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

RISKS RELATING TO THE BUSINESS OF THE GROUP

Reliance on major customers

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

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

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

Reliance on the Processing Agreement and the Processing Facility

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

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

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

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

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

Reliance on the Processing Partner

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

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

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

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

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

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

Reliance on sub-contractors

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

Reliance on key personnel

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

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

Foreign exchange exposure

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

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

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

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

Reliance on major suppliers

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

Fluctuations in raw materials prices

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

Seasonal fluctuations in turnover

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

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

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

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

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

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

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

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

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

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

Environmental protection laws and regulations

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

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

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

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

Regulatory licences and permits

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

Net current liabilities as at 31 December 2008 and 2009

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

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

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

Net cash outflow in operating activities as at 31 December 2008

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

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

Working capital management

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

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

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

Hong Kong taxation

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

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

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

PRC taxation

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

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

Ability to achieve business objectives for future growth

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

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

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

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

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

RISKS RELATING TO THE PRINTING INDUSTRY

Competition

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

Technological developments in the printing industry

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

New forms of information dissemination

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

Lack of growth in the consumer market or general market downturn

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

RISKS RELATING TO THE PRC

Political considerations of Hong Kong

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

Currency peg system in Hong Kong

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

Economic, political and social considerations

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

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

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

Appreciation of or fluctuations in foreign currencies relevant to the Group

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

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

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

Changes and uncertainties in the PRC legal system

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

PRC labour costs

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

Outbreak of a contagious or epidemic disease

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

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

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

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

RISKS RELATING TO THE SHARE OFFER

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional funding may be required for future growth

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

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

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

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

Industry statistics contained in this prospectus may not be accurate

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

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

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

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

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