)有限公司). Details of the said certificates are summarized as follows:

Certificate No.	Building	No. of Storey	Gross Floor Area
粵房地證字第 C4980823號	Ancillary Office	5	6,076.99 sq.m.
粵房地證字第 C4980936號	Warehouse	1	6,983.00 sq.m.
粵房地證字第 C4980937號	Dormitory A	6	5,270.11 sq.m.
粵房地證字第 C4980938號	Dormitory B	6	5,242.99 sq.m.
粵房地證字第 C4980939號	Canteen	3	3,973.56 sq.m.
粵房地證字第 C4980940號	Workshop A	1	7,048.14 sq.m.
粵房地證字第 C4980941號	Workshop B	4	15,485.96 sq.m.

(3) According to Real Estate Title Certificates (房地產權証) No. 粵房地權證河字第1700029654號 issued by Heyuan Real Estate Administration Bureau (河源市房地產管理局) on 16 March 2011, the real estate title of the single-storey warehouse B of the property comprising a gross floor area of 4,633.28 sq.m. has been vested in Power Printing (He Yuan) Co., Ltd. (威利印刷(河源)有限公司).

(4) According to Business Licence No. 441600400006520, Power Printing (He Yuan) Co., Ltd. (威利印刷(河源)有限公司), was incorporated with a registered capital of USD10,000,000 for a valid operation period from 8 December 2004 to 31 December 2013.

(5) According to the Company, the Group holds 100% attributable interest in the property.

(6) We have been provided with a legal opinion regarding the title to the property issued by the Group's PRC legal advisers which contains, inter-alia, the following information:

(i) Power Printing (He Yuan) Co., Ltd. (威利印刷(河源)有限公司) is in possession of a proper legal title to the property and has the rights to use, lease, mortgage or dispose of the property at no extra land premium or onerous charge payable to the relevant authorities.

(ii) The property, except the Warehouse B, is pledged to the loan to an extent of RMB33,000,000 in favour of Nanyang Commercial Bank Limited (Shenzhen Branch).

(7) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

Certificate for State-owned Land Use Rights	Yes
Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Property Interest leased to the Group in Hong Kong

Property Interest	Description and tenancy particulars	Capital value in existing state as at 30 April 2011
2. Flat 02, 13th Floor, Kodak House II, No.39 Healthy Street East, North Point, Hong Kong	<p>The property comprises an industrial unit on the 13th level of a 23-storey industrial building erected upon a 4-storey car parking podium completed in 1992.</p> <p>The property has a gross floor area of approximately 263.75 sq.m. (2,839 sq.ft.) and is currently occupied by the Group as workshop and ancillary office.</p> <p>The property is currently leased to the Group for a term of 2 years from 25 July 2010 to 24 July 2012 at a monthly rent of HK\$33,000, exclusive of Government rent, rates, management fee, air-conditioning charges and other outgoings.</p>	No commercial value

CONSTITUTION OF OUR COMPANY**1. MEMORANDUM OF ASSOCIATION**

The memorandum of association of our Company (“Memorandum of Association”) states, *inter alia*, that the liability of the Shareholders is limited to the amount, if any, for the time being unpaid on the shares held by the Shareholders and that our Company is an exempted company as defined in the Bermuda Companies Act. The Memorandum of Association also sets out the powers of our Company and the objects for which our Company was formed, including acting as a holding and investment company. As an exempted company, our Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to section 42A of the Bermuda Companies Act, the Memorandum of Association empowers it to purchase its own shares and this power is exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 26 May 2011 with effect from the listing of the Shares on the Stock Exchange. The following is a summary of certain provisions of the Bye-laws.

a. Shares**(i) Classes of Shares**

The share capital of our Company consists of ordinary shares.

(ii) Share Certificates

Every share certificate shall be issued under the seal or a facsimile thereof or bearing the signature (or a facsimile thereof) of a Director or a person expressly authorised to sign and shall specify the number and class and distinguishing numbers (if any) of the shares to which it relates, and the amount paid up thereon and may otherwise be in such form as the Directors may from time to time determine. No certificate shall be issued representing shares of more than one class. The Board may by resolution determine, either generally or in any particular case or cases, that any signature on any such certificates (or certificates in respect of other securities) need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon or that such certificates need not be signed by any person.

In the case of a share held jointly by several persons, our Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.

b. Directors**(i) Power to allot and issue shares**

Subject to any special rights conferred on the holders of any shares or class of shares, any share in our Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as our Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine. Subject to the Bermuda Companies Act and the Bye-laws, and to any special rights conferred on the holders of any shares or attaching to any class of shares, any preference shares may be issued or converted into shares that, at a determinable date or at the option of our Company or the holder if so authorised by its Memorandum of Association, are liable to be redeemed on such terms and in such manner as our Company before the issue or conversion may by ordinary resolution of the members determine.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine, provided that such issue must be specifically approved by our Company in general meeting if required by the rules or regulations of the Designated Stock Exchange (as defined in the Bye-laws). Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Directors are satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and our Company has received an indemnity in such form as the Directors shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Bermuda Companies Act and the Bye-laws, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Compensation or payments for loss of office

Payments to any Director or past Director of our Company 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 our Company in general meeting.

(iii) Financial assistance to acquire shares of our Company

Neither our Company nor any of its subsidiaries shall give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in our Company, but nothing in the Bye-laws shall prohibit transactions permitted under the Bermuda Companies Act.

(iv) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of auditor) in conjunction with his office of Director for such period and, subject to the relevant provisions of the Bermuda Companies Act, upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Bye-law.

A Director may continue to be or become a director or other officer or member of any other company promoted by our Company or in which our Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director or other officer or member of or from his interests in any such other company. The Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by our Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors or other officers of such company) or voting or providing for the payment of remuneration to the director or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or is about to be, appointed a director or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in the manner aforesaid.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposed contract or arrangement in which he or any of his associates has directly or indirectly a material interest.

Subject to the Bermuda Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, 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 our 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 of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with the Bye-laws.

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 our Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, 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 in respect of any contract or arrangement or proposed contract or arrangement in which he or any of his associates has directly or indirectly a material interest. Matters in which he or his associate(s) shall not be considered to have a material interest shall include the following:

- (a) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (b) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or any of his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement in which he or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of our Company;
- (d) any contract or arrangement concerning any other company in which he or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates is beneficially interested in (other than through his interest (if any) in our Company) five per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest is derived); or
- (e) any proposal 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 to directors, his associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(v) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or

committees of the Board or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of his duties as a Director.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's moneys 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 under our Company or any of its subsidiary companies) and ex-employees of our Company and their dependants or any class or classes of such person.

(vi) Retirement, appointment and removal

Notwithstanding any other provisions in the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, 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 least once every three years.

A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than two. Subject to the Bye-laws, the members may, at any general meeting convened and held in accordance with the Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office (but without prejudice to any claim for damages under any agreement between him and our Company). Our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

There is no shareholding qualification for Directors.

The Board may from time to time entrust to and confer upon a managing director, or a person holding an equivalent position, such of the powers exercisable under these Bye-laws by the Board as they may think fit and may confer such powers for such time and to be exercised on such terms and conditions and with such restrictions as they think expedient and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Board in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

The Board may delegate any of its powers, authorities and discretions to committees and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committee either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any directions which may be imposed on it by the Board.

(vii) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Bermuda Companies Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

c. Alterations to constitutional documents

No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made without the prior written approval of the Designated Stock Exchange (as defined in the Bye-laws), if required, and until the same has been approved by a resolution of the Board and confirmed by a special resolution of the members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of our Company.

d. Alterations of capital

Our Company may from time to time by ordinary resolution in accordance with the Bermuda Companies Act:

- (a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by our Company in general meeting, as the Directors may determine;

- (d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the Bermuda Companies Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any such restrictions as compared with the other or others as our Company has power to attach to unissued or new shares;
- (e) change the currency denomination of its share capital;
- (f) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (g) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

e. Variation of rights of existing shares or classes of shares

Whenever the share capital of our Company is divided into different classes of shares, subject to the provisions of the Statutes (as defined in the Bye-laws), preference capital other than redeemable preference capital may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst our Company is a going concern or during or in contemplation of a winding-up.

To every such separate general meeting and all adjournments thereof all the provisions of the Bye-laws relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at any adjourned meeting of such holder, two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll.

f. Special resolutions – majority required

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by members, as being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days or not less than 10 clear business days (whichever is longer) notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a special general meeting of which not less than 21 clear days or not less than 10 clear business days (whichever is longer) notice has been given.

g. Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any shares, at any general meeting on a show of hands every member who is present in person or by a duly authorised corporate representative or by proxy shall have one vote and on a poll, every member present in person or by a duly authorised corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by: (a) the Chairman of the meeting; or (b) by at least three members present in person or by proxy or by a duly authorised corporate representative for the time being entitled to vote at the meeting; or (c) by any member or members present in person or by proxy or by a duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (d) by a member or members present in person or by proxy or by a duly authorised corporate representative and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

h. Requirements for annual general meetings

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

i. Accounts and audit

The Board shall cause to be kept proper records of accounts with respect to all sums of money received and expended by our Company and the matters in respect of which the receipt and expenditure takes place; all sales and purchases of goods by our Company; the assets and liabilities of our Company; and all other matters required by the Bermuda Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The records of accounts shall be kept at the registered office of our Company or, subject to the Bermuda Companies Act, at such other place or places as the Board decides and shall always be open to inspection by the Directors. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting.

Subject to the Bermuda Companies Act and the Bye-laws, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of our Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors report, shall be sent to each person entitled thereto at least twenty-one days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before our Company in general meeting in accordance with the requirements of the Bermuda Companies Act.

The remuneration of the Auditor shall be fixed by our Company in general meeting or in such manner as the members may determine.

j. Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one clear days or not less than twenty clear business days (whichever is longer) and any special general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one clear days or not less than ten clear business days (whichever is longer). All other special general meetings may be called by notice of not less than fourteen clear days or not less than ten clear business days (whichever is longer).

The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the meeting is to be held, and the notice shall specify the day, time and place of the meeting and, in case of special business, the general nature of the business. Any notice of a general meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on our Company in respect of such special business. The notice convening an annual general meeting shall specify the meeting as such.

Any notice or document whether or not to be given or issued under the Bye-laws from our Company to a member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such notice and document may be served or delivered by our Company on or to any member either personally or by sending it through the post in a prepaid envelope addressed to such member at his registered address as appearing in the register of members or at any other address supplied by him to our Company for the purpose

or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to our Company for the giving of notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the notice being duly received by the member or may also be served by advertisement in appointed newspapers (as defined in the Bermuda Companies Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange (as defined in the Bye-laws) or, to the extent permitted by the applicable laws, by placing it on our Company's website or the website of the Designated Stock Exchange (as defined in the Bye-laws), and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the register of members and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.

k. Transfer of shares

Subject to the Bye-laws, any member may transfer all or any of his shares by an instrument of transfer in the form acceptable to the Board provided always that our Company shall accept for registration an instrument of transfer in a form approved by the Designated Stock Exchange (as defined in the Bye-laws).

The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided always that an instrument of transfer in respect of which the transferee is The Central Depository (Pte) Limited (the "Depository") shall be effective although not signed or witnessed by or on behalf of the Depository. The Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers.

The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register of members to any branch register or any share on any branch register to the principal register of members or any other branch register. In the event of any such transfer, the member requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.

Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the principal register of members shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register of members or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the principal register of members, at the registered office or such other place in Bermuda at which the principal register of members is kept in accordance with the Bermuda Companies Act.

Save as provided in the Bye-laws, there shall be no restriction on the transfer of fully paid up shares (except where required by law or the rules or regulations of the Designated Stock Exchange (as defined in the Bye-laws)).

The Board may, in its absolute discretion and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share (not being a fully paid up share) on which our Company has a lien or, except in the case of a transfer to executors, administrators or trustees of the estate of a deceased member, a transfer of any share to more than three joint holders.

If the Board refuses to register a transfer of any share, it shall, within one month after the date on which the transfer was lodged with our Company, send to each of the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless:

- (a) a fee of such sum (not exceeding two Singapore dollars (S\$2.00) (or the equivalent Hong Kong dollars) or such other maximum sum as the Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable) as the Board may from time to time require is paid to our Company in respect thereof;
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is lodged at the registered office or such other place in Bermuda at which the principal register of members is kept in accordance with the Bermuda Companies Act or the registration office (as the case may be) 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); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in any newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws) or by any means in such manner as may be accepted by the Designated Stock Exchange (as defined in the Bye-laws) to that effect, be suspended at such times and for such periods (not exceeding in the whole thirty days in any year) as the Board may determine.

I. Power for our Company to purchase its own shares

The Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

m. Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Bye-laws relating to ownership of our Company by a subsidiary.

n. Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may deduct from any dividend or other moneys payable to a member by our Company on or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our 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 members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members 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. Our Company may also upon the recommendation of the Board by a special resolution resolve in respect of any one particular dividend of our 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 members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or our 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

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 our Company until claimed and our 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 our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

o. Proxies

Any member entitled to attend and vote at a meeting of our Company who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote instead of him at the same general meeting provided that if the member is the Depository or a clearing house (or its nominee(s)) the Depository or a clearing house (or its nominee(s)) may appoint more than two proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of the Depository or a clearing house (or its nominee(s)) as the Depository or a clearing house (or its nominee(s)) could exercise including the right to vote individually on a show of hands.

A proxy need not be a member. A proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise, including the right to vote individually on a show of hands. On a poll, a proxy need not use all the votes he is entitled to cast or cast all such votes in the same way.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same or, in the case of the Depository, or a clearing house (or its nominee(s)) signed by its duly authorised officer by some method or system of mechanical signature as the Depository or a clearing house (or its nominee(s)) may deem appropriate.

Instruments of proxy shall be in any usual or common form (including any form approved from time to time by the Depository) or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

p. Calls on shares and forfeiture of shares

The Board may from time to time make calls as it may think fit upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one sum or by instalments. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. per annum) as the Board may determine, but the Board may in its absolute discretion 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, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide.

If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that if the notice is not complied with the shares on 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 such notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but 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 nevertheless shall remain liable to pay our Company all moneys which at the date of forfeiture were presently payable by him to our Company in respect of the shares, with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate (not exceeding twenty per cent. per annum) as the Board determines.

q. Inspection of register of members

The Bermuda Share Register shall be open to inspection between 10.00 a.m. and 12.00 noon on every business day by members of the public without charge, at the registered office of our Company or such other place in Bermuda at which the register is kept in accordance with the Bermuda Companies Act or, if appropriate, at the registration office or at the office of a share transfer agent of our Company.

r. Quorum for meetings and separate class meetings

Except as otherwise provided in the bye-laws, two members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy shall form a quorum, provided that if our Company shall at any time have only one member, one member present in person or by proxy, or being a corporation by its representative duly authorised, shall form a quorum for the transaction of business at any general meeting of our Company held during such time.

s. Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily must be a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Bermuda Companies Act, divide among the members *in specie* or kind the whole or any part of the assets of our Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property 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 the members as the liquidator with the like authority shall think fit, and the liquidation of our Company may be closed and our Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

t. Untraceable members

Our Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless: (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-laws have remained uncashed; (b) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and (c) our Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange (as defined in the Bye-laws), has given notice to, and caused advertisement in newspapers in accordance with the requirements of the Designated Stock Exchange (as defined in the Bye-laws) to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange (as defined in the Bye-laws), and a period of three months or such shorter period as may be allowed by the Designated Stock Exchange (as defined in the Bye-laws) has elapsed since the date of such advertisement.

SUMMARY OF BERMUDA COMPANY LAW

This summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Bermuda Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavoring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognised in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

a. Incorporation

Our Company was incorporated by registration pursuant to the provisions of the Bermuda Companies Act on 12 October 2006. Our Company was brought into existence by depositing the Memorandum of Association with the Registrar of Companies in Bermuda (the "Registrar").

b. Constituent Documents

The business activities of our Company will be governed by the provisions of its Memorandum of Association which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of our Company.

