

HM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8416

PLACING

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

Joint Bookrunners and Joint Lead Managers



 鼎成證券有限公司
Gransing Securities Co., Limited

IMPORTANT

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



HeterMedia

HM International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

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

Number of Placing Shares	: 100,000,000 Placing Shares
Placing Price	: Not more than HK\$0.6 per Placing Share and expected to be not less than HK\$0.5 per Placing Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 8416

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

Joint Bookrunners and Joint Lead Managers



鼎成證券有限公司
Gransing Securities Co., Limited

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "A. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Placing Price is expected to be determined by agreement between the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company on or before Friday, 30 December 2016 or such later date as may be agreed between the parties. If, for any reason, the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters), the Placing will not become unconditional and will lapse. In such case, an announcement will be made immediately by our Company on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.hetermedia.com. The Placing Price will not be more than HK\$0.6 per Placing Share and is expected to be not less than HK\$0.5 per Placing Share, unless otherwise announced. The Joint Lead Managers (for themselves and on behalf of the other Underwriters) may, with the consent of our Company, reduce the indicative Placing Price range below that as stated in this prospectus at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Placing Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.hetermedia.com.

Pursuant to the termination provisions contained in the Underwriting Agreement in respect of the Placing Shares, the Joint Lead Managers (for themselves and on behalf of the other Underwriters) has the right in certain circumstances, at their absolute discretion (for themselves and on behalf of the other Underwriters), to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the Shares first commence on the Stock Exchange (such first dealing date is currently expected to be on Wednesday, 11 January 2017). Further details of the terms of the termination provisions are set out in the paragraph headed "Underwriting – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

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

CHARACTERISTICS OF GEM

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

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

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

EXPECTED TIMETABLE

2016

(Note 1)

Price Determination Date *(Note 2)* Friday, 30 December

2017

(Note 1)

Announcement of the final Placing Price, and the level of indication of interests in the Placing to be published on our Company's website (www.hetermedia.com) and the website of the Stock Exchange (www.hkexnews.hk) *(Note 3)* on or before Tuesday, 10 January

Allotment of Placing Shares to placees (or their designated person(s)) on or about Tuesday, 10 January

Despatch of or deposit of share certificates for the Placing Shares into CCASS *(Note 4 and 5)* on or about Tuesday, 10 January

Dealings in the Shares on GEM to commence at 9:00 a.m. on Wednesday, 11 January

Notes:

1. All times and dates refer to Hong Kong local time and date. If there is any change to the above expected timetable, our Company will make a separate announcement to inform investors accordingly. Details of the structure of the Placing, including its conditions, are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.
2. The Price Determination Date is expected to be on Friday, 30 December 2016 or such later date as may be agreed between the parties. If for whatever reason the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date or such other date as our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters) may agree, the Placing will not proceed and will lapse immediately.
3. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
4. The share certificates for the Placing Shares are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters and/or the placing agents. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about Tuesday, 10 January 2017 for credit to the respective CCASS Participant's or CCASS Investor Participants' stock accounts designated by the Underwriters, the placees or their agents, as the case may be. No temporary documents or evidence of title will be issued.
5. Share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Wednesday, 11 January 2017) provided that (i) the Placing becomes unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this prospectus has not been exercised thereto and has lapsed.

EXPECTED TIMETABLE

Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Placing, the Joint Lead Managers (for themselves and on behalf of the other Underwriters) has the right in certain circumstances, at their absolute discretion (for themselves and on behalf of the other Underwriters), to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Wednesday, 11 January 2017). Further details of the terms of the force majeure provisions are set out in the section headed “Underwriting” in this prospectus.

CONTENTS

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the other Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the other Underwriters, any of our/their respective directors, affiliates, employees or representatives or any other person or party involved in the Placing. The contents on the official website of our Company at www.hetermedia.com do not form part of this prospectus.

IMPORTANT

CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iv
SUMMARY	1
DEFINITIONS	14
GLOSSARY OF TECHNICAL TERMS	23
FORWARD-LOOKING STATEMENTS	25
RISK FACTORS	26
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING	36
DIRECTORS AND PARTIES INVOLVED IN THE PLACING	40
CORPORATE INFORMATION	44
INDUSTRY OVERVIEW	46
REGULATORY OVERVIEW	57
HISTORY, REORGANISATION AND DEVELOPMENT	61
BUSINESS	71

CONTENTS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	116
CONNECTED TRANSACTIONS	127
DIRECTORS AND SENIOR MANAGEMENT	128
SUBSTANTIAL SHAREHOLDERS	138
SHARE CAPITAL	140
FINANCIAL INFORMATION	143
FUTURE PLANS AND USE OF PROCEEDS	191
UNDERWRITING	201
STRUCTURE AND CONDITIONS OF THE PLACING	207
APPENDIX I – ACCOUNTANTS’ REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety, including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Placing Shares.

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

Various expressions used in this summary are defined in the section headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

BUSINESS OVERVIEW

We provide integrated printing services for corporate clients mainly in the financial and capital markets in Hong Kong. The comprehensive printing services we offer include concept creation and artwork design, typesetting and proofreading, translation, printing, binding/packaging, logistic arrangement and media placement of content outputs. During the Track Record Period, we served corporations which are listed on the Stock Exchange and potential listing applicants, for the production of listing related content outputs including corporate announcements, circulars, interim and annual reports and listing prospectuses. We also served a number of multinational financial institutions such as fund houses and insurance companies for the production of fund investment and insurance content outputs. With our diverse expertise in the area of concept creation and artwork design, IT and languages, during the Track Record Period, we provided our clients with customised printing services for the production of tailor-made marketing collaterals. We also offered our clients with bespoke non-printing services such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

We are one of the major financial printing service providers in Hong Kong. According to the IPSOS Report, the top 10 major players in the financial printing services industry in Hong Kong have accounted for an approximate market share of 77.2% in 2015 in terms of total revenue contributed by financial printing services. Our Group ranked 6th among the financial printing service providers in Hong Kong and had approximately 7.1% of the market share of the financial printing services industry in Hong Kong for the year ended 31 December 2015 in terms of the total revenue contributed by financial printing services.

Details of our financial printing projects and marketing collateral printing projects are summarised as below:

	Financial printing projects	Marketing collateral printing projects
Major services we provide	<ul style="list-style-type: none">• Concept creation and artwork design• Typesetting and proofreading• Translation• Printing and binding/packaging• Logistic arrangement• Fund fact sheet automation• Media placement (including e-Submission)• Conference room facilities	<ul style="list-style-type: none">• Concept creation and artwork design• Typesetting and proofreading• Translation• Printing and binding/packaging• Logistic arrangement

SUMMARY

	Financial printing projects	Marketing collateral printing projects
Major content outputs	<ul style="list-style-type: none">• Listing related content outputs including corporate announcements, circulars, financial reports and listing documents• Fund investment and insurance content outputs such as fund fact sheets, fund financial reports, fund prospectuses and insurance product catalogues	<ul style="list-style-type: none">• Marketing collaterals including posters, red pockets, brochures, promotional displays, newsletters, stationeries, calendars, neck-straps, gift boxes and etc.
Type of services and forms of content outputs	<ul style="list-style-type: none">• Relatively standard in the industry	<ul style="list-style-type: none">• Customised on a project-by-project basis
Target clients	<ul style="list-style-type: none">• Corporations listed on the Stock Exchange and potential listing applicants• Fund houses and insurance companies	<ul style="list-style-type: none">• Corporations in need of tailor-made content outputs. During the Track Record Period, our clients for marketing collateral printing projects included multinational banks, education organisations, private companies including marketing and advertising companies and individuals
Key technical focus	<ul style="list-style-type: none">• Knowledge on key regulatory requirements such as the Listing Rules and the GEM Listing Rules, the SFO and/or the Insurance Companies Ordinance• Efficiency and accuracy of typesetting/publishing software• Translation quality	<ul style="list-style-type: none">• Concept creation and artwork design capability• Innovation• Market knowledge/insight• Technology savviness

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our total revenue was approximately HK\$125.3 million, HK\$160.4 million, HK\$83.9 million and HK\$82.3 million, respectively, while the profit attributable to owners of the Company for the same period amounted to approximately HK\$10.9 million, HK\$13.9 million, HK\$12.1 million and HK\$10.7 million, respectively.

SUMMARY

The following table sets out a breakdown of our revenue by project type during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Financial printing projects	99,957	79.8	117,125	73.0	63,856	76.1	61,653	74.9
Marketing collateral printing projects	24,591	19.6	42,783	26.7	19,868	23.7	20,401	24.8
Other projects (<i>Note</i>)	795	0.6	461	0.3	219	0.2	248	0.3
Total	125,343	100	160,369	100	83,943	100	82,302	100

Note: Other projects include bespoke non-printing services projects such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

Our content outputs can be broadly categorised into three types, namely (i) listing related content outputs; (ii) fund investment and insurance content outputs; and (iii) marketing collaterals. The first two types refer to content outputs of our financial printing projects, while the third type refers to content outputs of our marketing collateral printing projects. For details and examples of these content outputs, please refer to the paragraph headed “Business – Our content outputs” in this prospectus. The following table sets out a further breakdown of our revenue of financial printing projects by content outputs during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Financial printing projects:								
Listing related content outputs	53,503	53.5	59,409	50.7	35,605	55.8	34,753	56.4
– IPO prospectuses	5,627	5.6	4,746	4.1	4,746	7.5	226	0.4
– Post-IPO announcements/circulars	47,876	47.9	54,663	46.6	30,859	48.3	34,527	56.0
Fund investment and insurance content outputs	46,454	46.5	57,716	49.3	28,251	44.2	26,900	43.6
– Fund investment content outputs	44,443	44.5	54,994	47.0	27,138	42.5	25,086	40.7
– Insurance content outputs	2,011	2.0	2,722	2.3	1,113	1.7	1,814	2.9
Total	99,957	100	117,125	100	63,856	100	61,653	100

Our revenue increased by approximately 27.9% from approximately HK\$125.3 million for the year ended 31 December 2014 to approximately HK\$160.4 million for the year ended 31 December 2015. Such increase was mainly due to increase in revenue generated from projects for (i) post-IPO announcements/circulars by approximately HK\$6.8 million; (ii) fund investment content outputs by approximately HK\$10.6

SUMMARY

million; and (iii) marketing collaterals by approximately HK\$18.2 million. The year-on-year increase in revenue generated from projects for post-IPO announcements/circulars for the year ended 31 December 2015 was mainly attributed to (a) the increase in revenue contributed by 4 listed corporate clients from approximately HK\$1.9 million for the year ended 31 December 2014 to approximately HK\$5.4 million for the year ended 31 December 2015; and (b) the revenue contributed by a new client which amounted to approximately HK\$1.6 million for the year ended 31 December 2015 as compared with nil for the year ended 31 December 2014 as such client was listed on the Stock Exchange in late 2014. The year-on-year increase in revenue generated from projects for fund investment content outputs for the year ended 31 December 2015 was mainly attributed to the increase in revenue contributed by 9 fund houses clients from approximately HK\$28.6 million for the year ended 31 December 2014 to approximately HK\$39.2 million for the year ended 31 December 2015. The year-on-year increase in revenue generated from projects for marketing collaterals for the year ended 31 December 2015 was mainly contributed by the increase in revenue from Client B from approximately HK\$9.4 million for the year ended 31 December 2014 to approximately HK\$30.8 million for the year ended 31 December 2015.

