
HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

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

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

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

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

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

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

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

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

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

The key milestones in the development of the Group are:

1992 Recruit Group established

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

2005 1010 Group established

Processing Facility constructed and 1010 PIL entered into the Processing Agreement

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

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

2007 Sales office established in the U.K.

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Acquisition of new printing machinery for HK\$18.3 million in order to upgrade the automated production line

- 2008 Acquisition of new printing and case-in machinery for HK\$57.2 million in order to upgrade the automated production line

Sales office established in the U.S.

- 2009 Sales office established in Australia and sales office in the U.S. closed

Acquisition of new printing machinery for HK\$8.2 million in order to upgrade the automated production line

- 2010 Acquisition of new printing and case-in machinery for HK\$32.5 million in order to upgrade the automated production line

REORGANISATION

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

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

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

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

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

PROPOSED SPIN-OFF OF THE GROUP FROM THE RECRUIT GROUP

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

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

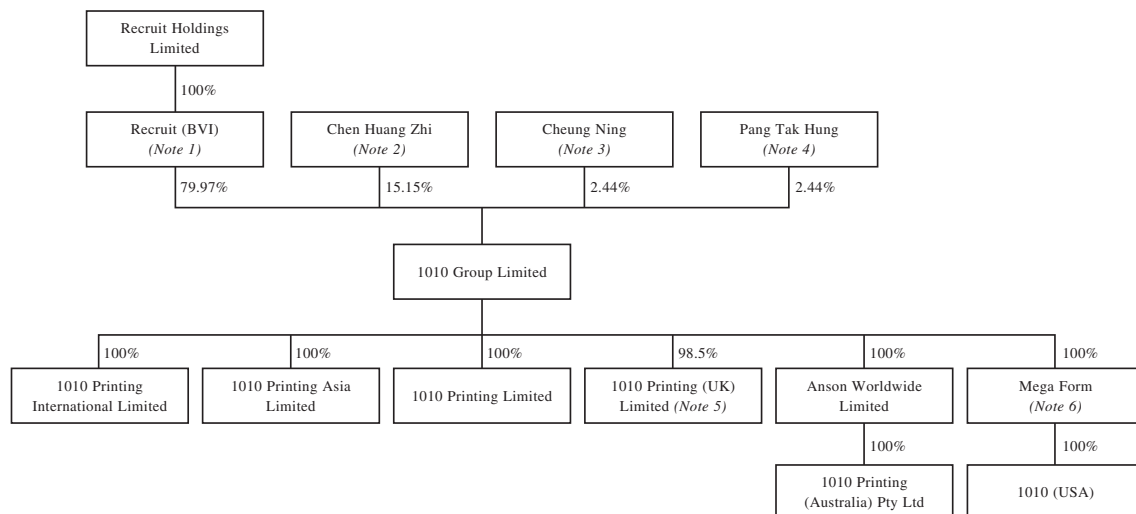
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- (b) the Recruit Group and the Group are believed to have different growth paths and strategies. Thus, the spin-off will allow separate platforms for the business of the Group and the remaining business of the Recruit Group to grow with more focused development and strategic planning of their respective operations. As such, the Company, as a separate listed entity, will have its own separate management structure focusing on the printing services and book publishing business, thereby enhancing the decision-making process and its responsiveness to market conditions so as to ensure that the Company capitalises on opportunities in the printing business area;
- (c) the separate listing of the Company will provide a separate fund raising platform thereby enabling it to raise the capital required to finance its future expansion without reliance on the Recruit Group to do so. The Directors believe that the Company is poised for significant growth and it would be both effective and prudent for the Company to support this growth independently through the Listing;
- (d) the Recruit Group intends to maintain not less than 50% equity interest in the Group. Accordingly, the Recruit Group will continue to benefit from any potential upside in the printing business to be owned by the Group through consolidation of financial results of the Group; and
- (e) as a listed company, the Company would be able to offer an equity based incentive program (such as a stock option or share award scheme) to its employees that correlates directly to the performance of the printing business. The Company would therefore be in a better position to motivate its employees with incentive programs that closely align with the objective of value creation for Shareholders.