The Bermuda Companies Act provides that the objects set out in the different paragraphs of the objects clause in the memorandum of association or included therein by reference shall not, unless otherwise stated, be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the memorandum of association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Association may be altered under the provisions of the Bermuda Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the members of our Company in general meeting be given, following due notice of the intention of the meeting, before a memorandum of association may be altered. It is required that following the passage of a resolution of the members in general meeting approving the alteration, certain filings be made with the Registrar. Prior to taking formal steps in relation to the alteration of the Memorandum of Association, it will be necessary to obtain the consent of the Minister of Finance of Bermuda ("Minister") if our Company carries on any "restricted business activity" within the definition of section 4A of the Bermuda Companies Act.

The Bye-laws will govern our Company's administration and the relationship between its members and the Board. The Bye-laws are required, by Section 13 of the Bermuda Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of our Company.

The members of our Company are entitled to receive copies of the Memorandum of Association and its Bye-laws upon request, which obligation is established by the provisions of the Bermuda Companies Act. The Bermuda Companies Act provides that all persons who agree to become members of our Company shall upon entry on the Bermuda Share Register, which shall include the branch register, be deemed to be members of our Company.

c. Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. Our Company is required to pay an annual government fee (the "Government Fee"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD\$1,995 and the maximum fee being BD\$31,120 (the Bermuda dollar is treated at par with the US dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31st August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by our Company for a period ending 28th March, 2016.

d. Stamp Duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on 1st April, 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licencing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of our Company.

e. Prospectus issues and public offers

The Bermuda Companies Act regulates the issue of shares by way of public offer. It requires that, before or as soon as reasonably practicable after an offer of shares to the public (defined in the case of an exempted company as, *inter alia*, an offer calculated to result directly or indirectly in the shares becoming available to more than thirty-five persons), our Company shall have first published, in writing, a prospectus signed by or on behalf of all the Directors and shall have filed a copy with the Registrar. It also requires that a certificate, signed by an attorney in Bermuda, be filed with the prospectus, certifying:

(i) that the prospectus contains certain particulars required by the Bermuda Companies Act and is accompanied by a written statement from the auditor of our Company wherein the auditor confirms his consent to the inclusion of his report in the prospectus to be issued by our Company; or (ii) that an appointed stock exchange or a competent regulatory authority has received or otherwise accepted the prospectus as a basis for offering shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister and designated as:

Appointed Stock Exchanges

The Alberta Stock Exchange
Australian Stock Exchange Ltd.
The Bermuda Stock Exchange
The Bolsa de Madrid
Boston Stock Exchange, Inc.
Bourse de Montreal
Bursa Malaysia Securities Berhad
Canadian Dealing Network
Canadian Venture Exchange

The Commission de Surveillance du Secteur Financier
The Euro MTF Market
The Euronext Exchange
European Association of Security Dealers Automated Quotation S.A. (EASDAQ)
Frankfurt Stock Exchange
The Irish Stock Exchange
JASDAQ Market
The Johannesburg Stock Exchange
NASDAQ Dubai
London Stock Exchange
London Stock Exchange – Alternative Investment Market (AIM)
The Nasdaq Stock Market, Inc.
New York Stock Exchange, Inc.
New Zealand Stock Exchange
Nya Marknaden
NYSE Euronext
Oslo Børs
Paris Bourse
PLUS Markets
Sao Paulo Stock Exchange
Shanghai Stock Exchange
Singapore Exchange Securities Trading Limited
Societe de la Bourse de Luxembourg S.A.
Specialist Fund Market
The Stock Exchange of Hong Kong Ltd.
Stockholm Stock Exchange
Swiss Exchange

Appointed Stock Exchanges

Taiwan Stock Exchange
Tel Aviv Stock Exchange
Tokyo Stock Exchange
The Toronto Stock Exchange
The TSX Venture Exchange
Vancouver Stock Exchange
Viennese Stock Exchange

Competent Regulatory Authorities

Australian Securities and Investments Commission
Austrian Federal Ministry of Finance
Bermuda Monetary Authority
The Commission de Surveillance du Secteur Financier
Dubai Financial Services Authority
Financial Services Authority
Hong Kong Securities and Futures Commission

Japanese Financial Services Agency and its delegate, the Kanto Local Finance Bureau of the
Ministry of Finance of Japan
Luxembourg Commissariat aux Bourses
The Monetary Authority of Singapore
Ontario Securities Commission
Securities and Exchange Commission of Brazil
Securities Commission, Malaysia
Swiss Exchange
United States Securities and Exchange Commission

Accordingly, where an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus as a basis for offering shares to the public, our Company need not comply with the requirements of the Bermuda Companies Act as to the detailed content of the prospectus, nor set out the minimum subscription which must be raised by the issue of shares. If otherwise, then every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:

- (i) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;
- (ii) any preliminary expenses payable by our Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in our Company;
- (iii) the repayment of any monies borrowed by our Company in respect of any of the foregoing matters;

- (iv) working capital; and
- (v) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it shall, when any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, as soon as reasonably practicable, publish supplementary particulars, file a copy thereof with the Registrar as well as give a copy of the same to each member of the company.

The Bermuda Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

f. Exchange Control

Although incorporated in Bermuda, our Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority (“BMA”). Accordingly, our Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of our Company which are regarded as foreign currency securities by the BMA. Pursuant to Part I paragraph 1 of the public notice issued by the Bermuda Monetary Authority on 1 June 2005 (the “BMA Notice”), where any equity securities of a Bermuda company are listed on an Appointed Stock Exchange (as defined in the BMA Notice which includes The Stock Exchange of Hong Kong Limited), general permission is given for the issue and subsequent transfer of any securities of the company from and/or to a non-resident of Bermuda, for as long as any equity securities of the company remain so listed.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

g. Share Capital

The Bermuda Companies Act provides for the giving of financial assistance by a company for the acquisition of its own or its holding company’s shares in specific circumstances.

The Bermuda Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called “the share premium account” and the provisions of the Bermuda Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Bermuda Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Bermuda Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

h. Alteration of Share Capital

A company may if authorised by a general meeting of the members of the company and by its bye-laws, alter the conditions of its memorandum of association to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations.

Furthermore a company may, if authorised by a general meeting of the members, reduce its share capital. There are certain requirements, including a requirement prior to the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. The Bermuda Companies Act provides that our Company shall not reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that our Company is, and after the reduction would be, unable to pay its liabilities as they become due.

The Bermuda Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Bermuda Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. The Bermuda Companies Act prohibits bearer shares.

i. Purchase by our Company of its own shares

The Bermuda Companies Act permits our Company, if authorised to do so by its Memorandum of Association or by its Bye-laws, to purchase its own shares. It should be noted that our Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see "Dividends and distributions" below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of our Company's share premium account, or out of contributed surplus. A purchase by our Company of its own shares may be authorised by its Board or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of our Company or a combination of the foregoing.

The Bermuda Companies Act provides that no purchase by our Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that our Company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Bermuda Companies Act shall be treated as cancelled and the amount of our Company's issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of our Company's authorised share capital.

Our Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Association or the Bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

j. Transfer of Securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister (i.e. through the mechanism required or permitted by an appointed stock exchange).

k. Dividends and Distributions

The Bermuda Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company.

I. Charges on the Assets of our Company

The Bermuda Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Bermuda Companies Act in July of 1983. The register of charges is available for inspection by members of the public. The Bermuda Companies Act also makes provision for the registration of a series of debentures.

m. Management and Administration

The management and administration of a Bermuda company is essentially governed by Part VI of the Bermuda Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than two directors duly elected by the members.

The Bermuda Companies Act requires that a Bermuda company maintains either:

- (i) a minimum of one director, other than an alternate director, who is ordinarily resident in Bermuda; or
- (ii) a secretary that is (a) an individual who is ordinarily resident in Bermuda; or (b) a company which is ordinarily resident in Bermuda; or
- (iii) a resident representative that is (a) an individual who is ordinarily resident in Bermuda; or (b) a company which is ordinarily resident in Bermuda.

The Bermuda Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Bermuda Companies Act, regulations passed pursuant to the Bermuda Companies Act and the Bye-laws.

n. Loans to Directors

The Bermuda Companies Act prohibits the making of loans by our Company to any of its Directors or to their families or companies in which they hold a 20 per cent interest, without the consent of members of our Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of our Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of our Company, provided that our Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of our Company is not given for a loan, the Directors who authorised it will be jointly and severally liable for any loss arising.

o. The Investigation of the Affairs of a Company and the Protection of Minorities

The Bermuda Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Bermuda Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's memorandum of association and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from our Company by reason only of his holding or having held shares in our Company or any right to apply or subscribe for shares or to be included in the Bermuda Share Register in respect of shares.

p. Inspection of Corporate Records

Members of the general public have the right to inspect the public documents of our Company available at the office of the Registrar which will include our Company's Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum

of Association and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and audited financial statements of our Company, which must be presented to the Annual General Meeting of members. Our Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The Bermuda Share Register and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Bermuda Companies Act stipulates that where a member of our Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. Our Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

q. Restrictions on the Activities of Exempted Companies

Unless specifically authorised by its memorandum of association, an exempted company shall not be permitted to:

- (i) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;
- (ii) acquire or hold land that is designated as tourist accommodation or a hotel residence by regulations made under section 102D(1)(ba) of the Bermuda Immigration and Protection Act 1956 subject to certain exceptions;
- (iii) take any mortgage of land in Bermuda (subject to certain exceptions); and
- (iv) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licenced in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its memorandum of association to enable it to carry on such type of business.

Our Company has been incorporated as an "exempted company". Accordingly our Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. Our Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, our Company has been designated as "non resident" for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

Our Company will, under the provisions of the Bermuda Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of our Company and to pay the Government Fee.

r. Accounting and Auditing Requirements under the Bermuda Companies Act

The Bermuda Companies Act requires that a company shall cause to be kept proper records of account 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 take place;
- (ii) all sales and purchases of goods by the company; and
- (iii) the assets and liabilities of the company.

It furthermore requires that the records of accounts shall be kept at the registered office of our Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Bermuda Companies Act also requires that, these records of accounts also be maintained at the office of the resident representative where our Company is listed on an appointed stock exchange and our Company has appointed a resident representative. There is a proviso in the Bermuda Companies Act to the effect that if the records of accounts are kept at some place outside Bermuda, there shall be kept at an office of our Company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of our Company at the end of each three month period (or each six month period, where our Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order our Company to make available the records of accounts to any of the Directors of our Company should our Company for some reason refuse to do so. Furthermore, the Bermuda Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD\$500.00 (approximately equivalent in value to US\$500.00), for the time being.

s. Auditing Requirements

The Bermuda Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting:

- (i) financial statements for the period, which shall include:
 - (aa) a statement of the results of operations for such period;
 - (bb) a statement of retained earnings or deficits;
 - (cc) a balance sheet at the end of such period;
 - (dd) a statement of changes in the financial position for the period;
 - (ee) notes to the financial statements;

- (ff) such further information as required by the Bermuda Companies Act and the company's memorandum of association and its bye-laws;
- (ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and
- (iii) the notes referred to in paragraph (ee) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by two of the directors of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Companies Act also provides that companies listed on an appointed stock exchange may send summarized financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarized financial statements together with auditors report and notice to elect to receive the unabridged financial statements must be sent to members twenty-one days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

The summarized financial statements must be derived from the company's financial statements and shall include:

- (a) a summarized report of the unabridged financial statements;
- (b) such further information extracted from the financial statements as the board of directors considers appropriate; and
- (c) a statement that it is only a summarized version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

t. Continuation and Discontinuation of Companies

- (i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if our Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and
- (ii) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, *inter alia*, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by our Company for the purpose of the discontinuance of our Company out of Bermuda.

u. Winding-Up and Liquidation Provisions of Bermuda Legislation

(i) Introduction:

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the "Rules") and may be divided into the following two types:

- (aa) Voluntary winding-up which commences with the members' resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members' voluntary winding-up and a creditors' voluntary winding-up; and
- (bb) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(ii) Voluntary Winding-Up:

- (aa) Members' Voluntary Winding-up – A members' voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company's directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the members) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company's members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

- (bb) Creditors' Voluntary Winding-up – A creditors' voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors' voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company's members and, subsequently, at a meeting of the company's creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(iii) Compulsory Winding-Up:

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

- (aa) that the company has by resolution resolved that it be wound-up by the Bermuda court;
- (bb) that the company is unable to pay its debts; and
- (cc) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver – a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

v. General

Appleby, our Company's legal advisers on Bermuda law, have sent to our Company a letter of advice summarizing aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in Appendix VIII. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

SUMMARY OF SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

The following summarizes the salient provisions of the laws of Singapore applicable to the Shareholders as at the date of this document. The summaries below are for general guidance only and do not constitute legal advice, nor must they be used as a substitute for specific legal advice, on the corporate law of Singapore. The summaries below are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed on or conferred by the corporate law of Singapore. In addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the Singapore laws or otherwise. Prospective investors and/or Shareholders should consult their own legal advisers for specific legal advice concerning their legal obligations under the relevant laws.

1. Reporting Obligations of Shareholders***Obligation to Notify Company of Substantial Shareholding and Change in Substantial Shareholding under the Companies Act (Chapter 50) of Singapore (the “Singapore Companies Act”)****Section 81 of the Singapore Companies Act*

A person has a substantial shareholding in a company if he has an interest or interests in one or more voting shares in the company, and the total votes attached to that share, or those shares, is not less than 5 per cent of the total votes attached to all the voting shares in the company.

Section 82 of the Singapore Companies Act

A substantial shareholder of a company is required to notify the company of his interests in the voting shares in the company within two Business Days after becoming a substantial shareholder.

Sections 83 and 84 of the Singapore Companies Act

A substantial shareholder is required to notify the company of changes in the percentage level of his shareholding or his ceasing to be a substantial shareholder, again within two Business Days after he is aware of such changes. The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Consequences of Non-compliance*Section 89 of the Singapore Companies Act*

Section 89 of the Singapore Companies Act provides for the consequences of non-compliance with sections 82, 83 and 84. Under section 89, a person who fails to comply shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.

Section 90 of the Singapore Companies Act

Section 90 of the Singapore Companies Act provides for a defence to a prosecution for failing to comply with sections 82, 83 or 84. It is a defence if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that he was not so aware on the date of the summons; or he became so aware less than 7 days before the date of the summons. However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time (a) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or (b) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

Powers of the Court with respect to Defaulting Substantial Shareholders*Section 91 of the Singapore Companies Act*

Section 91 of the Singapore Companies Act provides that where a substantial shareholder fails to comply with sections 82, 83 or 84, the Court may, on the application of the Minister, whether or not the failure still continues, make one of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;
- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded; or
- (h) for the purposes of securing compliance with any other order made under this section, an order directing the company or any other person to do or refrain from doing a specified act.

Any order made under this section may include such ancillary or consequential provisions as the Court thinks just. The Court may not make an order other than an order restraining the exercise of voting rights, if it is satisfied (a) that the failure of the substantial shareholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and (b) that in all the circumstances, the failure ought to be excused. Any person who contravenes or fails to comply with an order made under this section that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

Obligation to Notify the SGX-ST of Substantial Shareholding and Change in Substantial Shareholding under the Securities and Futures Act (“SFA”)

Section 137(1) of the SFA

A substantial shareholder is also required under section 137(1) of the SFA to give the above notifications to the SGX-ST at the same time. Any person who fails to comply with section 137(1) is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$25,000 and, in the case of a continuing offence, to a further fine of S\$2,500 for every day or part thereof during which the offence continues after conviction.

Duty Not to Furnish False Statements to Securities Exchange, Futures Exchange, Designated Clearing House and Securities Industry Council of Singapore

Section 330 of the SFA

Section 330 of the SFA provides that any person who, with intent to deceive, makes or furnishes, or knowingly and willfully authorises or permits the making or furnishing of, any false or misleading statement or report to a securities exchange, futures exchange, designated clearing house or any officers thereof relating to dealing in securities shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both. Section 330 further provides that any person who, with intent to deceive, makes or furnishes or knowingly and willfully authorises or permits the making or furnishing of, any false or misleading statement or report to the Securities Industry Council or any of its officers, relating to any matter or thing required by the Securities Industry Council in the exercise of its functions under the SFA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both.