Our revenue decreased slightly by approximately 2.0% from approximately HK\$83.9 million for the six months ended 30 June 2015 to approximately HK\$82.3 million for the six months ended 30 June 2016. Such decrease was mainly due to the decrease in revenue generated from projects for (i) IPO prospectuses by approximately HK\$4.5 million; and (ii) fund investment content outputs by approximately HK\$2.1 million, partially offset by the increase in revenue generated from projects for post-IPO announcements/circulars by approximately HK\$3.7 million. The period-on-period decrease in revenue generated from projects for IPO prospectuses was mainly due to the decrease in number of projects for IPO prospectuses taken up by our Group for the six months ended 30 June 2016 as compared with that for the six months ended 30 June 2015. The period-on-period decrease in revenue generated from projects for fund investment content outputs was mainly contributed by the decrease in revenue from Client group A from approximately HK\$7.2 million for the six months ended 30 June 2015 to approximately HK\$4.1 million for the six months ended 30 June 2016. The period-on-period increase in revenue generated from projects for post-IPO announcements/circulars was mainly attributed to 5 clients which we newly secured after 30 June 2015 which together contributed revenue amounted to approximately HK\$4.5 million for the six months ended 30 June 2016.

The following table sets out a breakdown of the number of projects from which we generated revenue during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
Financial printing projects	4,308	5,106	2,564	2,701
Marketing collateral printing projects	658	811	418	333
Other projects (<i>Note</i>)	37	35	20	21
Total	<u>5,003</u>	<u>5,952</u>	<u>3,002</u>	<u>3,055</u>

Note: Other projects include bespoke non-printing services projects such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

SUMMARY

The following table sets out a further breakdown of the number of financial printing projects from which we generated revenue by (i) listing related content outputs; and (ii) fund investment and insurance content outputs during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
Financial printing projects:				
Listing related content outputs	2,318	2,923	1,491	1,704
Fund investment and insurance content outputs	1,990	2,183	1,073	997
Total	<u>4,308</u>	<u>5,106</u>	<u>2,564</u>	<u>2,701</u>

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our total gross profit was approximately HK\$47.2 million, HK\$64.5 million, HK\$36.1 million and HK\$33.9 million, respectively. The following table sets out a breakdown of our gross profit and gross profit margin by project type during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	<i>(Unaudited)</i>							
Financial printing projects	42,125	42.1	55,420	47.3	31,940	50.0	29,109	47.2
Marketing collateral printing projects	5,003	20.3	8,855	20.7	4,093	20.6	4,737	23.2
Other projects <i>(Note)</i>	120	15.1	195	42.3	107	48.9	78	31.5
Total	<u>47,248</u>	<u>37.7</u>	<u>64,470</u>	<u>40.2</u>	<u>36,140</u>	<u>43.1</u>	<u>33,924</u>	<u>41.2</u>

Note: Other projects include bespoke non-printing services projects such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

SUMMARY

The following table sets out a further breakdown of our gross profit and gross profit margin of financial printing projects by content outputs during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<i>(Unaudited)</i>								
Financial printing projects:								
Listing related content								
outputs	24,202	45.2	29,413	49.5	18,204	51.1	16,339	47.0
– IPO prospectuses	3,571	63.5	2,903	61.2	2,903	61.2	13	5.8
– Post-IPO announcements/ circulars	20,631	43.1	26,510	48.5	15,301	49.6	16,326	47.3
Fund investment and insurance content outputs								
– Fund investment content outputs	17,244	38.8	25,238	45.9	13,262	48.9	12,086	48.2
– Insurance content outputs	679	33.8	769	28.3	474	42.6	684	37.7
Total	42,125	42.1	55,420	47.3	31,940	50.0	29,109	47.2

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our total gross profit was mainly attributable to our financial printing projects, which accounted for approximately 89.2%, 86.0%, 88.4% and 85.8% of our total gross profit, respectively. Among which, approximately 57.5%, 53.1%, 57.0% and 56.1% was attributable to our projects for listing related content outputs, respectively.

During the Track Record Period, the gross profit margins of our projects for listing related content outputs and the gross profit margins of our projects for fund investment and insurance content outputs were at similar levels due to the relatively similar type of services and materials involved. The gross profit margins of our financial printing projects were higher than that of our marketing collateral printing projects during the Track Record Period, as the cost of materials used for the production of marketing collaterals are usually higher than those for content outputs in financial printing projects. The gross profit margins of both of our financial printing projects and marketing collateral printing projects were maintained at similar levels throughout the Track Record Period. For more details on the discussion and analysis on fluctuation in gross profit margins of different project types during the Track Record Period, please refer to the paragraphs headed “Financial Information – Gross profit and gross profit margin” and “Financial Information – Period-to-period comparison of results of operations” in this prospectus.

CLIENTS

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we had a total of 319, 313 and 255 clients who had projects contributed to our revenue, respectively, the majority of which were either corporations listed on the Stock Exchange and/or financial institutions such as fund houses, insurance companies and banks. Apart from clients in the financial and capital markets, during the Track Record Period, we also served (i) education organisations; (ii) private companies; and (iii) individuals. We, in general, do not enter into any long-term contracts with our clients, and we are engaged by our clients

SUMMARY

on a project-by-project basis. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our five largest clients in aggregate accounted for approximately 30.4%, 39.9% and 36.4%, respectively, of our total revenue while the largest client accounted for approximately 8.4%, 19.2% and 18.7%, respectively, of our total revenue.

During the Track Record Period, one of our largest clients, namely Xuanda Beijing (which was a company jointly held by the Controlling Parties through their respective shareholding interests in HMG until August 2016), was also our subcontractor for printing services. For details, please refer to the paragraph headed “Business – Clients” in this prospectus. Save for Xuanda Beijing, our Directors have confirmed that (i) none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company, held any interest in our five largest clients during the Track Record Period and up to the Latest Practicable Date; and (ii) all of our five largest clients during the Track Record Period were Independent Third Parties.

SUPPLIERS

Given our Group’s business nature, all of our major suppliers are our subcontractors. It is our Group’s policy to subcontract all printing and binding/packaging works to third parties. Our Group’s five largest suppliers comprised mainly printing houses, logistic service providers and translation service providers during the Track Record Period.

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our five largest suppliers in aggregate accounted for approximately 82.2%, 83.0% and 71.2% of our total purchase, respectively. Sunland, a company controlled by the Controlling Parties through their respective interests in HMG until August 2014, was our largest supplier which accounted for approximately 70.2%, 51.2% and 34.6% of our total purchase for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. Our historical reliance on Sunland was mutual and complementary. For the two years ended 31 December 2014 and 2015, our subcontractor charges paid to Sunland represented approximately 98.4% and 92.3% of the total revenue of Sunland, respectively. Although we relied on Sunland for the provision of printing and binding/packaging works (including related logistic arrangement) during the Track Record Period, our Directors are of the view that there is sufficient supply of comparable service providers in the market and do not foresee any difficulties in finding substitute service providers. For further details of the background of Sunland and our engagement of Sunland, please refer to the paragraphs headed “Relationship with our Controlling Shareholders – Companies interested by the Controlling Parties during the Track Record Period” and “Business – Suppliers – Engagement of Sunland” in this prospectus. Save for Sunland, our Directors have confirmed that (i) none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company, held any interest in our five largest suppliers during the Track Record Period and up to the Latest Practicable Date; and (ii) all of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our five largest suppliers was our client during the Track Record Period.

PRICING POLICY

In formulating our service fees for projects, we take into consideration factors such as: (i) subcontractors’ quotations or their list of charge rates; (ii) the costs for carrying out the projects with reference to the estimated time to be spent and the scale of the projects, such as the quantity and the type of services required and the manpower involved; (iii) the prevailing market prices for similar services offered in the market; (iv) the size and industry of the client; and (v) the existing relationship/potential future business opportunities with the client. Our pricing policy is generally cost plus and does not contain price adjustment provisions in the contracts. We experienced a wide price range for each type of project which we

SUMMARY

generated revenue from during the Track Record Period. The wide price range was mainly due to the significant difference among the projects we handled in terms of scope of services provided, quantity and quality of materials involved and the additional items incurred.

The following table sets forth our average price for projects which we generated revenue from during the Track Record Period by content outputs:

	Year ended 31 December		Six months ended
	2014	2015	30 June 2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
Listing related content outputs	23,000	20,000	20,000
Fund investment and insurance content outputs	23,000	26,000	27,000
Marketing collaterals	37,000	53,000	61,000

As shown in the table above, the average price for listing related content outputs and fund investment and insurance content outputs are similar while the average price for marketing collaterals is relatively high as compared with listing related content outputs and fund investment and insurance content outputs. It is mainly due to the fact that the cost of materials used for the production of marketing collaterals are usually higher than those for content outputs in financial printing projects.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our on-going success and business growth, namely (i) we have an established operating history; (ii) we offer a wide range of printing services to our clients; (iii) we have strong concept creation and artwork design capabilities; (iv) we have developed a strong client base; (v) we have a dedicated and experienced management team; (vi) we have been accredited with FSC Chain of Custody Certifications; and (vii) we provide 24 x 7 around-the-clock services. For details, please refer to the paragraph headed “Business – Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

We intend to pursue the following key business strategies:

- continue to provide quality services to our clients through setting up the New Office and improving the facilities in the Infinitus Plaza Office;
- continue to enhance our IT systems and infrastructures for better service quality and operational efficiency; and
- continue to attract and retain skilled employees to support our future growth.

SUMMARY

RISK FACTORS

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

- we generally do not enter into any long-term contracts with our clients. We may not be successful in maintaining our relationship with existing clients or attracting new clients, which may expose us to potential volatility with respect to our business performance;
- we engage subcontractors to conduct part of the works in our production and the performance of these subcontractors may affect the quality of our overall services to our clients;
- most of our printing and binding/packaging works (including related logistic arrangement) were outsourced to a single supplier and our inability to identify alternative service providers may affect our business operations and financial results; and
- we face credit risks on failing to collect our trade receivable from our clients in full and on time.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
<i>Results of operations</i>				
Revenue	125,343	160,369	83,943	82,302
Cost of sales	78,095	95,899	47,803	48,378
Profit before tax	13,074	18,965	15,483	12,882
Profit for the year/period	11,283	14,998	12,892	10,652
			As at 31 December	
			2014	2015
			<i>HK\$'000</i>	<i>HK\$'000</i>
			As at 30 June	
			2016	2016
			<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financial position</i>				
Non-current assets	4,796	4,743	4,743	3,880
Current assets	85,204	78,451	78,451	65,032
Non-current liabilities	69	1,086	1,086	811
Current liabilities	62,142	63,653	63,653	47,494
Net current assets	23,062	14,798	14,798	17,538
Total equity	27,789	18,455	18,455	20,607

SUMMARY

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
<i>Cash flows</i>				
Operating cash flows before changes in working capital	18,078	22,033	17,265	14,282
Net cash generated from operating activities	18,026	3,056	1,705	28,661
Net cash used in investing activities	(3,034)	(1,254)	(400)	(464)
Net cash (used in)/generated from financing activities	(5,762)	3,229	7,937	(28,563)
Cash and cash equivalents at the beginning of year/period	341	9,571	9,571	14,602
Cash and cash equivalents at the end of year/period	9,571	14,602	18,813	14,236
	As at/Year ended 31 December		As at/Six months ended	
	2014	2015	30 June	2016
<i>Key financial ratios</i>				
Current ratio	1.4 times	1.2 times	1.4 times	
Gearing ratio ⁽¹⁾	Nil	40.1%	26.1%	
Return on assets	12.5%	18.0%	15.5%	
Return on equity	40.6%	81.3%	51.7%	
Net profit margin	9.0%	9.4%	12.9%	
Trade receivables turnover	102 days	103 days	94 days	
Trade payables turnover	141 days	103 days	77 days	

Note:

- Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the respective period end and multiplied by 100%.