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CORPORATE STRUCTURE

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

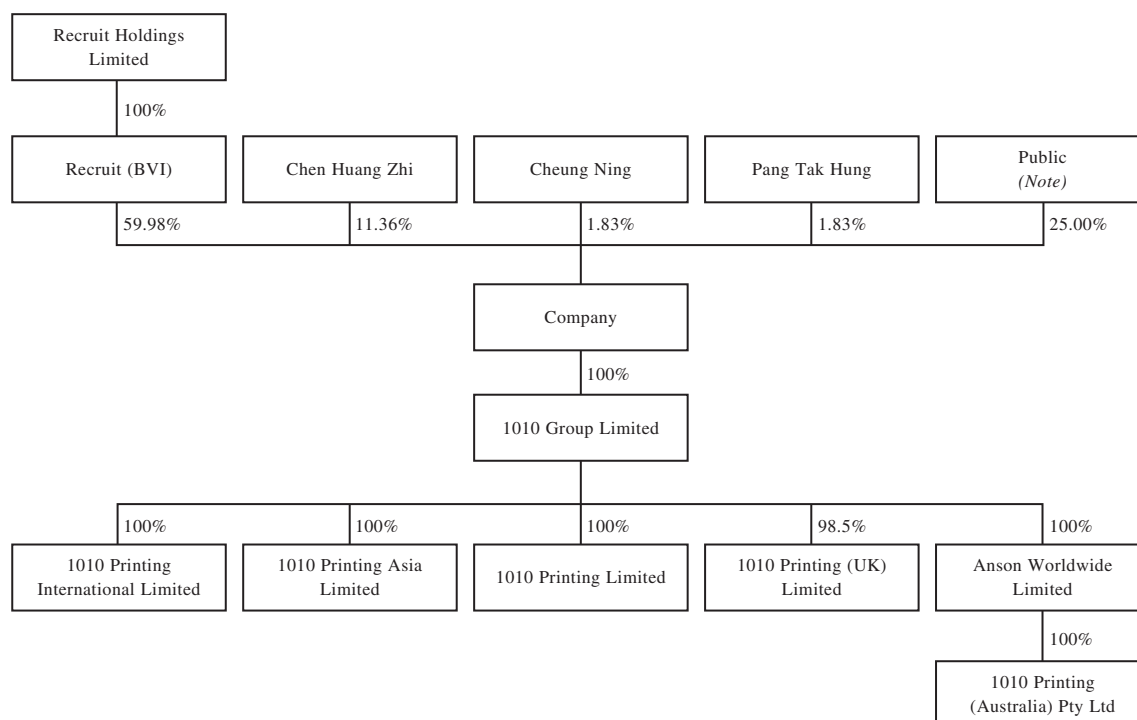


Notes:

1. Recruit (BVI), is wholly and beneficially owned by Recruit, which, as at the Latest Practicable Date, was owned as to 55.85% by City Apex Limited, as to 0.60% by ER2 Holdings Limited and as to 0.89% by Mr. Lau Chuk Kin personally. ER2 Holdings Limited is the ultimate holding company of City Apex Limited. Mr. Lau beneficially owned 67% of the issued share capital of ER2 Holdings Limited.
2. Mr. Chen Huang Zhi is the Branch Secretary for Xia Nan Village, Yuan Zhou Town, Boluo County and the village representative for Xia Nan Village, which through the Processing Partner owns the Processing Facility. Prior to the Listing, as the village representative, Mr. Chen's role is to oversee the Processing Facility as well as to ensure that the obligations of the Processing Facility under the Processing Agreement are fulfilled. In addition, Mr. Chen was the beneficial owner of Global Resources Services Limited, a BVI corporation wholly owned by Mr. Chen and a former shareholder of 1010 Group. Global Resources Services Limited's shares in 1010 Group were transferred to Mr. Chen in October 2008. Such transfer did not require the approval of the Xia Nan Village committee. No dispute has ever been raised as a result of this transfer. Save as being a shareholder in 1010 Group and the current elected village representative for Xia Nan Village, which oversees the Processing Facility, Mr. Chen has no direct role in the operation or management of 1010 Group. Following the Listing, the responsibilities of Mr. Chen or any future village representative, should remain unchanged.
3. Mr. Cheung Ning is the production manager for 1010 PIL and first acquired his interest in 1010 Group in March 2005.
4. Mr. Pang Tak Hung is the printing superintendent for 1010 PIL and first acquired his interest in 1010 Group in September 2005.
5. The minority shareholding in 1010 UK is held as to 1.5% by Mr. Andrew Law, sales director of 1010 UK.
6. On 19 April 2011, the entire issued share capital of Mega Form was transferred to Recruit (BVI) from 1010 Group.

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



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

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

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