Obligation to Disclose Beneficial Interest in the Voting Shares of our Company

Section 92 of the Singapore Companies Act

Section 92 of the Singapore Companies Act provides that a company which has all of its shares listed on a stock exchange in Singapore may require any member to inform it whether the member holds the voting shares in the company as beneficial owner or trustee, and in the latter, who the beneficiaries are. If the member discloses that he is holding the shares on trust for another party, the company may additionally require the other party to inform it whether the other party holds the interests as beneficial owner or as trustee and if the latter, for whom. A listed company also has the right to require the member to inform it of any voting agreement that he may have in relation to the shares held by him.

Consequences of Non-compliance*Section 92 of the Singapore Companies Act*

Sections 92(6) and 92(7) of the Singapore Companies Act provide that the failure to comply with a notice requiring disclosure of information is an offence, unless it can be shown that the information was already in the possession of the company or that the requirement to give it was frivolous or vexatious. A person who deliberately or recklessly makes a statement that is false in a material particular in compliance to a request for information under section 92 is also guilty of an offence, and is likewise liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 2 years.

2. Prohibited Conduct in Relation to Trading in the Securities of our Company Prohibitions against False Trading and Market Manipulation*Section 197 of the SFA*

Section 197 of the SFA prohibits (i) the creation of a false or misleading appearance of active trading in any securities on a securities exchange; (ii) the creation of a false or misleading appearance with respect to the market for, or price of, any securities on a securities exchange; (iii) affecting the price of securities by way of purchases or sales which do not involve a change in the beneficial ownership of those securities; and (iv) affecting the price of securities by means of any fictitious transactions or devices.

Section 197(3) of the SFA provides that a person is deemed to have created a false or misleading appearance of active trading in securities on a securities market if he does any of the following acts:

- i. if he effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, which does not involve any change in the beneficial ownership of the securities;
- ii. if he makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or
- iii. if he makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price, unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) of the SFA provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) of the SFA provides a defence to proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defence if the defendant establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

Prohibition against Securities Market Manipulation

Section 198 of the SFA

Section 198(1) of the SFA provides that no person shall carry out directly or indirectly, 2 or more transactions in securities of a corporation, being transactions that have, or likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities with intent to induce other persons to purchase them. Section 198(2) of the SFA provides that transactions in securities of a corporation includes (i) the making of an offer to purchase or sell such securities of the corporation; and (ii) the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

Prohibition Against the Manipulation of the Market Price of Securities by the Dissemination of Misleading Information

Sections 199 and 202 of the SFA

Section 199 of the SFA prohibits the making of false or misleading statements. Under this provision, a person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely (a) to induce other persons to subscribe for securities; (b) to induce the sale or purchase of securities by other persons; or (c) to have the effect of raising, lowering, maintaining or stabilising the market price of securities, if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the dissemination of information about illegal transactions. This provision prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of transactions entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

Prohibition against Fraudulently Inducing Persons to Deal in Securities*Section 200 of the SFA*

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, (a) by making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; (b) by any dishonest concealment of material facts; (c) by the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or (d) by recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular, unless it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

Prohibition against Employment of Manipulative and Deceptive Devices*Section 201 of the SFA*

Section 201 of the SFA prohibits (i) the employment of any device, scheme or artifice to defraud; (ii) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person; and (iii) making any statement known to be false in a material particular or (iv) omitting to state a material fact necessary to make statements made not misleading, in connection with the subscription, purchase or sale of any securities.

Prohibition against the Dissemination of Information about Illegal Transactions*Section 202 of the SFA*

Section 202 of the SFA prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of any transaction entered into or to be entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

Prohibition against Insider Trading*Sections 218 and 219 of the SFA*

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if the person knows or reasonably ought to know that he is in possession of information that is not generally available, which is expected to have a material effect on the price or value of securities of that corporation. Such persons include substantial shareholders of a corporation or a related

corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of professional or business relationship by being an officer or a substantial shareholder of the corporation or a related corporation, or any other person in possession of inside information. For an alleged contravention of section 218 or 219, section 220 makes it clear that it is not necessary for the prosecution or plaintiff to prove that the accused person or defendant intended to use the information referred to in section 218(1)(a) or (1A)(a) or 219(1)(a) in contravention of section 218 or 219, as the case may be.

Section 216 of the SFA

Section 216 of the SFA provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

Penalties

Section 232 of the SFA

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the offender may have to pay a civil penalty of a sum (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation, whichever is the greater. If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Section 204 of the SFA

Any person who contravenes sections 197, 198, 201 or 202 of the SFA is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 204 of the SFA.

Section 204 of the SFA further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under section 232 in respect of the contravention.

Section 221 of the SFA

Any person who contravenes section 218 or 219 of the SFA, is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 221 of the SFA. Section 221 of the SFA further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention

of section 218 or 219 of the SFA after a court has made an order against him for the payment of a civil penalty under section 232 of the SFA in respect of that contravention.

3. Takeover Obligations

Offences and Obligations Relating to Take-overs

Section 140 of the SFA

Section 140 of the SFA provides that a person shall not give notice or publicly announce that he intends to make a take-over offer if (a) he has no intention to make a take-over offer; or (b) he has no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be. A person who contravenes section 140 of the SFA is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both.

Obligations under the Singapore Takeovers Code and the Consequences of Non-compliance

Obligations under the Singapore Takeovers Code

The Singapore Takeovers Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of our Company.

Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of our voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of our voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of our voting Shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Takeovers Code.

“Parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- (a) a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);

- (c) a company and its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
- (e) a financial or other professional advisers and its clients in respect of Shares held by the advisers and persons controlling, controlled by or under the same control as the advisers and all the funds managed by the advisers on a discretionary basis, where the shareholdings of the advisers and any of those funds in the client total 10.0% or more of the client's equity share capital;
- (f) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (g) partners; and
- (h) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

In the event that one of the abovementioned trigger-points is reached, the person acquiring an interest (the "Offeror") must make a public announcement stating the terms of the offer and its identity. The Offeror must post an offer document not earlier than 14 days and not later than 21 days from the date of the offer announcement. An offer must be kept open for at least 28 days after the date on which the offer document was posted.

The Offeror may vary the offer by offering more for the shares or by extending the period in which the offer remains open. If a variation is proposed, the Offeror is required to give a written notice to the offeree company and its shareholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least another 14 days. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Takeovers Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

Consequences of Non-compliance with the Requirements under the Singapore Takeovers Code

The Singapore Takeovers Code is non-statutory in that it does not have the force of law. Therefore, as provided in section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Code shall not of itself render that party liable to criminal proceedings. However, the failure of any party to observe any of the provisions of the Singapore Takeovers Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

Section 139 further provides that where the Securities Industry Council has reason to believe that any party concerned in a take-over offer or a matter connected therewith is in breach of the provisions of the Singapore Takeovers Code or is otherwise believed to have committed acts of misconduct in relation to such take-over offer or matter, the Securities Industry Council has power to enquire into the suspected breach or misconduct. The Securities Industry Council may summon any person to give evidence on oath or affirmation, which it is thereby authorised to administer, or produce any document or material necessary for the purpose of the enquiry.

The Shares are currently listed on the SGX-ST and our Company intends to list its Shares on the Stock Exchange following the Share Offer. Our Company sets out below a summary of the major differences between the Listing Rules and the Listing Manual, certain applicable laws and regulations of Singapore and Hong Kong, and the takeover rules under the Singapore Code, the Takeovers Code and certain relevant legislations concerning companies with listed securities. However, this summary is for general guidance only and is not and shall not be relied on as legal advice or any other advice to Shareholders. The summary is not meant to be a comprehensive or exhaustive description of all the relevant Singapore and Hong Kong laws, rules and regulations. In addition, Shareholders should also note that the laws, rules and regulations applicable to our Company and Shareholders may change, whether as a result of proposed legislative reforms to the Singapore or Hong Kong laws, rules or regulations or otherwise. Prospective investors and/or Shareholders should consult their own legal advisers for specific legal advice concerning their legal rights and obligations under Singapore laws and Hong Kong laws. In the event of any conflict between the Listing Rules and the Listing Manual, our Company shall comply with the more restrictive and stringent rule. The Sponsor and the Directors are not aware of any major conflicts between the Listing Rules and the Listing Manual, which may cause difficulties to our Company to comply with the rules under both regimes.

1. MAJOR DIFFERENCES BETWEEN THE LISTING RULES OF THE SGX-ST AND THE STOCK EXCHANGE AND CERTAIN APPLICABLE SINGAPORE AND HONG KONG LAWS AND REGULATIONS

No. Listing Rules and Hong Kong Laws

Listing Manual and Singapore Laws

Reporting requirements

1. Issuers in Hong Kong are required to comply with disclosure obligations under the Listing Rules upon the occurrence of the events which are prescribed under such rules.

* As to the reporting obligations under the listing rules of the SGX-ST below, in the case that our Company makes a disclosure pursuant to Singapore laws, it will make the same disclosure in Hong Kong.

Chapter 13 of the Listing Rules Rule 13.09(1)

An issuer in Hong Kong shall keep the Stock Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) which:

- (1) is necessary to enable them and the public to appraise the position of the group; or

Chapter 7 of the Listing Manual (Continuing Obligations) Rule 703, Listing Manual: Disclosure of Material Information

- (1) An issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which:

- (a) is necessary to avoid the establishment of a false market in the issuer's securities; or

- (b) would be likely to materially affect the price or value of its securities.

No. Listing Rules and Hong Kong Laws

- (2) is necessary to avoid the establishment of false market in its securities; or
- (3) might be reasonably expected materially to affect market activity and the price of its securities.

Rule 13.09(2)

If securities of the issuer are also listed on other stock exchanges, the Stock Exchange must be simultaneously informed of any information released to any of such other exchanges and the issuer must ensure that such information is released to the market in Hong Kong at the same time as it is released to the other markets.

Rule 13.25

An issuer shall inform the Stock Exchange on the happening of any of the following events as soon as the same shall come to the attention of the issuer:

- (a) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the property of the issuer, its holding company or any subsidiary;
- (b) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer, its holding company or any subsidiary;

Listing Manual and Singapore Laws

- (2) Rule 703(1) does not apply to information which it would be a breach of law to disclose.
- (3) Rule 703(1) does not apply to particular information while each of the following conditions applies.

Condition 1: a reasonable person would not expect the information to be disclosed;

Condition 2: the information is confidential; and

Condition 3: one or more of the following applies:

- (i) the information concerns an incomplete proposal or negotiation;
 - (ii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - (iii) the information is generated for the internal management purposes of the entity;
 - (iv) the information is a trade secret.
- (4) In complying with the SGX-ST's disclosure requirements, an issuer must:
 - (a) observe the Corporate Disclosure Policy set out in Appendix 7.1 of the SGX-ST Listing Manual, and
 - (b) ensure that its directors and executive officers are familiar with the SGX-ST's disclosure requirements and Corporate Disclosure Policy.
 - (5) The SGX-ST will not waive any requirements under this Rule.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (c) the passing of any resolution by the issuer, its holding company or any subsidiary that it be wound-up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;
- (d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios as defined under rule 14.04(9) of the Listing Rules; or
- (e) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios as defined under rule 14.04(9) of the Listing Rules.

The issuer must at all times also have regard to its general disclosure obligation under rule 13.09 of the Listing Rules. If the directors consider that disclosure of information to the public might prejudice the issuer's business interests, the Stock Exchange must be consulted as soon as possible, and in such circumstances, the Stock Exchange may be prepared to give a dispensation from the requirement to make the information public.

No. Listing Rules and Hong Kong Laws**Rule 13.51**

An issuer shall inform the Stock Exchange immediately of any decision made and publish an announcement as soon as practicable in regard to:

- (1) any proposed alteration of the issuer's memorandum or articles of association or equivalent documents;
- (2) any changes in its directorate or supervisory committee, including any appointment or resignation or redesignation of director or supervisor or any important change in the holding of an executive office including changes to any important functions or executive responsibilities of a director;
- (3) any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable;
- (4) any change in its auditors or financial year end;
- (5) any change in its secretary or share registrar, or registered address or where applicable, agent for the service of process in Hong Kong or registered office or registered place of business in Hong Kong; and
- (6) any change in its compliance adviser.

Listing Manual and Singapore Laws**Rule 704, Listing Manual:
Announcement of Specific Information**

In addition to Rule 703, an issuer must immediately announce the following:

General

- (1) Any change of address of the registered office of the issuer or of any office at which the register of members of the issuer or any other register of securities of the issuer is kept.
- (2) Any proposed alteration to the Memorandum of Association or Articles of Association or Constitution of the issuer.
- (3) Any notice of substantial shareholders' and directors' interests in the issuer's securities or changes thereof received by the issuer.
- (4) Any call to be made on partly paid securities of the issuer or of any of its principal subsidiaries.
- (5) Any qualification or emphasis of a matter by the auditors on the financial statements of:
 - (a) the issuer; or
 - (b) any of the issuer's subsidiaries or associated companies if the qualification or emphasis of a matter has a material impact on the issuer's consolidated accounts or the group's financial position.
- (6) Any adjustment to the issuer's preliminary announced full year results made subsequently by auditors.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Rule 13.73**

An issuer shall ensure that notice of every meeting of its shareholders or its creditors concerning the issuer is published in accordance with the Listing Rules. The issuer shall despatch a circular to its shareholders at the same time as (or before) the issuer gives notice of the general meeting to approve the transaction referred to in the circular, and provide its shareholders with any material information on the subject matter to be considered at a general meeting that comes to the directors' attention after the circular is issued. The issuer must provide the information either in a supplementary circular or by way of an announcement in accordance with the Listing Rules not less than 10 business days before the date of the relevant general meeting to consider the subject matter. The meeting must be adjourned before considering the relevant resolution to ensure compliance with this 10 business day requirement by the chairman or, if that is not permitted by the issuer's constitutional documents, by resolution to that effect.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Rule 13.23**

An issuer shall disclose details of acquisitions and realisations of assets and other transactions as required by Chapters 14 and 14A of the Listing Rules, and where applicable shall circularise holders of its securities with details thereof and obtain their approval thereto.

Rule 13.25

An issuer shall inform the Stock Exchange on the happening of any of the following events as soon as the same shall come to the attention of the issuer:

- (a) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the property of the issuer, its holding company or any subsidiary;
- (b) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer, its holding company or any subsidiary;

Appointment or resignation

- (7) Any appointment or resignation of any director, chief executive officer, chief financial officer, chief operation officer, general manager or other executive officer of equivalent rank, company secretary, registrar or auditors of the issuer.
- (8) Any appointment or reappointment of a director to the audit committee.
- (9) Any appointment of a person who is a relative of a director or chief executive officer or substantial shareholder of the issuer to a managerial position in the issuer or any of its principal subsidiaries.
- (10) Any promotion of an appointee referred to in Rule 704(9).
- (11) Within two months after each financial year, the issuer must make an announcement in the format in Appendix 7.4 of the Listing Manual of each person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer. If there are no such persons, the issuer must make an appropriate negative statement. The SGX-ST may require the issuer to provide additional information on any such person, including his remuneration, any changes to his duties, responsibilities and remuneration package.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (c) the passing of any resolution by the issuer, its holding company or any subsidiary that it be wound-up by way of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;
- (d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios as defined under rule 14.04(9) of the Listing Rules; or
- (e) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5% under any of the percentage ratios as defined under rule 14.04(9) of the Listing Rules.

The issuer must at all times also have regard to its general disclosure obligation under rule 13.09 of the Listing Rules. If the Directors consider that disclosure of information to the public might prejudice the issuer's business interests, the Stock Exchange must be consulted as soon as possible, and in such circumstances, the Stock Exchange may be prepared to give a dispensation from the requirement to make the information public.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Rules 13.09(1), 13.45(1), (2)**

Apart from the disclosure requirements in Rule 13.09(1) above, an issuer shall inform the Stock Exchange immediately and announce its decision on declaration, recommendation or payment of dividends after approval by or on behalf of the board.