SHAREHOLDER INFORMATION

Immediately after completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 75% by HM Ultimate, which is in turn owned as to 53%, 24.5% and 22.5% by Mr. Yu, Mr. Tse, and Mr. Chan, respectively. HM Ultimate will control over 30% of the issued share capital of our Company and therefore, each of Mr. Yu, Mr. Tse, Mr. Chan (by virtue of their interests in HM Ultimate) and HM Ultimate will be regarded as a group of our Controlling Shareholders.

After Listing, there will be an exempt continuing connected transaction between our Group and Unique Concept (an associate of Mr. Yu) under a tenancy agreement. Please refer to the section headed "Connected Transactions" in this prospectus for further details.

SUMMARY

COMPANIES INTERESTED BY THE CONTROLLING PARTIES DURING THE TRACK RECORD PERIOD

During the Track Record Period, the Controlling Parties were interested in Sunland and the Disposal Group. The Controlling Parties have strategically decided to focus their investments on business areas including concept creation and artwork design, typesetting and proofreading, translation and media placement of content outputs. Having considered that their focuses on the aforesaid business areas would be inevitably distracted as the day-to-day operations and management of a printing factory would be time-consuming and that the operations of the printing factory would have a high operating cost, the Controlling Parties decided to dispose of Sunland and ceased the printing business on 31 August 2014. Further, as (i) it is our Group's strategy to focus our resources and efforts on our core business of provision of integrated printing services for corporate clients mainly in the financial and capital markets in Hong Kong; (ii) the main business focus of the Disposal Group was on the PRC market; and (iii) the scale of the Disposal Group's businesses was small, the Disposal Group was disposed of by the Controlling Parties on 30 August 2016 pursuant to the Reorganisation. As a result, the Disposal Group did not form part of our Group.

For further details of Sunland and the Disposal Group, please refer to the paragraph headed "Relationship with our Controlling Shareholders – Companies interested by the Controlling Parties during the Track Record Period" in this prospectus.

PLACING STATISTICS

	Based on the Placing Price of HK\$0.5 per Share	Based on the Placing Price of HK\$0.6 per Share
Market capitalisation (<i>Note 1</i>)	HK\$200 million	HK\$240 million
Unaudited pro forma adjusted combined net tangible assets per Share (<i>Note 2</i>)	HK\$0.14	HK\$0.16

Notes:

1. The calculation of the market capitalisation of the Shares is based on 400,000,000 Shares in issue immediately after the completion of the Placing and the Capitalisation Issue.
2. The unaudited pro forma adjusted combined net tangible asset per Share is determined after the adjustments as described in notes 1 to 4 as set out in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

LISTING EXPENSES

Based on the Placing Price of HK\$0.55 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.5 to HK\$0.6 per Placing Share, our Directors estimate that the total amount of expenses in relation to the Listing payable by our Company (including underwriting commission) is approximately HK\$19.3 million. Of such amount, approximately HK\$6.7 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$12.6 million, which cannot be so deducted, will be charged to profit and loss account. Of the approximately HK\$12.6 million that will be charged to profit and loss account, nil, approximately HK\$4.9 million and approximately HK\$0.4 million have been charged for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively, and approximately HK\$5.5 million and approximately HK\$2.2 million is expected to be charged to profit and loss account for the years ending 31 December 2016 and 2017, respectively. Expenses in relation to the Listing are non-recurring in nature.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Placing based on the Placing Price of HK\$0.55 per Share (being the mid-point of the stated range of the Placing Price) are estimated to be approximately HK\$35.7 million. We intend to apply such net proceeds from the Placing as follows:

	From the Latest Practicable Date to 31 December 2016 <i>HK\$ million</i>	For the six months ending 30 June 2017 <i>HK\$ million</i>	For the six months ending 31 December 2017 <i>HK\$ million</i>	For the six months ending 30 June 2018 <i>HK\$ million</i>	For the six months ending 31 December 2018 <i>HK\$ million</i>	Total <i>HK\$ million</i>	Approximate % of net proceeds %
Set up the New Office and improve the facilities in the Infinitus Plaza Office	–	7.4	5.4	1.7	1.1	15.6	43.7
Enhance our IT systems and infrastructures	–	4.1	4.5	2.3	2.5	13.4	37.5
Enhance our workforce	–	0.3	0.9	1.0	1.2	3.4	9.5
General working capital	–	3.3	–	–	–	3.3	9.3
Total	–	15.1	10.8	5.0	4.8	35.7	100

The following table sets out a further breakdown of the net proceeds from the Placing to be applied for setting up the New Office and improving the facilities in the Infinitus Plaza Office:

	From the Latest Practicable Date to 31 December 2016 <i>HK\$'000</i>	For the six months ending 30 June 2017 <i>HK\$'000</i>	For the six months ending 31 December 2017 <i>HK\$'000</i>	For the six months ending 30 June 2018 <i>HK\$'000</i>	For the six months ending 31 December 2018 <i>HK\$'000</i>	Total <i>HK\$'000</i>	Approximate % of net proceeds %
Infinitus Plaza Office:							
Renovation work	–	3,921	2,613	–	–	6,534	41.9
Acquiring new office facilities	–	1,500	516	–	–	2,016	12.9
New Office:							
Rental expenses	–	320	960	960	960	3,200	20.5
Renovation work	–	1,050	900	–	–	1,950	12.5
Acquiring new office facilities	–	–	340	678	–	1,018	6.5
Rental deposit	–	534	–	–	–	534	3.4
Management fees	–	36	108	108	108	360	2.3
Total	–	7,361	5,437	1,746	1,068	15,612	100

For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY

DIVIDEND

No dividend has been paid or declared by our Company since incorporation. For the years ended 31 December 2014 and 2015 and six months ended 30 June 2016, dividends of an aggregate amount of approximately HK\$8.5 million, HK\$24.4 million and HK\$8.5 million had been declared and paid to the then equity holders of HM Services, HM Language and HM Too.

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. Subject to the Companies Law and our Articles of Association, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles of Association, from time to time, pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio and currently have no dividend policy.

RECENT DEVELOPMENT

For the period from 1 July 2016 to the Latest Practicable Date, we had completed 2,346 projects, of which 2,084 are financial printing projects and 248 are marketing collateral printing projects. As at the Latest Practicable Date, we had 65 projects in progress with an aggregate estimated service fee of approximately HK\$6.5 million, of which 46 are financial printing projects and 19 are marketing collateral printing projects. The expected completion date for 17 of these 65 projects will fall beyond 31 December 2016 and it is anticipated that approximately 80.2% of the aggregate estimated service fees will be recognised for the year ending 31 December 2016.

NO MATERIAL ADVERSE CHANGE

Save for the non-recurring expenses related to the Listing, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position of our Group since 30 June 2016, being the end of the period reported on in the accountants' report set forth in Appendix I to this prospectus.

DEFINITIONS

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

“Articles” or “Articles of Association”	the articles of association of our Company adopted on 15 December 2016 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 299,999,000 Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company referred to the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder passed on 15 December 2016” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person(s) admitted to participate in CCASS as a direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	a person(s) admitted to participate in CCASS as a custodian participant(s)
“CCASS Investor Participant(s)”	a person(s) admitted to participate in CCASS as an investor participant(s) who may be an individual(s) or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant(s), a CCASS Custodian Participant or a CCASS Investor Participant(s)

DEFINITIONS

“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and/or supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014, as amended, modified and supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company” and “our Company”	HM International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 13 January 2016 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 April 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Parties”	collectively, Mr. Yu, Mr. Tse and Mr. Chan
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and in the case of our Company, means collectively, Mr. Yu, Mr. Tse, Mr. Chan and HM Ultimate
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 15 December 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries) as further detailed in the paragraph headed “E. Other information – 1. Estate duty, tax and other indemnity” in Appendix IV to this prospectus
“Deed of Non-Competition”	a deed of non-competition dated 15 December 2016 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are summarised in the paragraph headed “Relationship with our Controlling Shareholders – Non-competition undertakings from our Controlling Shareholders” in this prospectus

DEFINITIONS

“Director(s)”	the director(s) of our Company
“Disposal Group”	collectively, HMG, HMC, Easy Language, Xuanda Beijing, Xuanda Shanghai and Yishi Shanghai which were disposed of by the Controlling Parties pursuant to the Reorganisation and do not form part of our Group
“Easy Language”	Easy Language and Content Management Limited (譯思語言及內容管理有限公司), a company incorporated in Hong Kong on 21 November 2012 with limited liability, which is part of the Disposal Group. Immediately before the disposal, each of Mr. Yu, Mr. Tse and Mr. Chan was one of the directors of Easy Language
“Eligible Participants”	employee, adviser, consultant, service provider, agent, client, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by our Company or any subsidiary at the time when an option is granted to such person under the Share Option Scheme or any person who, in the absolute discretion of the Board, has contributed or may contribute to our Group as incentive or reward for their contribution to our Group
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Encumbrance(s)”	any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“FSC”	Forest Stewardship Council, a non-profit making organisation dedicated to the promotion of responsible forest management worldwide
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, modified and supplemented from time to time

DEFINITIONS

“Government”	the government of Hong Kong
“Group”, “we”, “us” or “our”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HK\$” or “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HMC”	Xuanda China Investment Limited, (formerly known as HM China Investment Limited (軒達中國投資有限公司)), a company incorporated in Hong Kong on 25 June 2009 with limited liability, which is part of the Disposal Group. Immediately before the disposal, Mr. Yu, Mr. Tse and Mr. Chan were the directors of HMC
“HMG”	Xuanda Group Limited (formerly known as HeterMedia Group Limited (軒達資訊集團有限公司) and HeterMedia Holdings Limited (軒達資訊控股有限公司)), a company incorporated in Hong Kong on 7 August 2002 with limited liability, which is part of the Disposal Group. Immediately before the disposal, HMG was held by Mr. Yu, Mr. Tse and Mr. Chan as to 53%, 24.5% and 22.5% respectively, and each of them was its directors
“HM Asia”	HM Too (Asia) Limited (軒達(亞洲)有限公司), a company incorporated in Hong Kong on 23 January 2015 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“HM Immediate”	HM Immediate Holdings Limited, a company incorporated in the BVI on 19 November 2015 with limited liability and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
“HM Information”	HM Information Services Limited (軒達資訊科技有限公司), a company incorporated in Hong Kong on 11 January 2007 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation

DEFINITIONS

“HM Language”	HM Language Services Limited (軒達語文服務有限公司), a company incorporated in Hong Kong on 12 March 2005 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“HM Services”	HeterMedia Services Limited (軒達資訊服務有限公司), a company incorporated in Hong Kong on 13 March 2000 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“HM Too”	HM Too Limited (軒達企業信息方案有限公司), a company incorporated in Hong Kong on 21 November 2012 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“HM Ultimate”	HM Ultimate Holdings Limited, a company incorporated in the BVI on 13 November 2015 with limited liability and one of our Controlling Shareholders upon completion of the Reorganisation
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules) of our Company, our subsidiaries or any of their respective associates and not otherwise a connected person of our Company
“Infinitus Plaza Office”	one of our existing offices as at the Latest Practicable Date, located at 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
“Insurance Companies Ordinance”	the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“IPSOS”	Ipsos Limited, an independent market research agency
“IPSOS Report”	a market research report commissioned by us and prepared by IPSOS on the overview of the industries in which our Group operates

DEFINITIONS

“Joint Bookrunners” or “Joint Lead Managers”	Astrum Capital Management Limited and Gransing Securities Co., Limited, being the joint bookrunners and the joint lead managers to the Placing
“Ka Wah Office”	one of our existing offices as at the Latest Practicable Date, located at 8th Floor of Ka Wah Bank Centre, 232 Des Voeux Road Central, Hong Kong
“Latest Practicable Date”	19 December 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about Wednesday, 11 January 2017, on which dealings in the Shares first commence on GEM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“MPF”	the Mandatory Provident Fund
“Mandatory Provident Fund Scheme Ordinance”	the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 15 December 2016 and as amended from time to time
“Mr. Chan”	Mr. Chan Wai Lin (陳威廉), our executive Director and one of our Controlling Shareholders
“Mr. Tse”	Mr. Tse Kam Wing Walter (謝錦榮), our executive Director and one of our Controlling Shareholders
“Mr. Yu”	Mr. Yu Chi Ming (余志明), our executive Director and one of our Controlling Shareholders
“New Office”	the new office to be set up in a prime location in Central, Hong Kong in mid-2017

DEFINITIONS

“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price with professional, institutional and other investors as described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	the final placing price for each Placing Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) which will be no more than HK\$0.6 and is expected to be not less than HK\$0.5, such price to be determined in the manner as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Shares”	the 100,000,000 new Shares being offered for subscription at the Placing Price pursuant to the Placing
“Price Determination Date”	the date, expected to be on or before Friday, 30 December 2016 (or such later date as may be agreed between the Joint Lead Managers (for themselves and on behalf of the other Underwriters) and us), on which the Placing Price is to be fixed
“Repurchase Mandate”	a general unconditional mandate given to our Directors authorising any repurchase by our Company as described in the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder passed on 15 December 2016” in Appendix IV to this prospectus
“Restricted Business”	the business currently and from time to time engaged by our Group (including but not limited to provision of integrated printing services for corporate clients mainly in the financial and capital market in Hong Kong)
“RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation arrangements implemented by our Group in preparation for the Listing which is more particularly described in the paragraph headed “History, Reorganisation and Development – Reorganisation” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFC Code”	Code on Unit Trusts and Mutual Funds issued by the SFC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 15 December 2016, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Sponsor”	Messis Capital Limited, the sponsor of our Company for the Listing, a corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the GEM Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Sunland”	Sunland Printing Limited (耀林印刷有限公司), a company incorporated in Hong Kong on 12 November 1991 with limited liability, which, among the total 1,320,000 issued shares, 1,055,999 shares were held by HMG and one share was held by HM Services before its disposal by HMG and HM Services in August 2014
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Track Record Period”	the two years ended 31 December 2015 and the six months ended 30 June 2016
“Underwriters”	the underwriters of the Placing whose names are set out in the paragraph headed “Underwriting – Underwriters” in this prospectus

DEFINITIONS

“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing entered into on 28 December 2016 among our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Joint Lead Managers and the other Underwriters relating to the Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Unique Concept”	Unique Concept Development Limited, a company incorporated in Hong Kong on 24 October 1989 with limited liability, which is wholly owned by Mr. Yu
“US\$”	United States dollars, the lawful currency of the United States of America
“Xuanda Beijing”	Shenzhou Xuanda Financial Information Consultancy (Beijing) Limited* (神州軒達財經信息顧問(北京)有限公司), a company established in the PRC on 5 November 2009 with limited liability, which is part of the Disposal Group. Immediately before the disposal, Mr. Yu was the chairman of the board of directors and the legal representative of Xuanda Beijing, and Mr. Tse was a director of it
“Xuanda Shanghai”	Xuanda Enterprise Management Consultancy (Shanghai) Limited* (軒達企業管理諮詢(上海)有限公司), a company established in the PRC on 15 May 2013 with limited liability, which is part of the Disposal Group. Immediately before the disposal, Mr. Yu was the director of Xuanda Shanghai
“Yishi Shanghai”	Yishi Trading (Shanghai) Limited* (譯施貿易(上海)有限公司), a company established in the PRC on 15 February 2015 with limited liability, which is part of the Disposal Group. Immediately before the disposal, Mr. Tse was the legal representative, director and general manager of Yishi Shanghai, and Mr. Chan was a supervisor of it
“%”	percent

* denotes the English translation of the name of a Chinese company or entity and is provided for identification purpose only

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. These terms may not correspond to standard industry definitions or usage of those terms.

“APP”	abbreviation for application programme, a computer programme that is designed to perform a group of coordinated functions, tasks or activities for the benefit of the user
“ARC Awards”	the awards for “Annual Report Competition”, an international competition honouring excellence in annual reports accredited by MerComm, Inc.
“Astrid Awards”	the awards for an international competition honouring outstanding achievement in corporate design accredited by MerComm, Inc.
“CIS(s)”	collective investment scheme(s), a term introduced under, and defined in Schedule 1 to the SFO to apply to investment products of a collective nature
“content outputs”	products/documents with content such as words and graphics produced based on source data
“e-book”	an electronic version of a traditional print book that can be read by using a personal computer or e-book reader
“eSS”	e-Submission System, the internet-based information submission and dissemination system established and operated by Hong Kong Exchanges and Clearing Limited, which may be used by listed issuers and/or their representatives, to, among others, transmit information, communication or other materials to Hong Kong Exchanges and Clearing Limited for the purpose of publication on the Stock Exchange’s website
“e-Submission”	submission through the eSS
“financial printing”	the printing and ancillary services provided by our Group for the production of listing related content outputs and fund investment and insurance content outputs, which are generally regulatory related
“Galaxy Awards”	the awards for an international competition honouring outstanding achievement in product and service marketing accredited by MerComm, Inc.
“IPO(s)”	initial public offering(s)

GLOSSARY OF TECHNICAL TERMS

“IT”	information technology
“marketing collaterals”	materials used to support a company’s primary advertising message to consumers and channel partners about a company’s products or services. Marketing collaterals can be in printed or electronic form
“marketing collateral printing”	printing of marketing collaterals which are used to support the sales of a product or service
“MerComm, Inc.”	the world’s only independent awards organisation dedicated to defining the standards of excellence in the communications fields and to recognise the individuals whose work has made an outstanding contribution to their organisation, corporation or client. The competitions held by MerComm, Inc. draw entries from 60 countries worldwide
“Mercury Awards”	the awards for an international competition honouring public relations, public affairs and corporate communications accredited by MerComm, Inc.
“publishing”	the act of communicating or making available a message or statement to the public by any means such as print, radio, television and internet
“Questar Awards”	the awards for an international competition honouring excellent work in visual communications accredited by MerComm, Inc.
“typesetting”	composing text and/or images into a digital or physical reading format suitable for the intended audience, use and reproduction

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “potential”, “predict”, “propose”, “seek”, “should”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- our financial conditions;
- availability of bank loans and other forms of financing;
- the regulatory environment as well as the general industry outlook and competitive environment of the industries in which our Group operates;
- estimates of operating costs;
- future developments in the industries in which our Group operate;
- the trend of the economy of Hong Kong, the PRC and the world in general; and
- other factors beyond our control.

These statements reflect the current views of our Directors with respect to future events, operations, liquidity and capital resources, and are based on several assumptions, including those regarding our Group’s present and future business strategies and the environment in which our Group will operate in the future.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk Factors” and “Financial Information” in this prospectus.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise review the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result, should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements as set out in this section.

In this prospectus, statements of, or references to, our Group’s intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider the following risks and specific considerations associated with an investment in our Company before making any investment decision in relation to our Company. If any of the possible events described in this section occurs, the business operation, financial condition, results of operations and prospects of our Group could be materially and adversely affected. Additional risks not currently known to us or that we now consider immaterial may also harm us and affect our investment value. The market price of the Shares could fall significantly and investors may lose part or all of their investments.

RISKS RELATING TO OUR BUSINESS

We generally do not enter into any long-term contracts with our clients. We may not be successful in maintaining our relationship with existing clients or attracting new clients, which may expose us to potential volatility with respect to our business performance

We provide integrated printing services for corporate clients mainly in the financial and capital markets in Hong Kong. We, in general, do not enter into any long-term contracts with our clients, and we are engaged by our clients on a project-by-project basis. Most of our projects are non-recurring in nature, such as financial printing projects related to fund investment content outputs, and the availability of these projects are subject to the financial market condition. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we had 5,003, 5,952 and 3,055 projects contributing revenue to our Group, respectively. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the number of clients with projects that contributed to our revenue was 319, 313 and 255, respectively. 150, 221 and 200 of such clients were recurring clients, respectively. There is no guarantee that our clients will continue to engage us for the same category of services, at the same volume of business, or at all, in the future. Our success is partly attributable to our ability to retain our existing clients and attract new clients, which depends on a number of factors such as the marketing strategies, sales coverage, quality of our products and services, market demand for our products and services and the degree of competition in the industry. There is no assurance that such clients will continue to be secured by us, and may in turn cause our results of operations to vary from period to period and may cause significant fluctuations in the future.

We engage subcontractors to conduct part of the works in our productions and the performance of these subcontractors may affect the quality of our overall services to our clients

We outsource part of our productions, in particular the printing and binding/packaging works, to our subcontractors. As we do not operate any printing factory, all of our printing and binding/packaging works are outsourced to third party printing houses. Generally, our final content outputs are delivered to our clients' designated locations directly by our subcontracted printing houses or through third party logistic service providers. In addition, while our IT, translation, concept creation and artwork design and typesetting works are mainly conducted in-house, we may engage third party service providers for such services at times when we are out of spare capacities. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our subcontractor charges amounted to approximately HK\$55.2 million, HK\$68.2 million and HK\$36.9 million, respectively, representing approximately 70.6%, 71.1% and 76.4% of our cost

RISK FACTORS

of sales for the corresponding year/period, respectively. For details of our subcontracting arrangement, please refer to the paragraph headed “Business – Suppliers – Subcontracting arrangement” in this prospectus.