Rule 13.66

An issuer is required to publish a notice of closure of its transfer books or register of members in respect of securities listed in Hong Kong at least 6 business days before such closure in the case of a rights issue, or 10 business days before such closure in other cases. In cases where there is an alteration of book closing date, the issuer shall, at least 5 business days before the announced closure or the new closure, whichever is earlier, notify the Stock Exchange in writing and publish further notice.

No. Listing Rules and Hong Kong Laws**Chapter 17 of the Listing Rules**

The adoption of share option scheme of a listed issuer or any of its subsidiaries is subject to the approval of the shareholders of the listed issuer in general meeting. The total number of securities which may be issued upon the exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme.

The listed issuer may seek approval by its shareholders in general meeting for “refreshing” the 10% limit under the scheme. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the limit as “refreshed” must not exceed 10% of the relevant class of securities in issue as at the date of approval of the limit.

The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the listed issuer (or the subsidiary) if this will result in the limit being exceeded.

General Meetings

According to paragraph E.1.3 in Appendix 14 to the Listing Rules, the issuers are required to provide:

- (1) at least 20 clear business days notice for annual general meetings; and
- (2) at least 10 clear business days notice for all other general meetings.

Listing Manual and Singapore Laws

- (12) The SGX-ST may require an issuer to appoint a special auditor to review or investigate the issuer’s affairs and report its findings to the SGX-ST or the issuer’s audit committee or such other party as the SGX-ST may direct. The issuer may be required by the SGX-ST to immediately announce the requirement, together with such other information as the SGX-ST directs. The issuer may be required by the SGX-ST to announce the findings of the special auditors.

General Meetings

- (13) The date, time and place of any general meeting.
- (14) All resolutions put to a general meeting of an issuer, and immediately after such meeting, whether or not the resolutions were passed.

Acquisitions and Realisations

- (15) Any acquisition of:
 - (a) Shares resulting in the issuer holding 10% or more of the total number of issued shares excluding treasury shares of a quoted company;
 - (b) Except for an issuer which is a bank, finance company, securities dealing company or approved financial institution, quoted securities resulting in the issuer’s aggregate cost of investment exceeding each multiple of 5% of the issuer’s latest audited consolidated net tangible assets;

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Chapter 14 of the Listing Rules**

Under Chapter 14 of the Listing Rules, the transactions are classified as:

- (1) share transaction: an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5%;
- (2) discloseable transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 5% or more, but less than 25%;
- (3) major transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 25% or more, but less than 100% for an acquisition or 75% for a disposal;
- (4) very substantial disposal: a disposal or a series of disposals of assets by a listed issuer where any percentage ratio is 75% or more;
- (5) very substantial acquisition: an acquisition or a series of acquisitions of assets by a listed issuer where any percentage ratio is 100% or more;
- (6) reverse takeover: an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Stock Exchange, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants set out in Chapter 8 of the Listing Rules.

(c) Shares resulting in a company becoming a subsidiary or an associated company of the issuer; and

(d) Shares resulting in the issuer increasing its shareholding in a subsidiary or an associated company.

(16) Any sale of:

(a) Shares resulting in the issuer holding less than 10% of the total number of issued shares excluding treasury shares of a quoted company;

(b) except for an issuer which is a bank, finance company, securities dealing company or an approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment in quoted securities falling below each multiple of 5% of the issuer's latest audited consolidated net tangible assets;

(c) Shares resulting in a company ceasing to be a subsidiary or an associated company of the issuer; and

(d) Shares resulting in the issuer reducing its shareholding in a subsidiary or an associated company.

(17) Any acquisition or disposal of shares or other assets which is required to be announced under Chapter 10 of the SGX-ST Listing Manual.

No. Listing Rules and Hong Kong Laws

The relevant category that a transaction falls under depends on the following percentage ratios computed on the following basis:

- (1) Asset ratio: the total assets which are the subject of the transaction divided by the total assets of the listed issuer;
- (2) Profits ratio: the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer;
- (3) Revenue ratio: the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer;
- (4) Consideration ratio: the consideration divided by the total market capitalization of the listed issuer. The total market capitalisation is the average closing price of the listed issuer's securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the transaction; and
- (5) Equity ratio: the nominal value of the listed issuer's equity capital issued as consideration divided by the nominal value of the listed issuer's issued equity capital immediately before the transaction.

The listed issuer must inform the Stock Exchange and public an announcement as soon as practicable after the terms of such transactions have been finalised.

Listing Manual and Singapore Laws**Winding Up, Judicial Management, etc**

- (18) Any application filed with a court to wind up the issuer or any of its subsidiaries, or to place the issuer or any of its subsidiaries under judicial management.
- (19) The appointment of a receiver, judicial manager or liquidator of the issuer or any of its subsidiaries.
- (20) Any breach of any loan covenants or any notice received from principal bankers or from the trustee of any debenture holders to demand repayment of loans granted to the issuer or any of its subsidiaries which, in the opinion of the issuer's directors, would result in the issuer facing a cash flow problem.

Announcement of Results, Dividends, etc

- (21) Where Rule 704(18), (19) or (20) applies, a monthly update regarding the issuer's financial situation, including:
 - (a) the state of any negotiations between the issuer and its principal bankers or trustee; and
 - (b) the issuer's future direction, or other material development that may have a significant impact on the issuer's financial position.

If any material development occurs between the monthly updates, it must be announced immediately.

No. Listing Rules and Hong Kong Laws

Further, major transaction, very substantial disposal, very substantial acquisition and reverse takeover requires prior shareholders' approval.

Listing Manual and Singapore Laws

- (22) Any recommendation or declaration of a dividend (including a bonus or special dividend, if any), the rate and amount per share and date of payment. If dividends are not taxable in the hands of shareholders, this must be stated in the announcement and in the dividend advice to shareholders. If there is a material variation in the interim or final dividend rate compared to that for the previous corresponding period, the directors must state the reasons for the variation at the time the dividend is recommended or declared. If the directors decide not to declare or recommend a dividend, this must be announced.
- (23) After the end of each of the first three quarters of its financial year, half year or financial year, as the case may be, an issuer must not announce any:
- (a) dividend;
 - (b) capitalisation or rights issue;
 - (c) closing of the books;

No. Listing Rules and Hong Kong Laws**Rule 17.06A**

As soon as possible upon the granting by the issuer of an option under its share option scheme, the issuer must publish an announcement setting out the following details:

- (a) date of grant;
- (b) exercise price of the options grant;
- (c) number of options granted;
- (d) market price of its securities on the date of grant;
- (e) where any of the grantees is a director, chief executive or substantial shareholder of the issuer, or an associate of any of them, the names of such grantees and the number of options granted to each of them; and
- (f) validity period of the options.

Listing Manual and Singapore Laws

- (d) capital return;
- (e) passing of a dividend; or
- (f) sales or turnover,

unless it is accompanied by the results of the quarter, half year or financial year, as the case may be, or the results have been announced.

Books Closure

- (24) Any intention to fix a books closure date, stating the date, reason and address of the share registry at which the relevant documents will be accepted for registration. At least 5 market days of notice (excluding the date of announcement and the books closure date) must be given for any books closure date. Subject to the provisions of the Singapore Companies Act, the SGX-ST may agree to a shorter books closure period. In fixing a books closure date, an issuer must ensure that the last day of trading on a cum basis falls at least 1 day after the general meeting, if a general meeting is required to be held.
- (25) The issuer must not close its books for any purpose until at least 8 market days after the last day of the previous books closure period. This rule does not prohibit identical books closure dates for different purposes.

Treasury Shares

- (26) Any sale, transfer, cancellation and/or use of treasury shares, stating the following:
 - (a) Date of the sale, transfer, cancellation and/or use;

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (b) Purpose of such sale, transfer, cancellation and/or use;
- (c) Number of treasury shares sold, transferred, cancelled and/or used;
- (d) Number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) Percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) Value of the treasury shares if they are used for a sale or transfer, or cancelled.

Employee share option scheme

- (27) Any grant of options. The announcement must be made on the date of the offer and provide details of the grant, including the following:
- (a) Date of grant;
 - (b) Exercise price of options granted;
 - (c) Number of options granted;
 - (d) Market price of its securities on the date of grant;
 - (e) Number of options granted to directors and controlling shareholder (and their associates), if any; and
 - (f) Validity period of the options.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Chapter 10 of the Listing Manual
(Acquisitions and Realisations)**

Transactions are classified into the following categories:

- (a) Non-Discloseable Transactions;
- (b) Discloseable Transactions;
- (c) Major Transactions; and
- (d) Very Substantial Acquisitions and Reverse Takeovers.

Rule 1005, Listing Manual

In determining whether a transaction falls into category (a), (b), (c) or (d) of Rule 1004, the Exchange may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.

Rule 1006, Listing Manual

A transaction may fall into categories (a), (b), (c) or (d) depending on the size of the relative figures computed on the following bases:

- (a) The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.
- (b) The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.
- (c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.
- (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

Transactions are categorised as follows:

- Non-Discloseable Transaction: Where any of the relative figures in Rule 1006 is 5% or less
- Discloseable Transaction: Where any of the relative figures in Rule 1006 exceeds 5% but does not exceed 20%
- Major Transaction: Where any of the relative figures in Rule 1006 exceeds 20%
- Very Substantial Acquisition or Reverse Takeover: Where any of the relative figures in Rule 1006 is 100% or more, or where there is a change in control of the issuer

Where a transaction is classified as a Discloseable Transaction, Major Transaction or Very Substantial Acquisition/Reverse Takeover, our Company must make an immediate announcement, which includes the details prescribed in Rule 1010 of the Listing Manual (as set out below)

- (1) Particulars of the assets acquired or disposed of, including the name of any company or business, where applicable;
- (2) A description of the trade carried on, if any;
- (3) The aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment;

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (4) Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof;
- (5) The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation;
- (6) In the case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition;
- (7) The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal;
- (8) The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year;
- (9) The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year;

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (10) The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction;
- (11) Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests;
- (12) Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction; and
- (13) The relative figures that were computed on the bases set out in Rule 1006.

For very Substantial Acquisitions/Reverse Takeovers, the issuer must also immediately announce the latest three years of proforma financial information of the assets to be acquired.

Further, transactions that are Major Transactions are conditional upon the prior approval of shareholders. Very Substantial Acquisitions/Reverse Takeovers transactions are conditional upon the approval of shareholders and the approval of the SGX-ST.

A circular to shareholders will need to be distributed to seek shareholders' approval.

The disclosures required to be made in such circular for these types of transactions are prescribed in the Listing Manual.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Rule 1007, Listing Manual**

- (1) If any of the relative figures computed pursuant to Rule 1006 is a negative figure, Chapter 10 of the Listing Manual may still be applicable to the transaction at the discretion of the SGX-ST, and issuers should consult the SGX-ST.
- (2) Where the disposal of an issuer's interest in a subsidiary is undertaken in conjunction with an issue of shares by that subsidiary, the relative figures in Rule 1006 must be computed based on the disposal and the issue of shares.

Summarily, transactions are categorised as follows:

- Non-Discloseable Transaction: Where all of the relative figures in Rule 1006 is 5% or less
- Discloseable Transaction: Where any of the relative figures in Rule 1006 exceeds 5% but does not exceed 20%
- Major Transaction: Where any of the relative figures in Rule 1006 exceeds 20%
- Very Substantial Acquisition or Reverse Takeover: Where any of the relative figures in Rule 1006 is 100% or more, or where there is a change in control of the issuer

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Rule 1008(1), Listing Manual**

Where a transaction is classified as a Non-Discloseable Transaction, unless Rule 703, 905 or 1009 of the Listing Manual applies, no announcement of the transaction is required.

Rule 1009, Listing Manual

If the consideration is satisfied wholly or partly in securities for which listing is being sought, the issuer must announce the transaction as soon as possible after the terms have been agreed, stating the information set out in Chapter 10 Part VI of the Listing Manual.

Rule 1010, Rule 1014(1) and Rule 1015(1), Listing Manual

Where a transaction is classified as a Discloseable Transaction, Major Transaction or Very Substantial Acquisition/Reverse Takeover, the Company must make an immediate announcement, which includes the details prescribed in Rule 1010 of the Listing Manual (as set out below).

- (1) Particulars of the assets acquired or disposed of, including the name of any company or business, where applicable;
- (2) A description of the trade carried on, if any;
- (3) The aggregate value of the consideration, stating the factors taken into account in arriving at it and how it will be satisfied, including the terms of payment;
- (4) Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof;

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (5) The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired or disposed of, and in respect of the latest available valuation, the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation;
- (6) In the case of a disposal, the excess or deficit of the proceeds over the book value, and the intended use of the sale proceeds. In the case of an acquisition, the source(s) of funds for the acquisition;
- (7) The net profits attributable to the assets being acquired or disposed of. In the case of a disposal, the amount of any gain or loss on disposal;
- (8) The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year;
- (9) The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year;
- (10) The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction;
- (11) Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests;

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (12) Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction; and
- (13) The relative figures that were computed on the bases set out in Rule 1006.

Rule 1014(2) and Rule 1015(2) of the Listing Manual

Further, transactions that are Major Transactions or Very Substantial Acquisitions/Reverse Takeovers are subject to the prior approval of shareholders. A circular to shareholders will need to be distributed to seek such approval. The disclosures required to be made in such circular for these types of transactions are prescribed in the Listing Manual.

Rule 1015(1)(b) and Rule 1015(2) of the Listing Manual

For transactions that are Very Substantial Acquisitions or Reverse Takeovers, the issuer must also announce the latest three years of proforma financial information of the assets to be acquired and obtain the approval of the SGX-ST. The enlarged group must also comply with the requirements in Rule 1015(3) of the Listing Manual.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****2. Chapter 13 of the Listing Rules****Rule 705, Listing Manual: Financial Statements**

An issuer is required to:

- (1) send to its every member and every other holder of its listed securities its annual report including its annual accounts not less than 21 days before the date of the issuer's annual general meeting and in any event not more than four months after its financial year end to which the report relate;
- (2) send to its every member and every other holder of its listed securities its interim report not later than three months after the end of the first half year period in its financial year;
- (3) announce its preliminary results for each financial year within three months after its financial year end; and
- (4) announce its preliminary results for the first half of each of its financial year period within two months after the end of such half year period.

- (1) An issuer must announce the financial statements for the full financial year immediately after the figures are available, but in any event not later than 60 days after the relevant financial period.
- (2) An issuer must announce the financial statements for each of the first three quarters of its financial year immediately after the figures are available, but in any event not later than 45 days after the quarter end if:
 - (a) its market capitalization exceeded S\$75 million as at 31 March 2003; or
 - (b) it was listed after 31 March 2003 and its market capitalisation exceeded S\$75 million at the time of listing (based on the IPO issue price); or
 - (c) its market capitalisation is S\$75 million or higher on the last trading day of each calendar year commencing from 31 December 2006. An issuer whose obligation falls within this sub-section (c) will have a grace period of a year to prepare for quarterly reporting. As an illustration, an issuer whose market capitalisation is S\$75 million or higher as at the end of the calendar year 31 December 2006 must announce its quarterly financial statements for any quarter of its financial year commencing in 2008.

Rule 4.03

All accountants' reports must be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) for appointment as auditors of a company and who are independent of both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance of the Laws of Hong Kong and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants.

No. Listing Rules and Hong Kong Laws

Listing Manual and Singapore Laws

Notwithstanding the grace period, all issuers whose obligation falls under this sub-section (c) are strongly encouraged to adopt quarterly reporting as soon as possible.