It is our business strategy to operate our business under the current business model. Therefore, we will continue to engage subcontractors in the future and there is no guarantee that we will be able to manage such subcontractors’ quality as directly and effectively as our in-house productions. Such subcontractors may fail to deliver their services within the time required, or may fail to meet our requirements such as the quality of printing and design or the accuracy of translation works. As such, any failure by the subcontractors to meet our schedule or requirements may materially and adversely affect our reputation, business and results of operations.

Moreover, we do not enter into any long-term agreement with our subcontractors for services. There is no assurance that these subcontractors will continue to provide services to us as and when we require at service fees of similar levels. In the event that (i) there is any significant increase in the service fees and no appropriate replacements are located; or (ii) these subcontractors are not available to provide the required services to us, we may not be able to deliver our services to our clients promptly, or we may have to provide our services at the expense of our profitability. In such event, our reputation, business and results of operations may be adversely affected.

Most of our printing and binding/packaging works (including related logistic arrangement) were outsourced to a single supplier and our inability to identify alternative service providers may affect our business operations and financial results

During the Track Record Period, most of our printing and binding/packaging works (including related logistic arrangement) were outsourced to a single supplier, Sunland. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, Sunland was our largest supplier and accounted for approximately 70.2%, 51.2% and 34.6%, respectively, of our total purchase.

Sunland was principally engaged in the provision of printing services through its printing factory in Hong Kong and was a company controlled by the Controlling Parties through their respective interests in HMG until August 2014. We have been engaging Sunland as our subcontractor for printing and binding/packaging works (including related logistic arrangement) for over 16 years. Same as our other subcontractors, we did not enter into any long-term subcontracting agreements with Sunland. For further details of the background of Sunland and our engagement of Sunland, please refer to the paragraphs headed “Relationship with our Controlling Shareholders – Companies interested by the Controlling Parties during the Track Record Period” and “Business – Suppliers – Engagement of Sunland” in this prospectus.

Should there be any disruption in the provision of services from Sunland, there is no assurance that we may be able to identify alternative service providers with sufficient capacity to meet our demands and our required quality standards shortly. Our business operations may accordingly be affected due to the inability of our alternative suppliers in delivering services and products at our satisfactions. In such event, our operations, profitability and performance may be materially and adversely affected.

RISK FACTORS

We face credit risks on failing to collect our trade receivables from our clients in full and on time

We generally do not request deposits from our clients at the time of concluding our engagements. The credit terms granted to our clients are generally resulted from negotiations between individual clients and us. During the Track Record Period, the credit period that we granted to our clients ranged from 30 days to 90 days after the issuance of relevant invoices. We generally bill our clients after we complete our works. Therefore, relevant production costs have been incurred and borne by us at the timing of the billings. As at 31 December 2014, 2015 and 30 June 2016, our trade receivables amounted to approximately HK\$42.1 million, HK\$48.3 million and HK\$36.8 million, respectively, representing approximately 46.8%, 58.0% and 53.4% of our total assets, respectively. We have recorded an impairment loss to our trade receivables of nil, approximately HK\$230,000 and nil for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. We are therefore subject to credit risks. Our Group is also subject to concentration of credit risk arising from our trade receivables as approximately 81.8%, 31.6% and 40.3% of these receivables were due from our Group's largest five clients as at 31 December 2014 and 2015 and 30 June 2016, respectively. For details of our trade and other receivables, please refer to the paragraph headed "Financial Information – Net current assets – Trade and other receivables" in this prospectus. There are no assurances that we will be able to fully recover our trade receivables from our clients or that they will be settled on a timely basis. In the event that settlements from our clients are neither made in full nor on a timely basis, our profitability, cash flow and financial position may be adversely affected.

We rely on market recognition of our brand and face the risks associated with negative publicity

We believe that our brand awareness is one of the key elements to the continued growth and success of our Group. From time to time, we organise marketing events to enhance our brand awareness and promote our services. Notwithstanding our effort in marketing and promotion, there is no guarantee that we will be able to maintain and enhance our brand awareness. In addition, in the event that there are incidents or publications resulting in adverse publicity against us or our brand, our market recognition and reputation may be affected, thereby materially and adversely affecting our business and therefore results of operations and prospects.

Our success is dependent on the retention of our key management personnel

Our success is largely attributable to the continued contribution and experiences of our key executives and other senior management team members. They possess in-depth know-how in their respective areas of expertise, and had made significant contributions to our business development. Further details of our Directors and members of our senior management are set forth in the section headed "Directors and Senior Management" in this prospectus. There is no assurance that our Group will be able to retain these key management personnel. Further, we may face difficulties in looking for suitable replacements, or to attract or retain qualified personnel. Accordingly, our business, results of operations, financial performance and prospects may be adversely affected in the event of loss of any of the key management personnel.

We may face difficulties in recruiting and retaining experienced employees at stable salary levels

Our Directors are of the view that the ability to recruit and retain experienced employees is crucial to the stability and expansion of our operations. In particular, we require quality services of our employees from different professions, such as translation and artwork design on our operations. There is no assurance

RISK FACTORS

that we are able to recruit and retain the appropriate talent to support our operations at all time. Moreover, our business requires shift-duty employees, which are difficult to recruit as well as to retain. Accordingly, if we fail to recruit and retain employees, it may result in shortage of manpower and our operations may be delayed and/or the quality of our services may be affected, which may materially and adversely affect our results of operations, reputation and financial performance.

Our financial performance may also be adversely affected by the increasing staff costs. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, direct labour cost accounted for approximately 25.4%, 25.6% and 20.5% of our cost of sales, respectively. As set out in the IPSOS Report, the median monthly wage in the financial printing services industry in Hong Kong has presented an increasing trend and has raised from approximately HK\$15,000 per month in 2010 to approximately HK\$20,000 per month in 2015. There is no assurance that we are able to maintain the staff cost at similar level as that of the Track Record Period. Moreover, we cannot assure that we are able to pass on the increased cost to our clients in part or in full. Therefore, any significant increase in staff costs may have a material and adverse effect on our results of operations and financial performance.

We currently do not own the properties on which we carry out our business, and our profitability may be adversely affected by material fluctuations of commercial property rental market

We operate our business at premises which are rented to us from Independent Third Parties. The rental expenses for our office premises amounted to approximately HK\$7.7 million, HK\$7.8 million and HK\$3.9 million for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively, representing approximately 6.1%, 4.9% and 4.8% of our total revenue of the respective period. As such, we are exposed to risk on rental fluctuations of commercial buildings in Hong Kong from time to time. In the event that there is any significant increase in the rental expenses for our leased properties, we may experience substantial increases in our operating costs and our business, results of operations, financial position and prospects may be materially and adversely affected.

In addition, there is no assurance that we will be able to renew the current tenancies of the premises we occupy upon their expiry. As at the Latest Practicable Date, we had leased 2 properties in Hong Kong with expiry dates ranging from 2 July 2017 to 31 July 2019 for our office use. There is also no assurance that such tenancy agreements will not be terminated before their expiration. In the event that we are not able to renew the current tenancies of premises upon their expiry or the tenancy agreements are so terminated, our business operations will be materially disrupted and our results of operations and financial performance will be adversely affected.

We do not maintain any insurance to cover claim for loss or damage to our printed content outputs during delivery

The delivery of our printed content outputs is generally carried out by our subcontractors such as printing houses and logistic service providers. We do not maintain any insurance for any loss or damage to the printed content outputs during delivery. There is no assurance that these subcontractors have maintained sufficient insurance to cover the printed content outputs delivered by them. In addition, our clients may bring liability claims against us if there is loss or damage to our printed content outputs during delivery or damages are incurred from untimely delivery. Any such claims, regardless of whether they are ultimately

RISK FACTORS

successful, may cause us to incur litigation costs, harm our business reputation and disrupt our operations. If any such claims are ultimately successful, we may be required to pay for the damages. Our business, results of operations and financial condition may therefore be materially and adversely affected.

We may not be able to implement our future business plans successfully

Our future business plan as set out in the section headed “Future Plans and Use of Proceeds” in this prospectus is developed based on a number of assumptions and forecasts. We intend to apply the net proceeds from the Placing for (i) setting up the New Office and improving the facilities in the Infinitus Plaza Office; (ii) enhancing our IT systems and infrastructures; (iii) enhancing our workforce; and (iv) our working capital requirement and general corporate purposes. There is no assurance that we are able to achieve the anticipated growth and expansion of our operation due to factors which are beyond our control, such as changes in market demands, government policies and relevant laws and regulations, or for reasons that may render the assumptions and forecasts inoperable. As such, we may not be able to guarantee that our future plans will materialise, or be completed by the predetermined time frame, or that our objectives will be achieved.

We are exposed to the risk of IT system deficiency

Our daily operations depend significantly on the reliability of our IT infrastructures, which involve, among others, electronically (i) receiving instructions from clients; (ii) performing our daily works such as proofreading, editing, typesetting, designing, translation and fund fact sheet automations; (iii) reverting drafts of content outputs to our clients; and (iv) making e-Submissions for our clients. As such, any interruptions to our IT infrastructures may cause disruptions in our daily operations.

We rely on our IT infrastructures to secure the confidentiality of confidential and/or price-sensitive information. However, we may face unexpected internet or router breakdowns, attacks by hackers or securities breaches which may lead to the leakage of confidential information to unauthorised third parties. In the event of such failures, we may be susceptible to liabilities, such as complaints, claims or legal actions which may potentially damage our reputation and may in turn negatively affect our results of operations and financial performance.

In addition, our daily operations may also be disrupted if any of our office premises or IT infrastructures suspend operations due to the occurrence of events, including fires, power loss, hardware and software failures, terrorist attacks or other natural or man-made disasters. To operate in such a time-sensitive industry, any delays or disruptions in our operations may negatively affect clients’ confidence in us and may in turn affect our financial performance.

We may face losses or liabilities arising from errors in typesetting and/or translation and/or leakage of confidential information in respect of content outputs handled by us

Our operations involve the daily handling of important, confidential and price-sensitive information of our clients. Any inadvertent errors made during our typesetting and/or translation process may result in material misstatement in, among others, financial reports, announcements, circulars, listing documents, and fund documents of our clients, which in turn may mislead readers and cause financial loss to investors. There is no assurance that the typesetting and translation services we provide will be free from human errors

RISK FACTORS

and mistakes. Moreover, the confidentiality of the information is generally secured by the entering into of the non-disclosure agreement with our employees and subcontractors. There is also no assurance that we are able to keep the confidential information of our clients free from leakages due to the deficiency of our IT system or breach of confidentiality commitments by our employees and/or subcontractors. If we experience (i) any misstatements of content outputs of our clients; or (ii) any leakage of such confidential information before it is publicly published by our clients, we may be susceptible to liabilities, such as complaints, claims or legal actions which may bring adverse impacts on our reputation, business and financial position.