- (3) (a) An issuer who falls within the sub-sections in Rule 705(2) above must comply with Rule 705(2) even if its market capitalization subsequently decreases below S\$75 million.
 - (b) An issuer who does not fall within the sub-sections in Rule 705(2) above must announce its first half financial statements immediately after the figures are available, but in any event not later than 45 days after the relevant financial period.
- (4) Notwithstanding the foregoing, with respect to the first announcement to be made by the issuer pursuant to Rules 705(1) or (2) following its listing on the Exchange, where the time period between the date of its listing and the final date for the issuer to make the relevant announcement pursuant to Rule 705(1) or (2) above is less than 30 days, the issuer shall have 30 days from the relevant deadline to make the relevant announcement of the financial statements provided that the following conditions are satisfied:
 - (a) the extension is announced by the issuer at the time of the issuer's listing; and
 - (b) in the announcement referred to in paragraph (a), the issuer must confirm that there is no material adverse change to the financial position of the issuer since the date of its prospectus or introductory document issued in connection with its listing on the SGX-ST.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (5) In the case of an announcement of interim financial statements (quarterly or half-yearly, as applicable, but excluding full year financial statements), an issuer's directors must provide a confirmation that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect. In order to make this confirmation, Directors would not be expected to commission an audit of these financial statements. The confirmation may be signed by 2 directors on behalf of the board of directors.

Rule 707, Listing Manual: Annual Report

- (1) The time between the end of an issuer's financial year and the date of its annual general meeting (if any) must not exceed four months.
- (2) An issuer must issue its annual report to shareholders and the SGX-ST at least 14 days before the date of its annual general meeting.

**Rule 712 and 713, Listing Manual:
Appointment of Auditors Rule 712:**

- (1) An issuer must appoint a suitable accounting firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the accounting firm and the persons assigned to the audit, the firm's audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (2) A change in auditors must be specifically approved by shareholders in a general meeting.

Rule 713

- (1) An issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. The audit partner must not be in charge of more than 5 consecutive audits for a full financial year, the first audit being for the financial year beginning on or after 1 January 1997, regardless of the date of listing. The audit partner may return after two years.
- (2) If the listing of an issuer occurs after 5 consecutive audits by the same audit partner in charge, the same audit partner may complete the audit of the financial year in which the issuer lists.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Share Dispersion Requirement****3. Rule 8.08**

Save and except for the circumstances specified under Chapter 8 of the Listing Rules, an issuer must maintain at least 25% of its total issued share capital at all times be held by the public.

Under Rule 723 of the Listing Manual, an issuer must ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.

Under Rule 724 of the Listing Manual, if the percentage of securities in public hands falls below 10%, the issuer must make an announcement and the SGX-ST may suspend trading of the class, or all the securities of the issuer.

Under Rule 725 of the Listing Manual, the SGX-ST may allow the issuer a period of 3 months, or such longer period as the SGX-ST may agree, to raise the public percentage to at least 10%, failing which the issuer may be delisted if it fails to restore the percentage of securities in public hands to at least 10% after the period.

Shareholders' reporting obligations

Obligation to notify Company and SGX of substantial shareholding and change in substantial shareholding.

No. Listing Rules and Hong Kong Laws**4. Part XV of the SFO**

Substantial shareholders, being individuals and corporations who are interested in 5% or more of any class of voting shares in an issuer must disclose their interests and short positions in voting shares of such issuer upon the occurrence of the relevant events as prescribed under the SFO.

For relevant events falling under the category of “initial notification” as provided for under section 2.7 of the “Outline of Part XV of the SFO – Disclosure of Interests” issued by the SFC (the “Outline”), the time allowed for filing a notice is 10 business days after the occurrence of the relevant event. As for other relevant events, the time allowed for filing a notice is 3 business days after the occurrence of the relevant event.

Listing Manual and Singapore Laws**Substantial shareholder**

Under the Singapore Companies Act (Cap 50) (“Singapore Companies Act”), a substantial shareholder (i.e. shareholder having not less than 5 per cent of the total votes attached to all the voting shares in the company) of a company shall within 2 business days after becoming a substantial shareholder, or when there is a change in the percentage level (as defined in the Singapore Companies Act) of the substantial shareholder’s interest, or when he ceases to be a substantial shareholder, give notice in writing to the company.

Under the Securities and Futures Act (Cap 289) (“Singapore SFA”), a substantial shareholder shall within 2 business days after becoming a substantial shareholder, or when there is a change in the percentage level of the substantial shareholder’s interest, or when he ceases to be a substantial shareholder give notice in writing to the SGX-ST.

Section 81 of the Singapore Companies Act

A person has a substantial shareholding in a company being a company the share capital of which is divided into 2 or more classes of shares, if (a) he has an “interest” in or interests in one or more voting shares included in one of those classes; and (b) the total votes attached to that share, or those shares is not less than 5 per cent of the total votes attached to all the voting shares included in that class.

“voting shares” exclude treasury shares and a person who has a substantial shareholding in a company is a substantial shareholder in that company.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Section 82 of the Singapore Companies Act**

A substantial shareholder of a company is required to notify the company in writing of his “interests” in the voting shares in the company within **2 business days** after becoming a substantial shareholder, stating his name and address and full particulars (including unless the interest or interests cannot be related to a particular share or shares the name of the person who is registered as the holder) of the voting shares in the company in which he has an interest or interests and full particulars of each such interest and of the circumstances by reason of which he has that interest. The notice shall be so given notwithstanding that the person has ceased to be a substantial shareholder before the expiration of the two business days.

Sections 83 and 84 of the Singapore Companies Act

A substantial shareholder is required to notify the company of changes in the “percentage level” of his shareholding or his ceasing to be a substantial shareholder, again within **2 business days** after he is aware of such changes.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

The reference to changes in “percentage level” means the percentage figure ascertained by expressing the total votes attached to all the voting shares in which the substantial shareholder has an interest or interests immediately before or (as the case may be) immediately after the relevant time as a percentage of the total votes attached to—

- (a) all the voting shares in the company; or
- (b) where the share capital of the company is divided into 2 or more classes of shares, all the voting shares included in the class concerned, and, if it is not a whole number, rounding that figure down to the next whole number.

The notice must contain:

- (a) the name and address of the substantial shareholder;
- (b) the date of the change and the circumstances leading to that change; and
- (c) such other particulars as may be prescribed.

Section 137(1), SFA

A substantial shareholder is also required to give the above notifications to the SGX-ST at the same time.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****5. Part XV of the SFO****Directors**

Directors and chief executives of an issuer must disclose any of their interests, short and long positions in any shares in the issuer (or any of its associated corporations) and their interests in any debentures or the issuer (or any of its associated corporations) upon the occurrence of the relevant events as prescribed under the SFO.

For relevant events falling under the category of “initial notification” as provided for under section 2.7 of the Outline, the time allowed for filing a notice is 10 business days after the occurrence of the relevant event. As for other relevant events, the time allowed for filing a notice is 3 business days after the occurrence of the relevant event.

Under section 164(1) of the Companies Act (Cap 50), a company shall keep a register showing with respect to each director of the company particulars of:

- (a) shares;
- (b) debentures;
- (c) rights or options of the director; and
- (d) contracts to which the director or under which he is entitled to a benefit;

of the company or a related company.

A director of a company shall be deemed to hold or have an interest or a right in or over any shares or debentures if the spouse or infant child of the director holds or has an interest or a right in or over any shares or debentures or makes or is granted any contract, assignment or right of subscription.

Under section 165(1) of the Singapore Companies Act, a director of a company shall give notice in writing to the company of such particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the first-mentioned company with section 164, among other disclosure requirements.

No. Listing Rules and Hong Kong Laws**Purchase of Treasury Stocks****6. Rule 10.06(1)**

An issuer with primary listing on the Stock Exchange may only purchase its shares on the Stock Exchange directly or indirectly, if the relevant shares are fully-paid up, the issuer has provided its shareholders with the information as required by Rule 10.06(1) of the Listing Rules and that the shareholder of the issuer has given specific approval or a general mandate to the directors to make such a purchase by way of an ordinary resolution at a General Meeting of issuer duly convened and held, provided that the amount of shares so purchased under the general mandate shall not exceed 10% of the issued share capital of the issuer as at the date of the passing of the relevant shareholders' resolution granting the mandate of purchase.

Listing Manual and Singapore Laws**Share Buyback****(a) Shareholder Approval****Rule 881, Listing Manual**

An issuer may purchase its own shares if it has obtained the prior specific approval of shareholders in general meeting.

Rule 882, Listing Manual:

A share buy-back may only be made by way of on-market purchases transacted through SGX-ST's Central Limit Order Book trading system ("market acquisition") or on another stock exchange on which the issuer's securities are listed or by way of an off-market acquisition in accordance with an equal access scheme as defined in section 76C of the Companies Act.

No. Listing Rules and Hong Kong Laws**Rule 10.06(1)(a)**

For the purpose of obtaining shareholders' approval, the issuer must have previously sent to its shareholders an Explanatory Statement (at the same time as the notice of the notice of the relevant shareholders' meeting) which sets out information required under Rule 10.06(1)(b) of the Listing Rules to enable those shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the purchase, including:

- (1) the total number and description of shares which the issuer proposes to purchase;
- (2) reasons for the proposed purchase of shares;
- (3) the proposed source of funds for making the proposed purchase of shares, which shall be funds legally available for such purposes in accordance with the issuer's constitutive documents and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;
- (4) any material adverse impact on the working capital or gearing position of the issuer in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period;
- (5) a statement of the name of any directors, and to the best of the knowledge of the directors having made all reasonable enquiries, any associates of the directors, who have a present intention, in the event that the proposal is approved by shareholders, to sell shares to the issuer, or an appropriate negative statement;

Listing Manual and Singapore Laws**Rule 883, Listing Manual**

For the purpose of obtaining shareholder approval, the issuer must provide at least the following information to shareholders:

- (1) The information required under the Singapore Companies Act;
- (2) The reasons for the proposed share buy-back;
- (3) The consequences, if any, of share purchases by the issuer that will arise under the Singapore Takeover Code or other applicable takeover rules;
- (4) Whether the share buy-back, if made, could affect the listing of the issuer's Equity securities on the SGX-ST;
- (5) Details of any share buy-back made by the issuer in the previous 12 months, giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (6) Whether the shares purchased by the issuer will be cancelled or kept as treasury shares.

**(b) Shareholding Spread Requirements
Rule 723, Listing Manual**

An issuer must ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (6) undertaking by the directors to the Stock Exchange to exercise the power of the issuer to make purchases pursuant to the proposed resolution in accordance with the Listing Rules and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;
- (7) the consequences of any purchases which will arise under the HK Takeovers Code of which the Directors are aware, if any;
- (8) details of any purchases by the issuer of share made in previous 6 months (whether on the Stock Exchange or otherwise), giving the date of each purchase and the purchase price per share or the highest and lowest prices paid for such purchases, where relevant;

No. Listing Rules and Hong Kong Laws

- (9) whether or not any connected persons of the issuer have notified the issuer that they have any present intention to sell shares to the issuer or have undertaken not to sell any of the shares held by them to the issuer, in the event that the issuer is authorised to make purchases of shares;
- (10) the highest and lowest prices at which the relevant shares have traded on the Stock Exchange during each of the previous 12 months; and
- (11) the disclaimer of the Stock Exchange in the form set out under the Listing Rules.

Rule 8.08

There must be an open market in the securities for which listing is sought. This will normally mean at least 25% of the issuer's total issued share capital must at all times be held by the public, although if the market capitalisation of the company is over HK\$10 billion, the Stock Exchange may accept a percentage of between 15% and 25%. In addition, there must be a minimum of 300 public shareholders and not more than 50% of the shares in public hands at the time of listing can be beneficially owned by the three largest public shareholders.

Rule 10.06(2)

The repurchase of shares by an issuer is subject to various dealing restrictions, including, among others, that an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange.

Listing Manual and Singapore Laws**(c) Dealing Restrictions:
Rule 884, Listing Manual**

In the case of a Market Purchase, the purchase price must not exceed 5% of the Average Closing Price.

"Average Closing Price" means the average of the closing market prices of a share over the last 5 market days preceding the day of the Market Purchase on which transactions in the shares were recorded and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

Rule 885, Listing Manual

In the case of an off-market purchase in accordance with an equal access scheme, an issuer must issue an offer prospectus to all shareholders containing at least the following information:

- (1) Terms and conditions of offer
- (2) Period and procedures for acceptances', and
- (3) Information in Rule 883(2), (3), (4) and (5)

**(d) Reporting Requirements
Rule 886(1), Listing Manual**

An issuer must notify the SGX-ST of any share buy-back as follows:

- (a) in the case of a market acquisition, by 9.00 am on the market day following the day on which it purchased shares,
- (b) in the case of an off market acquisition under an equal access scheme, by 9.00 am on the second market day after the close of acceptances of the offer.

No. Listing Rules and Hong Kong Laws**Rule 10.06(4)**

An issuer is required to report to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the issuer makes a purchase of shares, the total number of shares purchased by the issuer the previous day, the purchase price per share or the highest and lowest prices paid for such purchases, where relevant, and shall confirm that those purchases, which were made on the Stock Exchange, were made in accordance with the Listing Rules by filing a Form G in Appendix 5 of the Listing Rules which contains the prescribed details with the Stock Exchange.

Solicitation for Proxy

- Investors holding securities in listed companies listed on the Stock Exchange through CCASS who want to attend the shareholders' meetings in person or appoint proxies to vote on their behalf have to solicit for proxy by giving instructions to CCASS directly or through their broker firms (as the case may be) to authorise the investors as corporate representatives or proxies of HKSCC Nominees Limited (or any successor thereto) in respect of such shareholding of the investors in the listed companies.

Listing Manual and Singapore Laws**Rule 886(2), Listing Manual**

Notification of a purchase by the company of its shares must be in the form of Appendix 8.3.2 of the Listing Manual. Such notification would include, *inter alia*, the name of the overseas exchange on which the company's shares are also listed, the maximum number of shares authorised for purchase, details of the total number of shares authorised for purchase, the date of purchases, the total number of shares purchased, the purchase price per share, the highest and lowest prices paid for such shares, the total purchase consideration, the cumulative number of shares purchased to date and the number of issued shares after the purchase.

Depositors who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the SGM supplied by CDP to our Company, may attend as CDP's proxies. Such Depositors who are individuals and who wish to attend the SGM in person need not take any further action and can attend and vote at the SGM.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Issuance of New Shares, Convertible Bonds or Bonds with Warrants****8. Rule 13.36(5)**

In case of a placing of securities for cash consideration, the issuer may not issue any securities pursuant to a general mandate given by its shareholders if the relevant price represents a discount of 20% or more to the benchmarked price of the securities prescribed under the Listing Rules, unless the Stock Exchange is satisfied that the issuer is in a serious financial position and the only way that it can be saved is by an urgent rescue operation, or that there are other exceptional circumstances.

Rule 15.02

The securities to be issued on exercise of warrants to subscribe securities must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued equity capital of the issuer at the time such warrants are issued.

Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of this limit.

Also, such warrants must expire not less than 1 and not more than 5 years from the date of issue or grant and must not be convertible into further rights to subscribe securities which expire less than 1 year or more than 5 years after the date of issue or grant of the original warrants.

Pricing Formulae prescribed under the Listing Manual for various Issues of Additional Securities**Issue of Shares, Company Warrants and Convertible Securities For Cash (Other than Rights Issues)****Rule 811, Listing Manual**

- (1) An issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement agreement is signed.

note⁽¹⁾: On 19 February 2009, SGX-ST announced a series of interim measures to accelerate and facilitate listed issuers' fund raising efforts. One of the interim measures is to allow listed issuers to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such units is executed. This interim measure will be effective until 31 December 2010.

In view of the interim measures, at the annual general meeting of our Company held on 30 July 2009, the Shareholders of our Company passed a resolution to authorise the Directors to issue New Shares on a non pro-rata basis, at a discount of not more than 20% to the weighted average market price of the Shares, determined in accordance with the requirement of SGX-ST.

No. Listing Rules and Hong Kong Laws**Rule 15.03**

The circular or notice to be sent to shareholders convening the requisite meeting under Rule 15.02 must include at least the following information:

- (1) the maximum number of securities which would be issued on exercise of the warrants;
- (2) the period during which the warrants may be exercised and the date when this right commences;
- (3) the amount payable on the exercise of the warrants;
- (4) the rights of the holders on the liquidation of the issuer;
- (5) the arrangements for transfer or transmission of the warrants;
- (6) the arrangements for the variation in the subscription or purchase price or number of securities to take account of alterations to the share capital of the issuer;
- (7) the rights (if any) of the holders to participate in any distribution and/or offers of further securities made by the issuer; and
- (8) a summary of any other material terms of the warrants.

Listing Manual and Singapore Laws

- (2) An issue of company warrants or other convertible securities is subject to the following requirements:
 - (a) if the conversion price is fixed, the price must not be more than 10% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement.
 - (b) if the conversion price is based on a formula, any discount in the price-fixing formula must not be more than 10% of the prevailing market price of the underlying shares before conversion.
- (3) Rule 811 (1) and (2) is not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.

Issue of Company Warrants or other Convertible Securities, by way of a Rights Issue or Bought Deal or otherwise**Rule 824, Listing Manual**

Every issue of company warrants or other convertible securities not covered under a general mandate must be specifically approved by shareholders in general meeting.

Rule 825, Listing Manual

In procuring the approval of shareholders in a general meeting, the circular to the shareholders must include the recommendations of the board of directors of the issuer on such an issue of company warrants or convertible securities and the basis for such recommendation(s).

No. Listing Rules and Hong Kong Laws**Rule 17.03**

The terms and provisions of the scheme must provide, *inter alia*:

- (1) the purpose of the scheme;
- (2) the participants of the scheme and the basis of determining the eligibility of the participants;
- (3) the total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10% of the relevant class of securities of the issuer (or the subsidiary) in issue together with the percentage of the issued share capital that it represents as at the date of approval of the scheme. The limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30% of the relevant class of securities of the issuer (or subsidiary) in issue from time to time;

Listing Manual and Singapore Laws**Rule 829, Listing Manual**

The terms of the issue must provide for:

- (1) adjustment to the exercise or conversion price and, where appropriate, the number of company warrants or other convertible securities, in the event of rights, bonus or other capitalisation issues;
- (2) the expiry of the company warrants or other convertible securities to be announced, and notice of expiry to be sent to all holders of the company warrants or other convertible securities at least 1 month before the expiration date; and
- (3) any material alteration to the terms of company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue.

Rule 830, Listing Manual

An issuer must announce any adjustment made pursuant to Rule 829(1).

Rule 831, Listing Manual

Except where the alterations are made pursuant to the terms of an issue, an issuer must not:

- (i) extend the exercise period of an existing company warrant;
- (ii) issue a new company warrant to replace an existing company warrant;
- (iii) change the exercise price of an existing company warrant; or
- (iv) change the exercise ratio of an existing company warrant.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Rule 832, Listing Manual**

A circular or notice to be sent to shareholders in connection with a general meeting to approve the issue of company warrants or other convertible securities must include at least the following information:

- (1) The maximum number of the underlying securities which would be issued or transferred on exercise or conversion of the company warrants or other convertible securities.
- (2) The period during which the company warrants or other convertible securities may be exercised and the dates when this right commences and expires.
- (3) The amount payable on the exercise of the company warrants or other convertible securities.
- (4) The arrangements for transfer or transmission of the company warrants or other convertible securities.
- (5) The rights of the holders on the liquidation of the issuer.
- (6) The arrangements for the variation in the subscription or purchase price and in the number of company warrants or other convertible securities in the event of alterations to the share capital of the issuer.
- (7) The rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer.
- (8) A summary of any other material terms of the company warrants or other convertible securities.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (9) The purpose for and use of proceeds of the issue, including the use of future proceeds arising from the conversion/exercise of the company warrants or other convertible securities.
- (10) The financial effects of the issue to the issuer.

Rule 833, Listing Manual

The following additional requirements apply to an offer of company warrants or other convertible securities by way of a rights issue or bought deal:

- (1) The issuer's announcement of the rights issue or bought deal must include either
 - (a) the exercise or conversion price of the company warrants or other convertible securities, or
 - (b) a price-fixing formula to determine the exercise or conversion price. The price-fixing formula must not contain any discretionary element and the amount of premium or discount (in relation to the underlying share price) must be specified.

No. Listing Rules and Hong Kong Laws

- (4) the maximum entitlement of each participant under the scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the issuer (or the subsidiary) in issue;

Listing Manual and Singapore Laws

- (2) Where a price-fixing formula is adopted:
- (a) if the issue is not underwritten, the issuer must fix and announce the exercise or conversion price before the close of the offer; or
 - (b) if the issue is underwritten, the issuer must fix and announce the exercise or conversion price before the commencement of nil-paid rights trading.
- (3) An offer of company warrants or convertible securities by way of a bought deal must comply with Chapter 8 Part V of the Listing Manual.

Rule 834, Listing Manual

For the purpose of this Part, a “bought deal” is an issue of company warrants or other convertible securities to a financial institution which will in turn offer them to the issuer’s shareholders on a pro-rata basis, usually in conjunction with a loan facility provided by that financial institution to the issuer.

Rule 835, Listing Manual

An issuer making a bonus issue of company warrants must also comply with Rules 836 and 837 of the Listing Manual.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (5) the period within which the securities must be taken up under the option, which must not be more than 10 years from the date of grant of the option;
- (6) the minimum period, if any, for which an option must be held before it can be exercised;
- (7) the performance targets, if any, that must be achieved before the options can be exercised or if none, a negative statement to that effect;
- (8) the amount, if any, payable on application or acceptance of the option and the period within which payments or calls must be made or loans for such purposes must be repaid;
- (9) the basis of determination of the exercise price; the exercise price of the scheme, which must at least be the higher of:
 - (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
 - (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

Share Option Schemes or Share Schemes Rule 845, Listing Manual

A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated.

For SGX Main Board issuers, the following limits must not be exceeded:

- (1) The aggregate number of shares available under all schemes must not exceed 15% of the total number of issued shares excluding treasury shares from time to time;
- (2) The aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under a scheme;
- (3) The number of shares available to each controlling shareholder or his associate must not exceed 10% of the shares available under a scheme;
- (4) The aggregate number of shares available to directors and employees of the issuer's parent company and its subsidiaries must not exceed 20% of the shares available under a scheme; and
- (5) The maximum discount under the scheme must not exceed 20%. The discount must have been approved by shareholders in a separate resolution.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (10) the voting, dividend, transfer and other rights, including those arising on a liquidation of the listed issuer, attaching to the securities and (if appropriate) any such rights attaching to the options themselves.
- (11) the life of the scheme, which must not be more than 10 years;
- (12) the circumstances under which options will automatically lapse;
- (13) a provision for adjustment of the exercise price or the number of securities subject to options already granted and to the scheme in the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction in capital;
- (14) a provision for the cancellation of options granted but not exercised;
- (15) unless the securities subject to the scheme are identical with other securities, a provision that they must be separately designated;
- (16) where there is a provision for termination of the operation of the scheme before the end of its life, a provision for the treatment of options granted under the scheme but not yet exercised at the time of termination;
- (17) transferability of options; and
- (18) the specific terms of the scheme that can be changed by directors or scheme administrators without the approval of shareholder of the listed issuer in general meeting.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

When securities are offered to the public, a prospectus must be prepared and registered unless the offer falls within the scope of exempted offers specified under the Companies Ordinance (Cap 32 of the Laws of Hong Kong).

Section 57B of the Companies Ordinance and Rule 13.36 of the Listing Rules

Powers of directors to issue and allot shares or otherwise grant securities convertible into shares or options or warrants or similar rights to subscribe for any shares or such convertible securities are usually vested in them subject to the provisions in the memorandum and articles of association or equivalent documents of the issuer.

Notwithstanding anything to the contrary in a company's memorandum or articles or equivalent documents, the directors shall not without the prior approval of the company in general meeting exercise any power of the company to allot shares. Provided that, no such prior approval from shareholders of an issuer is required in relation to the allotment of shares in the issuer under an offer made pro rata by the issuer to its members.

Shareholders may grant a general mandate to the directors to issue and allot shares, provided that the amount of shares to be issued in aggregate must be within 20% of the total amount of issued shares of the issuer at the time when the mandate was granted.

No. Listing Rules and Hong Kong Laws

According to Rule 13.36(5) of the Listing Rules, in the case of issue of placing of securities for cash consideration, the issuer must not issue any securities pursuant to a general mandate if the relevant price represents a discount of 20% or more to the benchmarked price of the securities, such benchmarked price being the higher of:

- (a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
- (b) the average of the closing prices in the 5 trading days immediately prior to the earlier of:
 - (i) the date of the announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate;
 - (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
 - (iii) the date on which the placing or subscription price is fixed.

Rule 13.36(3) and 13.36(4)

A general mandate to directors to issue and allot shares shall only continue in force until (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution at which time it shall lapse, unless such mandate is renewed by the shareholders; or (b) revoked or varied by the shareholders at general meeting.

Listing Manual and Singapore Laws**Offering of Securities in Singapore**

No person shall make an offer of securities in Singapore unless that offer is accompanied by a prospectus or falls within any of the exemptions provided under the SFA.

Power of Directors to Allot and Issue Shares

The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the Bye-laws of that company. However, notwithstanding anything to the contrary in the Bye-laws of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares. Such approval need not be specific but may be general.

Rule 806(1), Listing Manual

An issuer is not required to obtain the prior approval of shareholders in a general meeting for the issue of securities if the shareholders had, by ordinary resolution in a general meeting, given a general mandate to the directors of the issuer, either unconditionally or on such conditions, to issue.

No. Listing Rules and Hong Kong Laws

Where the issuer has obtained a general mandate from its shareholders, any refreshment of the general mandate before the next annual general meeting shall be subject to, shall be subject to the following provisions:

- (a) any controlling shareholder and their associates or, where there are no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour;
- (b) the Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolution at the general meeting:
 - (i) any parties who were controlling shareholder of the issuer at the time the decision to seek a refreshment of the mandate was made or approved by the board, and their associates; or
 - (ii) where there were no such controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of the issuer at the time the decision to seek a refreshment of the mandate was made or approved by the board, and their respective associates;
- (c) the issuer must comply with the requirements set out in rules 13.39(6) and (7), 13.40, 13.41 and 13.42;

Listing Manual and Singapore Laws**Rule 806(2), Listing Manual**

A general mandate must limit the aggregate number of shares and convertible securities that may be issued. The limit must be not more than 50% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares excluding treasury shares.

Unless prior shareholder approval is required under the Listing Rules, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

Rule 806(6), Listing Manual

A general mandate may remain in force until the earlier of the following:

- (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution. By an ordinary resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or
- (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

No. Listing Rules and Hong Kong Laws

- (d) the relevant circular to shareholders must contain information relating to the issuer's history of refreshments of mandate since the last annual general meeting, the amount of proceeds raised from the utilisation of such mandate, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount. The circular must also contain information required under rule 2.17; and
- (e) where the issuer offers or issues securities to its shareholders pro rata to their existing holdings (including where overseas shareholders are excluded for legal or regulatory reasons), it will not be necessary for the issuer to comply with rules 13.36(4)(a), (b) or (c) in order for it to refresh its general mandate immediately thereafter such that the amount in percentage terms of the unused part of the general mandate upon refreshment is the same as the unused part of the general mandate immediately before the issue of securities. In such cases, it need only obtain approval from its shareholders and comply with rule 13.36(4)(d).

Rule 13.36(1)(a)

Unless otherwise excepted under the Listing Rules, which include the issue and allotment pursuant to a general mandate granted to the directors of the issuer, the directors of the issuer shall obtain the consent of shareholders in general meeting prior to allotting, issuing or granting any shares, securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

The Stock Exchange, in determining whether to grant listing approval and permission to deal in shares of an issuer, will take into account various factors including whether the issuer has complied with the Listing Rules and if full disclosure of the material facts relating to the issue of shares have been made.

Listing Manual and Singapore Laws**Specific Mandate
Rule 824, Listing Manual**

Every issue of company warrants or other convertible securities not covered under a general mandate must be specifically approved by shareholders in general meeting.

Rule 864, Listing Manual

The following are some of the factors which will be taken into account by the SGX-ST in considering an application for listing of additional equity securities:

- (1) Rationale for the issue;
- (2) Whether the issuer is and has been in compliance with the listing rules;
- (3) Whether the issuer has made full disclosure of the material facts relating to the issue necessary for the exchange to decide on the application; and
- (4) the SGX-ST must be notified immediately if, before the commencement of dealing in any equity securities which are the subject of an application, the issuer becomes aware that:
 - (a) There has been a significant charge affecting any matter contained in the application; or
 - (b) A significant new matter has arisen, which would have been required to be included in the application if it had arisen before the application was submitted.

"significant" means significant for the purpose of making an assessment of the activities, assets and liabilities, financial position, management and prospects of the group, and of its profits and losses and of the rights attaching to the securities.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Prohibition of Unfair Trading Activities****Sections 218 and 219, SFA****9. Section 270 of the SFO**

In general terms, subject to the specified exempted circumstances, Section 270 of the SFO prohibits persons from dealing in listed securities (or their derivatives) of a corporation, or otherwise counsels or procures another person to deal in such listed shares (or their derivatives) when such person is connected with the corporation and has information which he knows is relevant information in relation to the corporation.

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if any such person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it was generally available it might have a material effect on the price or value of securities of that corporation.

Such persons include:

10. Section 278 of the SFO

In general terms, Section 278 of the SFO prohibits persons to carry out 2 or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction increase reduce or stabilize, or are likely to increase, reduce or stabilize the price of any securities traded on a relevant recognized market or by means of authorised automated trading services, with the intention of inducing another person to purchase or subscribe for, or to refrain from selling, securities of the corporation or of a related corporation of the corporation.

(1) Officers of a corporation or a related corporation;

(2) Substantial shareholders of a corporation or a related corporation; and

(3) A Person who occupies a position reasonably expected to give him access to inside information by virtue of:

– professional or business relationship existing between himself (or his employer or a corporation of which he is an officer) and that corporation or a related corporation; or

– being an officer of a substantial shareholder in that corporation or in a related corporation.

11. Rules 3.10 and 8.12

Every board of directors of an issuer must include at least three independent non-executive directors. A new applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means to have at least two of its executive directors be ordinarily resident of Hong Kong.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Securities Market Manipulation
Section 198(1), SFA**

No person shall effect, take part in, be concerned in or carry out, directly or indirectly, 2 or more transactions in securities of a corporation, being transactions that have, or are likely to have the effect of raising, lowering, maintaining, or stabilising the price of the securities with intent to induce other persons to subscribe for, purchase or sell securities of the corporation or of a related corporation.

**Board composition
Rule 720, Listing Manual**

An issuer must comply with Rule 210(5) and Rule 221 (if applicable) on a continuing basis.

- (1) Without limiting the generality of the foregoing, where a director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds, he must immediately resign from the board of directors of the issuer. An announcement containing the details in Appendix 7.5.2 of the Listing Manual must be made.

Rule 210(5)(c), Listing Manual

The issuer's board must have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****12. Rules 3.21, 3.22 and paragraph C.3 of Appendix 14 of the Listing Rules**

Every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director. The board of directors of the listed issuer must approve and provide written terms of reference for the audit committee which clearly establish the committee's authority and duties.

Audit Committee**Rule 11 of the Code of Corporate Governance ("COCG")**

The Board or Directors should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Rule 11.1, COCG

The AC should comprise at least three directors, all non-executive, the majority of whom, including the chairman, should be independent.

No. Listing Rules and Hong Kong Laws**Rule 3.25 & paragraph B.1 of Appendix 14 of the Listing Rules**

It is a recommended best practice that issuers should establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.

Rule 3.25 & paragraph A.4 of Appendix 14 of the Listing Rules

It is a recommended best practice that issuers should establish a nomination committee, with specific written terms of reference which deal clearly with its authority and duties. A majority of the members should be independent non-executive directors.