RISKS RELATING TO OUR INDUSTRY

We may be adversely affected by changes of laws and regulations relating to the industry

Our key content outputs, such as listing documents, financial reports, announcements, circulars, fund fact sheets, fund financial reports and fund prospectuses are subject to the regulatory requirements such as those set out by the Stock Exchange, the SFC and other applicable authorities. Accordingly, we may be susceptible to any changes in laws and regulations in relation to the requirements of the abovementioned documents and such changes are beyond our control.

Any amendments to the existing laws and regulations governing our prospective clients, such as relaxation on laws or regulations requiring the publication of documents or replacing print materials with a more environmental-friendly web-based distribution channel, may affect the demand of our financial printing services and hence may significantly affect our business and prospects in the future.

For further details on the major applicable laws and regulations relevant to the content outputs processed by our Group, please refer to the paragraph headed “Regulatory Overview – Other laws and regulations relating to the industry” in this prospectus.

We may be susceptible to any material deterioration in the economic, political and regulatory environment and the financial capital markets in Hong Kong

During the Track Record Period, all of our revenue was derived in Hong Kong, among which approximately 79.8%, 73.0% and 74.9% of our revenue for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively, was generated from financial printing projects. Our business growth primarily depends on the positive environment of the Hong Kong stock markets and the Hong Kong financial capital markets as a whole.

If Hong Kong experiences any sudden downturn in the global economic and political environments due to events beyond our control, such as natural disasters and terrorist attacks, fund raising activities and other transactions by listed companies in Hong Kong may be deterred and the number of documents required to be published may be reduced. Moreover, our Group may have difficulties in relocating our entire business operations to other geographic markets. There is no guarantee that we will be able to maintain our historical financial performance under such unstable economic, political and regulatory conditions in Hong Kong.

RISK FACTORS

We operate in a highly competitive industry and there is no assurance that we will be able to compete successfully

Our Directors are of the view that the industry in which we operate is highly competitive. As set out in the IPSOS Report, there are 21 service providers in Hong Kong in 2015 and the top 10 major players have significantly dominated the industry. The top 10 major players have accounted for an approximate market share of 77.2% in 2015 in terms of total revenue contributed by financial printing services. We cannot assure you that we will be able to continue to compete successfully in our existing markets. A number of factors, including an increase in operational efficiency, adoption of competitive pricing strategies, expansion of operations or adoption of innovative marketing methods of our competitors, may reduce our competitiveness in the market. In such event, our business, results of operations and financial position may be adversely affected.

RISKS RELATING TO THE PLACING

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange does not guarantee the development of an active public market or the sustainability thereof following completion of the Placing. Factors such as variations in our Group's revenues, earnings and cash flows, acquisitions made by our Group or its competitors, loss of key personnel, litigation or fluctuations in the market prices for our services or labours, the liquidity of the market for the Shares, the general market sentiment regarding the industries in which we operate could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Placing Price.

Investors may experience dilution if we issue additional Shares under the Share Option Scheme or any future equity fund raising exercise in the future

Our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may adversely affect our Group's results of operations. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of our Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. No option had been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

RISK FACTORS

In addition, we may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

Any issue, offer, sale or disposal of Shares in the public market could materially and adversely affect the market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

In the future, there is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. We cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for sale by any of our Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Our Controlling Shareholders have undertaken that any disposal of the Shares held by them will be subject to constraints for an additional 12 months in addition to the requirement under the GEM Listing Rules. There is no assurance that such undertaking will not be waived and such waiver can be granted without recommendations of the independent committee of our Board and/or the approval of the independent Shareholders

In addition to the undertakings to the Stock Exchange pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Sponsor, the Joint Lead Managers, the other Underwriters and our Company that for a further 12 months commencing on the date immediately following the expiry of the period undertaken pursuant to Rule 13.16A(1) of the GEM Listing Rules, they will not, and procure that the relevant registered holder(s) will not, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would either individually or together cease to be a Controlling Shareholder.

Such undertaking can be waived as agreed between the Sponsor, the Joint Lead Managers, the other Underwriters and our Company without recommendations of the independent committee of our Board comprising independent non-executive Directors and/or the approval of the independent Shareholders. Should the undertaking be waived, there is no assurance that our Controlling Shareholders will not dispose of their Shares. Sale of Shares in the public market by our Controlling Shareholders or any market perception that their sale of shares might occur, could adversely affect the market price of our Shares. For details of the undertaking, please refer to the section headed “Underwriting” in this prospectus.

RISK FACTORS

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

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Companies Law on protection of minorities is set out in the paragraph headed "3. Cayman Islands Company Law" in Appendix III to this prospectus.

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

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our Group declared dividends of approximately HK\$8.5 million, HK\$24.4 million and HK\$8.5 million, respectively. Any future dividend declaration and distribution by us will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine as important. Accordingly, our historical dividend distributions are not indicative of our future dividend policy and we cannot assure you that dividends of similar amounts or at similar rates will be declared in the future. Potential investors should be aware that the amount of dividends previously declared and paid should not be used as a reference or basis upon which future dividends are determined.

Information contained in press articles or other media

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

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

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to the industry in which our operation have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. We believe that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the other Underwriters, their respective affiliates or advisers nor any parties involved in the Placing have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that

RISK FACTORS

such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

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

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our Group’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Prospective investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although our Company believes the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and prospective investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-Looking Statements” in this prospectus for further details.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

Printed copies of this prospectus are available, for information purposes only, at the respective offices of the Sponsor and the Joint Lead Managers from 4:30 p.m. on Thursday, 29 December 2016 to Tuesday, 10 January 2017 (both days inclusive and during normal office hours from 9:00 a.m. to 5:00 p.m. for business days only).

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Placing, which is sponsored by the Sponsor and is managed by the Joint Lead Managers. The Placing Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreement subject to the Placing Price being fixed by our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters). For further information about the Underwriters and the placing and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE PLACING SHARES

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

No action has been taken in any jurisdiction other than Hong Kong to permit the placing of the Placing Shares or the distribution of this prospectus. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the other Underwriters, and any of their respective directors or any other persons involved in the Placing. It is expected that, pursuant to the Placing, the Underwriters will conditionally place the Placing Shares on behalf of our Company with investors.

APPLICATION FOR LISTING ON GEM

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing (including any Shares to be issued upon exercise of any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

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

A total of 100,000,000 Shares representing 25% of the enlarged issued share capital of our Company immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to any options which may be granted under the Share Option Scheme) will be made available under the Placing.

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public. A total of 100,000,000 Placing Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Placing and the Capitalisation Issue and upon Listing.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the other Underwriters, their respective directors or any other person involved in the Placing accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

SHARE REGISTRAR, REGISTRATION AND STAMP DUTY

All the Placing Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong by the Hong Kong Branch Share Registrar. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained on the Cayman Islands by Esera Trust (Cayman) Limited will not be subject to the Cayman Islands stamp duty.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and our Company's 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, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on or about Wednesday, 11 January 2017. The Shares will be traded in board lots of 5,000 Shares each. The stock code for the Shares is 8416. Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second business day following the transaction date. Only certificates for Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the Chinese names of the Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities mentioned in this prospectus and their English translation, the Chinese names shall prevail.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Yu Chi Ming (余志明)	House 77, Tycoon Place 38 Lo Fai Road Tai Po, New Territories Hong Kong	Chinese
Mr. Tse Kam Wing Walter (謝錦榮)	Westwood Palm Springs 33 Pinaceae Road Yuen Long, New Territories Hong Kong	Chinese
Mr. Chan Wai Lin (陳威廉)	Flat B, 17/F, Block 2 Victoria Centre 15 Watson Road North Point Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ng Jack Ho Wan (吳浩雲)	Flat A, 50/F, Tower 6 Lake Silver 599 Sai Sha Road Ma On Shan, New Territories Hong Kong	Chinese
Mr. Choi Hon Ting Derek (蔡翰霆)	Flat 2, 20/F, Block D Evergreen Villa 43 Stubbs Road Wan Chai Hong Kong	Chinese
Mr. Wan Chi Wai Anthony (尹智偉)	4/F 18 King Kwong Street Happy Valley Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sponsor

Messis Capital Limited

A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 1606, 16/F, Tower 2

Admiralty Centre

18 Harcourt Road

Hong Kong

Joint Bookrunners and Joint Lead Managers

Astrum Capital Management Limited

A corporation licensed by the SFC to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Room 2704, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

Gransing Securities Co., Limited

A corporation licensed by the SFC to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

805-806 Far East Consortium Building

121 Des Voeux Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Co-Managers

Aristo Securities Limited

A corporation licensed by the SFC to carry on type 1 (dealing in securities) regulated activity under the SFO

Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Innovax Capital Limited

A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 2002, 20/F, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Sinolink Securities (Hong Kong) Company Limited

A corporation licensed by the SFC to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Units 2505-06, 25/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Sorrento Securities Limited

A corporation licensed by the SFC to carry on type 1 (dealing in securities) regulated activity under the SFO

11/F, The Wellington
198 Wellington Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Legal advisers to our Company

As to Hong Kong law
Fairbairn Catley Low & Kong
Solicitors, Hong Kong
23/F Shui On Centre
6-8 Harbour Road
Hong Kong

Ms. Queenie W.S. Ng
Rooms 2203 A&B
Fairmont House
8 Cotton Tree Drive
Central, Hong Kong
(barrister-at-law, Hong Kong SAR)

As to Cayman Islands law
Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Sponsor and the Underwriters

As to Hong Kong law
Loeb & Loeb LLP
Solicitors, Hong Kong
21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

Reporting accountants

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Internal control consultant

CT Partners Consultants Limited
Unit 1601A, 16/F, Tower 6
China Hong Kong City
33 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	9/F, Infinitus Plaza 199 Des Voeux Road Central Hong Kong
Company secretary	Ms. Chan Sau Ling, <i>ACIS, ACS (PE)</i> Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	Messis Capital Limited <i>A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> Room 1606, 16/F, Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
Authorised representatives	Yu Chi Ming House 77, Tycoon Place 38 Lo Fai Road Tai Po, New Territories Hong Kong Chan Wai Lin Flat B, 17/F, Block 2 Victoria Centre 15 Watson Road North Point Hong Kong
Compliance officer	Chan Wai Lin Flat B, 17/F, Block 2 Victoria Centre 15 Watson Road North Point Hong Kong

CORPORATE INFORMATION

Members of Audit Committee	Ng Jack Ho Wan (<i>Chairman</i>) Choi Hon Ting Derek Wan Chi Wai Anthony
Members of Remuneration Committee	Choi Hon Ting Derek (<i>Chairman</i>) Wan Chi Wai Anthony Yu Chi Ming
Members of Nomination Committee	Wan Chi Wai Anthony (<i>Chairman</i>) Ng Jack Ho Wan Chan Wai Lin
Principal share registrar and transfer office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	Citibank, N.A., Hong Kong Branch 21/F Citi Tower One Bay East 83 Hoi Bun Road Kwun Tong, Kowloon Hong Kong Hang Seng Bank Limited Head Office 83 Des Voeux Road Central Hong Kong
Company's website <i>Note</i>	www.hetermedia.com

Note: Information contained in this website does not form part of this prospectus

INDUSTRY OVERVIEW

This section and elsewhere in this prospectus contain information extracted from the IPSOS Report. We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the other Underwriters, any of their respective directors, advisers, officers, employees, agents, affiliates and/or representatives or any other persons or parties involved in the Placing, other than IPSOS, and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics. Please refer to the paragraph headed “Risk Factors – Risks relating to the Placing – Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon” in this prospectus for details. We believe, after taking reasonable care, that there have been no material adverse changes in the market information since the date of the IPSOS Report which may qualify, contradict or have an impact on the information in this section.

SOURCES OF INFORMATION

IPSOS, an Independent Third Party, was commissioned by our Group to produce the IPSOS Report at a total fee of HK\$588,000. The report prepared by IPSOS is independent of our Group’s influence. The payment of such amount was not contingent upon the success of the Listing or upon the results of the IPSOS Report. Figures and statistics provided in this prospectus and attributed to IPSOS Report have been extracted from the IPSOS Report and published with the consent of IPSOS.

IPSOS was founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris in 1999. IPSOS SA acquired Synovate Ltd. in October 2011. After the combination, IPSOS becomes the third largest research company in the world which employs approximately 16,000 personnel worldwide across 87 countries. IPSOS conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information contained in the IPSOS Report was derived by means of data and intelligence gathering which include: (i) primary research which involved interviews with a sample of key knowledge leaders in Hong Kong; and (ii) secondary research which involved reviewing published sources including Census and Statistics Department of Hong Kong, publications from the Stock Exchange and company reports including audited financial statements where available. Projected data in the IPSOS Report was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers. The information collected were reviewed by IPSOS and cross-checked against all sources for consistency and accuracy and an independent analysis was conducted to build all final estimates.

The IPSOS Report was compiled based on a number of assumptions including (i) the global economy remains in steady growth across the period from 2016 to 2020; and (ii) there are no external shocks, such as financial crises or natural disasters, that will influence the demand and supply of the financial printing services and marketing collateral printing services industry in Hong Kong from 2016 to 2020. IPSOS believes that the basic assumptions used in preparing the IPSOS Report, including those used to make future projections, are factual, correct and not misleading. IPSOS has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected.

In analysing the market size and forecast model of the IPSOS Report, IPSOS has considered a number of key parameters which include (i) total value of equity funds raised and IPO funds raised in Hong Kong from 2010 to 2015; (ii) number of listed companies in Hong Kong from 2010 to 2015; (iii) total number of authorised CISs in Hong Kong from 2010 to 2015; and (iv) total revenue of the financial printing services industry in Hong Kong from 2010 to 2020.

INDUSTRY OVERVIEW

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

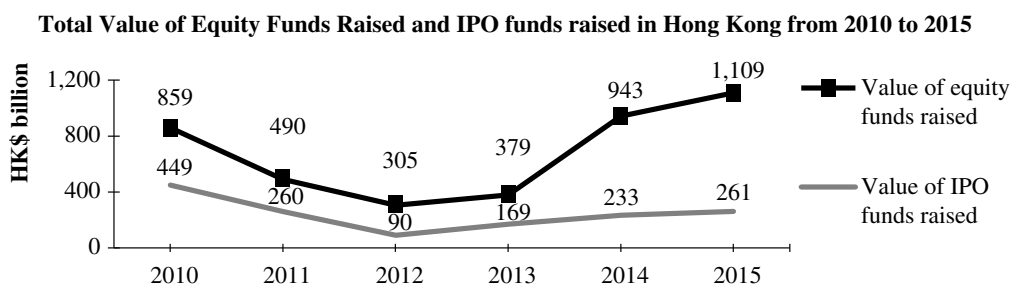
THE FINANCIAL PRINTING SERVICES INDUSTRY IN HONG KONG

Financial printing service providers specialise in the printing of financial documents such as IPO prospectuses, financial reports, announcements and circulars of listed companies and other fund investment and insurance related materials. The major difference between financial printing service providers and traditional printing service providers is that fast paced and timely response are required. Clients of financial printing services require efficient and discreet handling of printing services because the publications of financial documents are usually time sensitive and the information of the financial documents may have significant implications to the clients and the financial markets.

The performance of the financial printing services industry is mainly driven by a number of factors including (i) the activeness of the fund raising activities in the Hong Kong financial market; (ii) the number of listed companies in Hong Kong; and (iii) the number of authorised CISs.

Total value of equity funds raised and IPO funds raised in Hong Kong

The chart below illustrates the total value of equity funds raised and IPO funds raised in Hong Kong from 2010 to 2015:



Sources: IPSOS

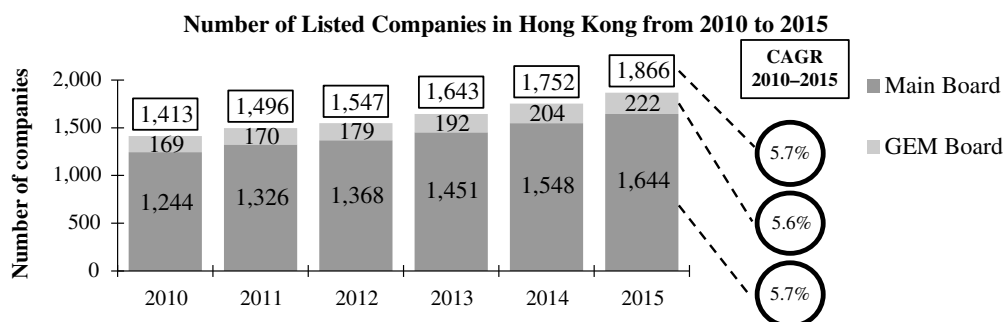
According to the IPSOS Report, the total value of equity funds raised in Hong Kong increased from approximately HK\$859 billion in 2010 to approximately HK\$1,109 billion in 2015, growing at a CAGR of approximately 5.2%. However, the total value of IPO funds raised decreased from approximately HK\$449 billion in 2010 to approximately HK\$261 billion in 2015, experiencing a negative CAGR of approximately 10.3%. The total value of equity funds raised and the total value of IPO funds raised in Hong Kong decreased in 2011 and 2012, mainly due to the impact of negative external factors such as the European debt crisis and slowdown in the growth of the Chinese economy. Due to the improving economic performance and market sentiment, the total value of equity funds raised and the total value of IPO funds raised increased from 2013 onwards. Hong Kong remained among the top listing hubs in the world in 2015. With a thriving equity market in Hong Kong, the demand for services in the financial printing services industry is likely to remain solid.

Number of listed companies in Hong Kong

The number of listed companies in Hong Kong increased from 1,413 in 2010 to 1,866 in 2015, at a CAGR of approximately 5.7%. From 2010 to 2015, the number of companies listed on Main Board and GEM increased at a CAGR of approximately 5.7% and 5.6%, respectively.

INDUSTRY OVERVIEW

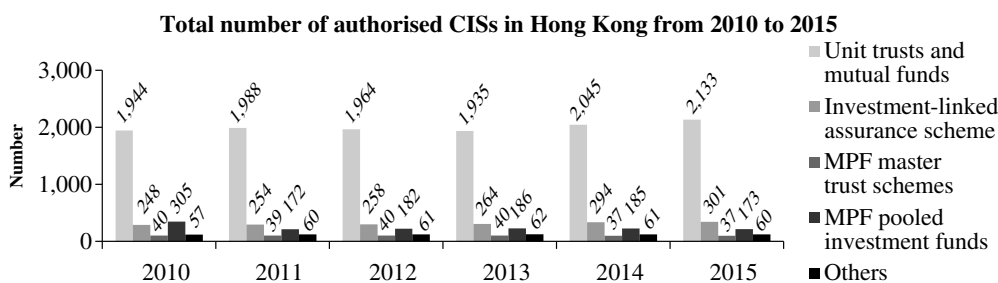
Companies listed on the Main Board are required to produce an annual report and an interim report yearly, while companies listed on the GEM are required to publish more documents including an annual report, an interim report and two quarterly reports yearly, as well as meet compliance requirements for the purpose of disclosing the business performances of the past year. All these reports and other documents have created the need for financial printing services in Hong Kong. The chart below illustrates the number of listed companies and new listed companies in Hong Kong from 2010 to 2015:



Sources: IPSOS

Total number of authorised CISs in Hong Kong

Authorised CISs refer to (i) unit trusts; (ii) mutual funds; (iii) investment-linked assurance schemes; (iv) MPF master trust schemes; (v) MPF pooled investment funds as well as other investment schemes such as pooled retirement funds, paper gold schemes and real estate investment trusts. Fund houses may engage external providers for financial printing services for producing fund prospectuses, fund financial reports and fund fact sheets for authorised CISs in accordance with the specific requirements under the SFO and the relevant codes and guidelines. The total number of authorised CISs in Hong Kong maintained a relatively stable landscape during the period from 2010 to 2015. The chart below illustrates the total number of authorised CISs from 2010 to 2015:



Sources: IPSOS

The total number of unit trusts and mutual funds in Hong Kong increased from 1,944 in 2010 to 2,133 in 2015, representing a CAGR of approximately 1.9%. The total number of investment-linked assurance schemes in Hong Kong increased from 248 to 301 during the period from 2010 to 2015, representing a CAGR of approximately 3.9%. For MPF master trust schemes, the total number in Hong Kong decreased from 40 to 37 representing a CAGR of approximately -1.5% during the period from 2010 to 2015. For MPF pooled investment funds, the total number decreased from 305 to 173 representing a CAGR of approximately -10.7% during the period from 2010 to 2015. The other authorised CISs in Hong Kong stayed relatively stable during the period from 2010 to 2015, starting at 57 and closing at 60 with a CAGR of approximately 1.0%.

INDUSTRY OVERVIEW

Total revenue of the financial printing services industry in Hong Kong

According to the IPSOS Report, the total revenue of the financial printing services industry has increased from approximately HK\$1,317.6 million in 2010 to approximately HK\$1,652.6 million in 2015, at a CAGR of approximately 4.6%, among which, (i) the revenue generated by services related to projects for listing related content outputs increased from approximately HK\$1,008.6 million in 2010 to approximately HK\$1,328.3 million in 2015, at a CAGR of approximately 5.7%; and (ii) the revenue generated by services related to projects for fund investment and insurance content outputs increased from approximately HK\$309.0 million in 2010 to approximately HK\$324.3 million in 2015, at a CAGR of approximately 1.0%. The increase in the total revenue of the financial printing services industry in Hong Kong can be explained by the increase in listed companies during the period from 2010 to 2015. For instance, the number of listed companies increased from 1,413 in 2010 to 1,866 in 2015. The increasing number of listed companies may be due to Hong Kong's economic freedom, absence of exchange controls and its favourable time zone location.