Listing Manual and Singapore Laws**Rule 11.2, COCG**

The Board of Directors should ensure that at least 2 members of the AC should have accounting or related financial management expertise or experience.

**Remuneration Committee
Rule 7.1, COCG**

The Board of Directors should set up a Remuneration Committee ("RC") comprising entirely of non-executive directors, the majority of whom, including the chairman, are independent of management and free from any business or other relationships, which may materially interfere with the exercise of their independent judgment.

**Nominating Committee
Rule 4.1, COCG**

Companies should establish a Nominating Committee ("NC") to make recommendations to the Board on all Board appointments. The NC should comprise at least 3 directors, a majority of whom, including the Chairman should be independent. In addition, the NC Chairman should be a director who is not, or who is not directly associated with a substantial shareholder (with interest of 5% or more in the voting shares of the Company).

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Interested Person Transactions or Connected Transactions****13. Chapter 14A of the Listing Rules****Chapter 9, Listing Manual**

Chapter 14A of the Listing Rules specifies circumstances in which connected transactions and continued connected transactions between an issuer and certain specified persons (including connected persons) are, unless otherwise exempted, subject to the reporting, announcement, independent shareholders' approval requirements and/or annual review requirements.

Chapter 9 of the Listing Manual, which applies to our Company, prescribes situations in which transactions between entities at risk (as defined in the Listing Manual) and interested persons (as defined in the Listing Manual) are required to be disclosed or are subject to the prior approval of shareholders.

"Connected person" is defined to include a director, chief executive or substantial shareholder of the listed issuer, any person who was a director of the listed issuer within the preceding 12 months, a promoter or supervisor of a PRC issuer (as defined under the Listing Rules), the associates (with meaning ascribed to it under the Listing Rules) of the respective persons as aforesaid, any non wholly-owned subsidiary of the listed issuer where any connected person(s) of the listed issuer (other than at the level of its subsidiaries) is/are (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of such non wholly-owned subsidiary, and any subsidiary of such non wholly-owned subsidiary.

Rule 904, Listing Manual

For the purposes of Chapter 9, the following definitions apply:

- (1) "approved exchange " means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (2) "entity at risk" means:
 - (a) the issuer;
 - (b) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or
 - (c) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****Chapter 14A of the Listing Rules****Rule 14A.02**

Where any connected transaction is proposed, the transaction must be announced publicly by means of an announcement published in accordance with the Listing Rules and a circular must be sent to shareholders giving information about the transaction. Prior approval of the independent shareholders in general meeting will be required before the transaction can proceed, unless it is otherwise exempted under the Listing Rules. Certain categories of transactions are exempt from the disclosure and independent shareholders' approval requirements, and certain transactions are subject only to disclosure requirements. A connected person with a material interest in the transaction will not be permitted to vote at the meeting on the resolution approving the transaction.

Amongst other exemptions under the Listing Rules:

- (1) a one-off connected transaction on normal commercial terms will constitute a de minimis transaction under Rule 14A.31(2), which will be exempt from the reporting, announcement and independent shareholders' approval requirements, where each of the percentage ratios (other than the profits ratio) is less than 0.1%, or less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the listed issuer by virtue of its/his relationship(s) with the issuer's subsidiary or subsidiaries; or less than 5% and the total consideration is less than HK\$1,000,000; and

- (3) "financial assistance" includes:

- (a) the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and
- (b) the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another.

- (4) "interested person" means:

- (a) a director, chief executive officer, or controlling shareholder of the issuer; or
- (b) an associate of any such director, chief executive officer, or controlling shareholder.

- (5) "interested person transaction" means a transaction between an entity at risk and an interested person.

No. Listing Rules and Hong Kong Laws

- (2) a one-off connected transaction on normal commercial terms will be exempt from the independent shareholders' approval requirement only under Rule 14A.32 of the Listing Rules where each of the percentage ratios (other than the profits ratio) is less than 5%, or less than 25% and the total consideration is less than HK\$10,000,000.

As regards continuing connected transactions, amongst other exemptions under the Listing Rules:

- (1) a continuing connected transaction on normal commercial terms will constitute a de minimis transaction under Rule 14A.33(3), which will be exempt from the reporting, announcement and independent shareholders' approval requirements, where each of the percentage ratios (other than the profits ratio) is on an annual basis less than 0.1%, or less than 1% and the transaction is a connected transaction only because it involves a person who is a connected person of the listed issuer by virtue of its/his relationship(s) with the issuer's subsidiary or subsidiaries or less than 5% and the annual consideration is less than HK\$1,000,000; and

Listing Manual and Singapore Laws

- (6) "transaction" includes
- (a) the provision or receipt of financial assistance;
 - (b) the acquisition, disposal or leasing of assets;
 - (c) the provision or receipt of services;
 - (d) the issuance or subscription of securities;
 - (e) the granting of or being granted options; and
 - (f) the establishment of joint ventures or joint investments;

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

No. Listing Rules and Hong Kong Laws

- (2) a continuing connected transaction on normal commercial terms will be exempt from the independent shareholders' approval requirement only under Rule 14A.34 where each of the percentage ratios (other than the profits ratio) is on an annual basis less than 5%, or less than 25% and the annual consideration is less than HK\$10,000,000.

Rule 14A.45

The following details of the connected transaction must be included in the listed issuer's next published annual report and accounts:

- (1) the transaction date;
- (2) the parties to the transaction and a description of their connected relationship;
- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms; and
- (5) the nature and extent of the connected person's interest in the transaction.

Listing Manual and Singapore Laws**When Announcement Required****Rule 905, Listing Manual**

- (1) An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets.
- (2) If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the group's latest audited net tangible assets, the issuer must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.
- (3) Rule 905(1) and (2) does not apply to any transaction below \$100,000.

When Shareholder Approval Required**Rule 906, Listing Manual**

- (1) An issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:
 - (a) 5% of the group's latest audited net tangible assets; or

No. Listing Rules and Hong Kong Laws**Rules 14A.25 and 14A.27A**

The Stock Exchange will aggregate a series of connected transactions and treat them as if they were one transaction if they were all completed within a 12 -month period or are otherwise related. In such cases, the listed issuer must comply with the requirements for the relevant classification of the connected transactions when aggregated.

For the purpose of aggregating connected transactions, the issuer must consult the Hong Kong Stock Exchange before it enters into any proposed connected transaction(s) if:

- (1) any circumstances described in Rule 14A.26 or Rule 14A.27 exist in respect of such proposed connected transaction(s) any other connected transaction(s) entered into by the listed issuer in the preceding 12 -month period; or
- (2) the proposed connected transaction(s) and any other transaction(s) entered into by the issuer involve acquisitions of assets from a person or group of persons or any of his/their associates within 24 months of such person or group of persons gaining control (as defined in the Takeovers Code) of the issuer (other than at the level of its subsidiaries)

The issue must provide details of the transactions to the Hong Kong Stock Exchange to enable it to determine whether the transactions will be aggregated.

Listing Manual and Singapore Laws

- (b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

- (2) Rule 906(1) does not apply to any transaction below \$100,000.

Rule 907, Listing Manual

An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the prescribed format.

Rule 908, Listing Manual

In interpreting the term "same interested person" for the purpose of aggregation in Rules 905 and 906, the following applies:

- (1) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.

No. Listing Rules and Hong Kong Laws**Rule 14A.26**

Factors which the Stock Exchange may take into account in determining whether connected transactions will be aggregated include whether the transactions:

- (1) are entered into by the listed issuer with the same party or with parties connected or otherwise associated with one another;
- (2) involve the acquisition or disposal of securities or an interest in one particular company or group of companies;
- (3) involve the acquisition or disposal of parts of one asset; or
- (4) together lead to a substantial involvement by the listed issuer in a business activity which did not previously form part of the listed issuer's principal business activities.

Rule 14A.18

The Stock Exchange will require that connected transactions and continuing connected transactions are made conditional on prior approval by the independent shareholders of the listed issuer in general meeting. The listed issuer must ensure that the following parties abstain from voting at the relevant meeting on resolution(s) approving the relevant transactions:

- (1) Any connected person with a material interest in the transaction; and
- (2) Any person falling within rule 14A13(1)(b)(i) to (iv) that has a material interest in the transaction and its associates.

Listing Manual and Singapore Laws

- (2) If an interested person, (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

Rule 918, Listing Manual

If a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

Exceptions**Rule 915, Listing Manual**

The following transactions are not required to comply with Rules 905, 906 and 907:

- (1) A payment of dividends, a subdivision of shares, an issue of securities by way of a bonus issue, a preferential offer, or an off-market acquisition of the issuer's shares, made to all shareholders on a pro-rata basis, including the exercise of rights, options or company warrants granted under the preferential offer.
- (2) The grant of options, and the issue of securities pursuant to the exercise of options, under an employees' share option scheme approved by the SGX-ST.

No. Listing Rules and Hong Kong Laws

and a statement that such persons will not vote must be included in the relevant circular to shareholders.

Listing Manual and Singapore Laws

- (3) A transaction between an entity at risk and an investee company, where the interested person's interest in the investee company, other than that held through the issuer, is less than 5%.
- (4) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the issuer at the time of the transaction.
- (5) A transaction between an entity at risk and an interested person for the provision of goods or services if:
 - (a) the goods or services are sold or rendered based on a fixed or graduated scale, which is publicly quoted; and
 - (b) the sale prices are applied consistently to all customers or class of customers. Such transactions include telecommunication and postal services, public utility services and sale of fixed price goods at retail outlets.
- (6) The provision of financial assistance or services by a financial institution that is licenced or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business.
- (7) The receipt of financial assistance or services from a financial institution that is licenced or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business.
- (8) Director's fees and remuneration, and employment remuneration (excluding "golden parachute" payments).

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws****RESTRICTIONS ON DEALINGS OF DIRECTORS BEFORE PUBLICATION OF THE FINANCIAL RESULTS**

A director must not deal in any securities of the listed issuer on any day on which its financial results are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

unless the circumstances are exceptional as described in the immediately succeeding paragraph below. In any event, the director must comply with the procedure in the rules of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Directors Dealing Code").

If a director proposes to sell or otherwise dispose of securities of the listed issuer under exceptional circumstances where the sale or disposal is otherwise prohibited under the Directors Dealing Code, the director must comply with the provisions of the rules in the Directors Dealing Code regarding prior written notice and acknowledgement.

A listed issuer's audits officers should not deal in the listed issuer's securities during the period commencing two weeks before the announcement of the company's financial statements for each of the first three quarters of its financial year, or one month before half year or financial year, as the case may be, and ending on the date of announcement of the relevant results.

Rule 916, Listing Manual

The following transactions are not required to comply with Rule 906:

- (1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation.
- (2) Investment in a joint venture with an interested person if:
 - (a) the risks and rewards are in proportion to the equity of each joint venture partner;
 - (b) the issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
 - (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

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- (3) The provision of a loan to a joint venture with an interested person if:
- (a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;
 - (b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and
 - (c) the issuer confirms by an announcement that its audit committee is of the view that:
 - (i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and
 - (ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.
- (4) The award of a contract by way of public tender to an interested person if:
- (a) the awarder entity at risk announces following information:
 - (i) the prices of all bids submitted;
 - (ii) an explanation of the basis for selection of the winning bid; and

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

- (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.
- (5) The receipt of a contract which was awarded by way of public tender, by an interested person if:
 - (a) the bidder entity at risk announces the prices of all bids submitted; and
 - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, the listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

No. Listing Rules and Hong Kong Laws**Listing Manual and Singapore Laws**

The director must satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities. The listed issuer shall give written notice of such sale or disposal to the Stock Exchange as soon as practicable stating why it considered the circumstances to be exceptional. The listed issuer shall publish an announcement in accordance with the Listing Rules immediately after any such sale or disposal and state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director.

Under the Directors Dealing Code, a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the chairman must first notify the board at a board meeting, or alternatively notify a director (otherwise than himself) designated by the board for the purpose and receive a dated written acknowledgement before any dealing. The designated director must not deal in any securities of the listed issuer without first notifying the chairman and receiving a dated written acknowledgement.

In each case, (a) a response to a request for clearance to deal must be given to the relevant director within five business days of the request being made; and (b) the clearance to deal in accordance with (a) above must be valid for no longer than five business days of clearance being received.

2. TAKEOVER OBLIGATIONS

2.1 The Singapore Code

The Singapore Code regulates the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of our Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of our Company's voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of our Company's voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of our Company's voting Shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Code.

- "Parties acting in concert" comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:
 - a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
 - a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
 - a company and its pension funds and employee share schemes;
 - a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
 - a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
 - directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
 - partners; and

- an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

2.2 Takeovers Code

Public companies with a primary listing of their equity securities in Hong Kong fall within the regulatory framework of the Takeovers Code. The Takeovers Code is not legally enforceable. Its purpose is to provide guidelines for companies and their advisers contemplating, or becoming involved in, takeovers and mergers affecting public companies in Hong Kong. The aim of the Takeovers Code is to ensure fair treatment of shareholders affected by merger or takeover transactions. It requires the timely disclosure of adequate information to enable shareholders to make an informed decision as to the merits of any offer.

The Takeovers Code regulates acquisitions of Shares (whether by way of takeovers, mergers and share repurchases) in an offeree company which changes its control, currently defined as a holding, or aggregate holdings, of 30% or more of the voting rights of a company, regardless of whether that holding or holdings gives de facto control.

The Takeovers Code also applies not only to the offeror and the offeree company, but also to those persons “acting in concert” with the offeror. Under the Takeovers Code, “persons acting in concert” are persons who “pursuant to an agreement or understanding, actively cooperate to obtain or consolidate control of a company through the acquisition by any of them of voting rights of the company”. The Takeovers Code also describes classes of persons who are presumed to be acting in concert with others in the same class.

The Takeovers Code requires the making of a mandatory general offer to all shareholders of the offeree company, unless a waiver has been granted by the SFC, where a person or a group of persons acting in concert (1) acquires control of a company (meaning 30% or more of the voting rights), whether by a series of transactions over a period of time, or not, or (2) when already holding between 30% and 50% of the voting rights of a company, acquires more than 2% of the voting rights in the target company in a 12 -month period from the date of the relevant acquisition.

In either of the above cases, an offer must be made to the shareholders for the balance of the Shares of the public company. The offer must be in cash or accompanied by a cash alternative at not less than the highest price paid by the purchaser (or persons acting in concert with it) for Shares of that class during the offer period and within 6 months prior to its commencement.

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 12 October 2006. We have established a place of business in Hong Kong at Flat 2, 13th Floor, Kodak House II, 39 Healthy Street East, North Point, Hong Kong and were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 16 June 2011. Sze Chun Lee who resides at Flat D1, 22/F, Block D, Beverly Hill, 6 Broadwood Road, Happy Valley, 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 Bermuda, we operate subject to the Companies Act, the Memorandum of Association and the new Bye-laws. A summary of various provisions of the Memorandum of Association and the new Bye-laws and relevant aspects of Bermuda company law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

Details of the changes in the issued and paid-up capital of our Company since incorporation are as follows:

Purpose of Issue	Resultant Number of Shares	Resultant Issued Share Capital HK\$
Issued and nil paid ordinary shares of HK\$1.00 each on 19 December 2006	100,000	–
Credited as fully paid on 26 March 2007	100,000	100,000
Issued and fully paid ordinary shares of HK\$1.00 upon completion of the restructuring exercise in preparation for the listing on SGX-ST pursuant to the resolutions passed by the Shareholders on 26 March 2007	46,077,643	46,077,643
Share split of one ordinary share of HK\$1.00 into 100 ordinary shares of HK\$0.01 pursuant to the resolutions passed by the Shareholders on 26 March 2007	4,607,764,300	46,077,643
Subscription of 15 ordinary shares of HK\$0.01 each by China Print Power Limited pursuant to the resolutions passed by the Shareholders on 26 March 2007	4,607,764,315	46,077,643

Purpose of Issue	Resultant Number of Shares	Resultant Issued Share Capital HK\$
Share consolidation of 55 ordinary shares of HK\$0.01 each into one ordinary share of HK\$0.55 each pursuant to the resolutions passed by the Shareholders on 26 March 2007	83,777,533	46,077,643
32,000,000 ordinary shares of HK\$0.55 each issued pursuant to the invitation for subscription at the SGX-ST on 14 May 2007	115,777,533	63,677,643
6,431,840 ordinary shares of HK\$0.55 each issued pursuant to scrip dividend scheme	122,209,373	67,215,155

Immediately upon completion of the Share Offer, 30,000,000 New Shares will be issued fully paid.

Save as disclosed herein, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

3. Resolutions of the Shareholders passed at our Company's annual general meeting held on 29 April 2011

At the annual general meeting held on 29 April 2011, resolutions of Shareholders were passed pursuant to which, amongst other things:

Issue Mandate

Pursuant to the Bye-laws and Rule 806(2) of the Listing Manual, an authority (the "Issue Mandate") was given to the Directors to: (i) allot and issue shares in the Company; and (ii) issue convertible securities and any shares in the Company pursuant to convertible securities (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of shares (including any shares to be issued pursuant to the convertible securities) and convertible securities in the Company to be issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company (excluding treasury shares) at the time of the relevant resolution was passed and that the aggregate number of shares and convertible securities in the Company to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed 20% of the issued share capital of the Company (excluding treasury shares) at the time the relevant resolution is passed. That unless revoked or varied by the Company in general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue new Shares pursuant to the convertible securities notwithstanding that such authority has ceased.

Notwithstanding the above, it shall be noted that the Listing Rules provide that the general mandate obtained from Shareholders in general meeting shall be subject to a restriction that the aggregate number of Shares allotted or agreed to be allotted under the general mandate must not exceed the aggregate of 20% of the issued share capital of our Company as at the date of passing of the relevant resolution. Consequently, going forward, we will comply with the Listing Rules in relation to the issue of general mandate as the Listing Rules are generally more onerous than the Listing Manual in this aspect.

For the purpose of determining the aggregate number of Shares that may be issued under the authority granted above, the total number of issued Shares shall be based on the total number of issued Shares as at the date of passing of the resolution.

Pursuant to the Listing Rules, the Listing Manual and the new Bye-laws, the maximum aggregate number of Shares and convertible securities of our Company (other than on a pro rata basis to all Shareholders) which may be issued under the Issue Mandate before the next annual general meeting of our Company is 24,441,874 Shares, representing 20% of the issued share capital of our Company as at the date of grant of the Issue Mandate.

4. Resolutions of the Shareholders passed at our Company's special general meeting held on 26 May 2011

At a special general meeting of our Company held on 26 May 2011, the following resolutions were passed by the Shareholders to approve:

- (1) the proposed issue and offering of up to 30,000,000 new Shares by the Company and the proposed dual primary listing of all the Shares on the Main Board of the Stock Exchange;
- (2) the proposed allotment and issue of the New Shares at an offer price of no more than 10% discount to the SGX-ST Market Price;
- (3) the proposed adoption of the Share Option Scheme;
- (4) the proposed adoption of the new Bye-Laws; and
- (5) the proposed adoption of the Chinese name “中國威力印刷集團有限公司” as the Company's secondary name.

More information on the resolutions abovementioned can be found in the announcement of our Company released on the SGX-ST on 6 May 2011, the results of the special general meeting announced on 26 May 2011 and the circular to Shareholders dated 4 May 2011.

5. Changes in the share capital of subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountants' Report set out in Appendix I to this prospectus.

There has been no alteration in the share capital of any of our subsidiaries within the two (2) years immediately preceding the date of this prospectus.

B. INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (i) the deed of non-competition dated 22 June 2011 executed by China Print Power Limited, Mr. Sze Chun Lee and Mr. Chan Wai Ming in favour of the Company (for itself and as trustee for the benefit of its subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the section headed "Controlling Shareholders and Substantial Shareholders – Deed of Non-Competition" of this prospectus; and
- (ii) the Public Offer Underwriting Agreement.

2. Intellectual property rights of the Group**(a) Trademark**

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks:

Trademark	Class	Place of Registration	Applicant	Application No.	Date of Application
	7, 9, 16, 17, 35, 40 and 42	Hong Kong	China Print Power Group Limited	301871505	28 March 2011
					

(b) Domain names

As at the Latest Practicable Date, the Group was the registered proprietor of the following domain name:

Domain Name	Name of Proprietor	Date of Registration	Expiry Date
www.powerprinting.com.hk	Power Printing Products Limited	16 May 2001	1 November 2015

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interest – interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the Share Offer, the interest or short position of 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 interest 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 Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows.

(i) Interest in our Company

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Sze Chun Lee	Beneficial owner	180,000	0.12%
	Interest of controlled corporation	81,060,848	53.26%
Lam Shek Kin	Beneficial owner	100,000	0.07%

Note: China Print Power Limited holds 90,060,848 Shares and is beneficially owned by Sze Chun Lee, Chan Wai Ming, Kwan Wing Hang and Lam Shek Kin, all being executive Directors, as to 35%, 30%, 20% and 15%, respectively.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
Sze Chung Lee	China Print Power Limited	3,500	35%
Chan Wai Ming	China Print Power Limited	3,000	30%
Kwan Wing Hang	China Print Power Limited	2,000	20%
Lam Shek Kin	China Print Power Limited	1,500	15%

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with our Company for a term of three (3) years commencing from 1 June 2010, which may be terminated by not less than six (6) months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has been appointed pursuant to their respective appointment letter pursuant to which the current term of the appointment shall be up to 31 May 2013 and the term of appointment shall be automatically renewed annually for such annual period thereafter, and may be terminated by not less than three months' notice in writing served by the Company.

(c) Directors' remuneration

Each of the executive Directors is entitled to a salary. Each executive Director shall be paid a remuneration on the basis of twelve (12) months in a year plus a discretionary year-end bonus. The expected remuneration of the executive Directors for the year ending 31 December 2011 are as follows:

Name	Expected remuneration (HK\$)
Sze Chun Lee	1,012,000
Chan Wai Ming	865,000
Kwan Wing Hang	668,000
Lam Shek Kin	668,000

Each of the independent non-executive Director is entitled to a directors fee. We currently pay director's fee of HK\$307,000, HK\$192,000 and HK\$224,000 per annum to our independent non-executive Directors, Lim Siang Kai, Leong Ka Yew and Wee Piew, respectively.

Under the arrangement currently in force, the aggregate amount of emoluments payable by the Group to the Directors for the year ending 31 December 2011 will be approximately HK\$3,936,000.

2. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Share Offer (but without taking into account the Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons (other than the 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	Capacity	Number of Shares	Percentage of shareholding
China Print Power Limited	Beneficial owner	81,060,848	53.26%
Book Partners China Limited	Beneficial owner	10,032,000	6.59%

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of the Group.

4. Disclaimers

Save as disclosed herein:

- (a) immediately following the completion of the Share Offer (but without taking into account of any Shares which may be issued pursuant to the exercise of any options granted under the Stock Option Scheme), 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 the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed on the Stock Exchange;
- (b) none of our Directors or experts referred to under the heading "Consents 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 (2) years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of our Directors or experts referred to under the heading "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one (1) year without payment of compensation (other than statutory compensation));
- (e) immediately following the completion of the Share Offer (but without taking into account of any Shares which may be issued pursuant to the exercise of any options granted under the Stock Option Scheme), none of our Directors knows of any person (not being a Director or chief executive of our Company) who will 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the 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 the Group.

D. OTHER INFORMATION**1. Share Option Scheme**

At the special general meeting of our Company held on 26 May 2011, the terms of the Share Option Scheme was adopted. The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

The purpose of the Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option ("Option") to the following persons (collectively the "Eligible Participants") to subscribe for such number of New Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to:

- (i) any full-time or part-time employees of our Company or any of its subsidiaries; and
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries.

Upon acceptance of the Option, the grantee shall pay S\$1.00 (or the equivalent Hong Kong dollars) to our Company by way of consideration for the grant. Any offer to grant an Option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or the SGX-ST or an integral multiple thereof. To the extent that the offer to grant an Option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of Options

An Option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the Options duly signed by the grantee, together with a remittance in favor of our Company of S\$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the offer date or within such other period of time as may be determined by the Board. Such payment shall in no circumstances be refundable nor deemed to be part of the subscription price. Any offer to grant an Option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or SGX-ST or an integral multiple thereof. To the extent that the offer to grant an Option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange or SGX-ST for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the date of adoption of the Share Option Scheme, being 12,220,937 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the shareholders in general meeting, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information and the disclaimer required under the Listing Rules and the Listing Manual.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 15% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 15% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an independent financial advisor appointed by the Company shall certify to be fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information and the disclaimer required under the Listing Rules and the Listing Manual; and
- (ii) the approval of the shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange or the SGX-ST is open for the business of dealing in securities;
 - (cc) the period of time during which the Eligible Participant may exercise the option;
 - (dd) the date or dates upon which the option shall first become exercisable;
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price;
 - (gg) the minimum period for which the Eligible Participant must hold before the option can be exercised; and
 - (hh) other terms on which the option is to be granted.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets or the closing price of the Shares as stated in the daily quotations sheet issued by SGX-ST (whichever is higher) on the date of grant, which must be a day on which the Stock Exchange and the SGX-ST is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets or the SGX-ST's daily quotation sheets for the five (5) consecutive business days immediately preceding the date of grant (whichever is higher); and
- (iii) the nominal value of a Share.

(g) Granting Options to connected persons

Any grant of Options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company (or its subsidiaries) or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant Options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of Options granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the official closing price of the Shares at the date of each grant,

such further grant of Options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor of the resolution at the general meeting. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the Options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options) to the independent shareholders as to voting;
- (iii) the information and the disclaimer required under the Listing Rules and the Listing Manual.

(h) Restrictions on the times of grant of Options

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules and the Listing Manual. In particular, no Options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange or the SGX-ST in accordance with the Listing Rules and the Listing Manual) for the approval of our Company's annual results or results for any half-year, quarterly or other interim period (whether or not required under the Listing Rules) and ending on the date of the actual publication of the results announcement;
- (ii) the deadline for our Company to publish an announcement of its annual results or results for any half-year, or quarterly or other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement.

In addition, no Options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An Option is personal to the grantee, shall not be assignable nor transferable, and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or enter into any agreement to do so or attempt so to do. Any breach of the foregoing shall entitle our Company to cancel any Options or any part thereof granted to such grantee.

(j) Time of exercise of Option and duration of the Share Option Scheme

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted. No Option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) Performance target

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is no performance target required to be achieved before an option can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason (other than death) including termination of his employment on the grounds specified in paragraph (m) below, the grantee may, subject to the determination of the Board, exercise the Option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the Option within a period of 12 months from the date of death or such longer period as the Board may determine, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or has been in breach of a material term of the employment contract, or has committed an act of bankruptcy or has become insolvent or has been served a petition for bankruptcy or winding up, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes and the Singapore Code on Takeover and Mergers)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies, our Company shall give notice to all the grantees of the Options on the same day or soon after it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of the relevant option (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the Option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the Option credited as fully paid and register the grantee as holder thereof.

Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of Options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any Option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding Option or the Shares to which the Option relates or the method of exercise of the Option or any combination as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules. The capacity of the auditors of our Company or the approval independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment in paragraph (m) above;

- (vi) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vii) the date on which the Board shall exercise our Company's right to cancel the Option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below; or
- (viii) the non-fulfillment of any condition referred to in paragraph (x) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules and all such matters set out in Rule 844 to 849 and Rule 853 and 854 of the Listing Manual;
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted; and
- (iii) the definition of "grantee" and "participants",

shall first be approved by the shareholders in general meeting. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(u) *Cancellation of Options*

Subject to paragraph (i) above, any cancellation of Options granted but not exercised must be approved by grantees of the relevant Options. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by ordinary resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further Option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on, among other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme; and
- (ii) the commencement of dealings in the Shares on the Stock Exchange.

If the Company decides not to proceed with the Listing and the Share Offer for any reason, the Share Option Scheme shall take effect from the date the SGX-ST granted the permission to deal in the Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme and the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the Shareholder of the Company.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of Options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As at the Latest Practicable Date, no Option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the Options to be granted under the Share Option Scheme.

2. Litigation

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

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for a 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 fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

4. Preliminary expenses

The estimated preliminary expenses incurred or to be incurred by our Company are approximately HK\$1,700 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

6. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with the Hong Kong Branch Share Register 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 Bermuda, China or Hong Kong would be likely to fall upon any member of the Group.

(b) Bermuda

Under the present Bermuda law, there is no stamp duty payable in Bermuda on transfers of Shares.

(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 emphasized 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 opinion or advice which are contained in this prospectus:

Name	Qualifications
Yuanta Securities	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance), regulated activities under the SFO, acting as one of the Joint Sponsors of the Share Offer
VC Capital	Licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO, acting as one of the Joint Sponsors of the Share Offer
BDO Limited	Certified Public Accountants
Shu Jin Law Firm	PRC legal advisors
Appleby	Bermuda legal advisors
Colin Ng & Partners LLP	Singapore legal advisors
DTZ-Debenham Tie Leung Limited	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 the 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 the 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 Ordinance so far as applicable.

11. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are as follows:

Name:	China Print Power Limited
Description:	a company incorporated under the laws of the British Virgin Islands with limited liability
Registered Address:	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands
Number of Shares to be sold:	9,000,000 Sale Shares

12. 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 (except commissions to the Underwriters) 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 the Group since 31 December 2010 (being the date to which the latest audited combined financial statements of the Group were made up);
- (d) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus;

- (e) the principal Bermuda Share Register will be maintained in Bermuda by Codan Services Limited and Hong Kong Branch Share Register will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the 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 Bermuda. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (f) no company within the Group is presently listed on any stock exchange or traded on any trading system; and
- (g) our Directors have been advised that, under the Companies Act, the use of a Chinese name by our Company does not contravene the Companies Act.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE** and **YELLOW** Application Forms; (ii) the list containing the particulars of the Selling Shareholders as set out in the paragraph headed “Particulars of the Selling Shareholder” under the subsection headed “Other information” in Appendix VII to this prospectus; (iii) copies of each of the material contracts referred to in the paragraph headed “Summary of material contracts” under the subsection headed “Information about our business” in Appendix VII to this prospectus; and (iv) the written consents referred to in the subsection headed “Consents of experts” in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Hastings & Co. at 5th Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum of association of our Company and the Bye-Laws;
- (b) the Accountants’ Report of the Group prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies comprising the Group for each of the two years ended 31 December 2010;
- (d) the report on the unaudited pro forma financial information of the Group prepared by BDO Limited, the texts of which are set out in Appendix II to this prospectus;
- (e) the letter, summary of values and valuation certificates relating to the property interests prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) the PRC legal opinions issued by PRC legal advisers in respect of our general matter and property interests of the Group;
- (g) the letter prepared by Appleby, summarizing certain aspects of the constitution of our Company and the Bermuda Companies Act as referred to in Appendix IV to this prospectus;
- (h) the Bermuda Companies Act;
- (i) the material contracts referred to in the paragraph headed “Summary of material contracts” under the subsection headed “Information about our business” in Appendix VII to this prospectus;

APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

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- (j) the written consents referred to in the subsection headed "Consents of experts" in Appendix VII to this prospectus;
- (k) the statement of particulars of the Selling Shareholder; and
- (l) the Share Option Scheme.

In addition, prospective investors and/or Shareholders can access copies of the following documents (all of which are very large documents) via the following weblinks:

Singapore Companies Act
<http://statutes.agc.gov.sg/>

Singapore Securities and Futures Act
<http://statutes.agc.gov.sg/>

The Singapore Code on Take-overs and Mergers
http://www.mas.gov.sg/resource/sic/The_Singapore_Code_on_Take_Overs_and_Mergers_1_April_2007.pdf

Listing Manual
http://www.sgx.com/wps/portal/corporate/cp-en/listing_on_sgx/listing_manual



China Print Power Group Limited
中國威力印刷集團有限公司