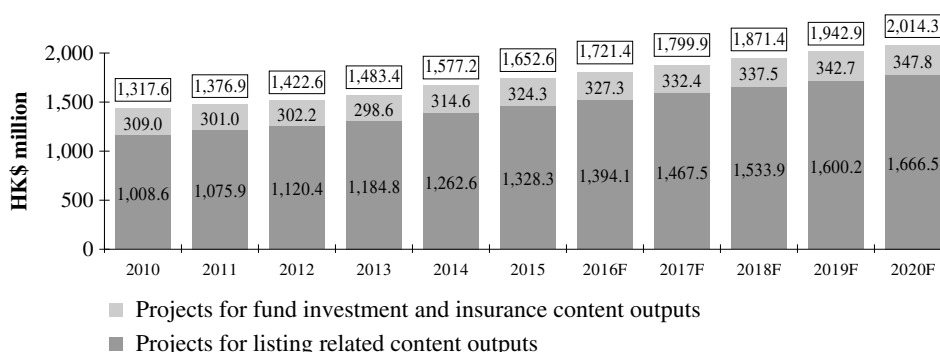
The increase in total revenue of the financial printing services industry in Hong Kong may also potentially be contributed by the increase in fund related content. One of the major demand drivers may be the rules that were jointly issued by the People's Bank of China and the State Administration of Foreign Exchange. Qualified commercial banks were allowed to raise RMB funds from individuals and institutions to invest in overseas financial instruments including Hong Kong, bringing new capital to Hong Kong as well as new fund products.

In 2020, the total revenue of the financial printing services industry in Hong Kong is estimated to increase to approximately HK\$2,014.3 million from approximately HK\$1,721.4 million in 2016, at a CAGR of approximately 4.0%, among which, (i) the revenue generated by services related to projects for listing related content outputs is expected to increase from approximately HK\$1,394.1 million in 2016 to approximately HK\$1,666.5 million in 2020, at a CAGR of approximately 4.6%; and (ii) the revenue generated by services related to projects for fund investment and insurance content outputs is expected to increase from approximately HK\$327.3 million in 2016 to approximately HK\$347.8 million in 2020, at a CAGR of approximately 1.5%. Although the recent tightened vetting process for listing applicants may reduce the number of newly listed companies in the near future, especially those smaller scale companies and companies whose market capitalisation is low, the pipeline of IPO listings remains strong. In fact, the number of IPOs since May 2016 has shown a recovery compared to the first quarter of 2016, and therefore it is expected that the number of IPOs in 2016 and 2017 will remain robust.

In addition, there is high probability that the Chinese economy may not grow at a rate as strong as in previous years, and along with the depreciation of the RMB, investors from China may potentially look into overseas investment, such as in Hong Kong, the US, and South East Asia. Therefore, this might create business opportunities for fund and insurance companies in Hong Kong, targeting Chinese investors by launching more fund and insurance products. These opportunities can further propel the financial printing services industry in Hong Kong in the forecasted period. The chart below illustrates the total revenue of the financial printing services industry in Hong Kong from 2010 to 2020:

INDUSTRY OVERVIEW

Total revenue of the financial printing services industry in Hong Kong from 2010 to 2020



Sources: IPSOS

Note: The financial printing services industry in Hong Kong includes the revenue generated by services related to (1) projects for listing related content outputs; and (2) projects for fund investment and insurance content outputs.

Competitive landscape of the financial printing services industry in Hong Kong

According to the IPSOS Report, the number of financial printing service providers in Hong Kong has been relatively stable from 2010 to 2015. The financial printing services industry consists of 21 service providers in Hong Kong in 2015 and the top players have significantly dominated the industry. The top 10 major players have accounted for an approximate market share of 77.2% in 2015 in terms of total revenue contributed by financial printing services. The remaining 11 financial printing service providers accounted for the remaining 22.8% market share. There is no single dominant player in the financial printing services industry. The top 6 companies in the financial printing services industry have close market share of approximately 7.1% to 11.7% to the total industry revenue.

Top 10 financial printing service providers in Hong Kong

Rank	Financial printing service provider	Status	Estimated revenue from financial printing services in 2015 (HK\$ million)	Market share (%)
1	Competitor A	Private	193.9	11.7%
2	Competitor B	Publicly Listed (Note)	183.8	11.1%
3	Competitor C	Publicly Listed (Note)	176.3	10.7%
4	Competitor D	Publicly Listed (Note)	159.8	9.7%
5	Competitor E	Publicly Listed (Note)	142.4	8.6%
6	Our Group	Private	116.9	7.1%
7	Competitor F	Publicly Listed (Note)	94.7	5.7%
8	Competitor G	Private	76.7	4.6%
9	Competitor H	Private	66.8	4.0%
10	Competitor I	Private	65.1	3.9%
	Others		376.2	22.8%
	Total		1,652.6	100%

Sources: IPSOS

Notes: 1. Companies listed under their own name or under a parent company on the Stock Exchange or elsewhere.

INDUSTRY OVERVIEW

-
2. The revenue of financial printing service providers in Hong Kong includes the revenue generated by (1) projects for listing related content outputs; and (2) projects for fund investment and insurance content outputs.

Our Group ranked 6th among the financial printing service providers in Hong Kong for the year ended 31 December 2015 in terms of the total revenue contributed by financial printing services mainly due to our concept creation and artwork design capabilities, strong client base and dedicated and experienced management team. For further details of our competitive advantages, please refer to the paragraph headed “Business – Business strategies” in this prospectus.

Market growth drivers of the financial printing services industry in Hong Kong

Number of IPOs and financial products in Hong Kong

The performance of the financial printing services industry in Hong Kong is highly correlated to the performance of the financial industry in Hong Kong. It is required by law that information of IPOs and financial products be printed out for public distribution. The increase in IPOs and financial products on the market will increase the demand for financial printing services in Hong Kong.

Number of merger and acquisitions in Hong Kong

The demand for one of the major print materials for financial printing services in Hong Kong will be boosted by the expected growth in merger and acquisition activities as regulations state that any news from merger and acquisitions should have announcements and circulars printed out for public distribution which potentially serves as a growth driver for the industry. Due to the slowing Chinese economy and weakening Chinese currency, Chinese companies are looking for outbound acquisitions. During 2015 and 2016, merger and acquisition activities in Hong Kong increased due to the growing number of acquisitions by the Chinese companies.

Additional stipulated regulation

It is required by the Listing Rules and the GEM Listing Rules that any news from internal changes or share price sensitive news of companies listed on the Stock Exchange should be disclosed through announcements and circulars printed out for public distribution. It is also expected that such regulation requirements will continue to change and additional stipulated regulations on more disclosure are likely to be imposed, creating market growth opportunities.

Entry barriers to the financial printing services industry in Hong Kong

Difficulty in building up client portfolio

It is highly likely that clients select a financial printing service provider which has a client portfolio and strong track record as clients tend to look for service providers which have conducted similar projects in their industry. Hence, it necessitates the establishment of a client portfolio for new entrants to sustain their business. Clients tend to choose the same service provider if the services provided are acceptable and therefore it might be difficult for new entrants to reach clients that are already using services from a financial printing service provider.

INDUSTRY OVERVIEW

Client referral

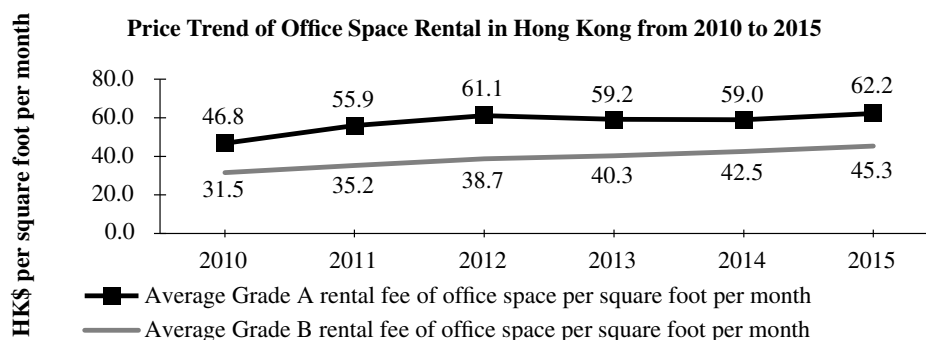
Client referrals are common in the industry, hence, brand image is an asset for the financial printing service providers. Since the major clients are mainly financial institutions and they are interrelated, clients may recommend other financial institutions to use the services provided by the same financial printing service providers if they have experienced good service. Well-established financial printing service providers which enjoy listed company status have relevant first-hand experience working with more stringent regulation and compliance issues and clients might find them more comfortable and reassuring to work with.

High cost of office rental, facilities and labour

Since most of the financial printing service providers' offices are located near their major clients generally in the central business district, the cost of office rental is high. Moreover, new entrants to the industry may require a considerable amount of capital to renovate the office to provide sufficient conference rooms and lounge space for clients. Furthermore, a large proportion of financial printing service providers operate 24 hours a day, 7 days a week and hence this increases labour, electricity, and other miscellaneous operating costs. Besides office rental, labour cost is high in the financial printing services industry as the industry is a relatively labour-intensive industry.

Price trend of office space rental in Hong Kong from 2010 to 2015

Grade A and Grade B office rental in Hong Kong has shown a general rising trend from 2010 to 2015, with a CAGR of rental per square foot per month at approximately 5.9% and 7.6%, respectively, which can be attributed to the rising number of registered companies during the same period. Also, medium to large companies and large PRC companies looking to expand into Hong Kong tend to rent Grade A and Grade B offices in Hong Kong, leading to the increased demand for both grades of office space. The chart below illustrates the price trend of office space rental in Hong Kong from 2010 to 2015:



Sources: IPSOS

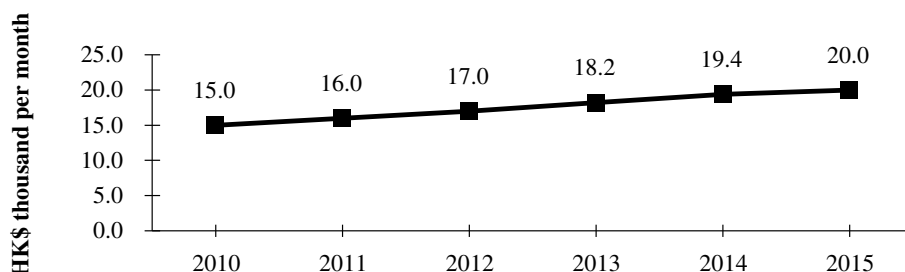
Labour cost in the financial printing services industry in Hong Kong

The median monthly wage in the financial printing services industry increased from approximately HK\$15,000 per month in 2010 to approximately HK\$20,000 per month in 2015, at a CAGR of approximately 4.9%. The rising salary trend of the financial printing services industry was likely driven by the growth of the industry in Hong Kong which required more people to enter the industry and the financial

INDUSTRY OVERVIEW

printing service providers to offer higher salaries to attract more people. Therefore, the industry witnessed a moderate increase in salary levels. The chart below illustrates the labour cost in the financial printing services industry in Hong Kong from 2010 to 2015:

Median Monthly Wage in the Financial Printing Services Industry in Hong Kong from 2010 to 2015



Sources: IPSOS

Opportunities to the financial printing services industry in Hong Kong

Strengthening IPO market in Hong Kong

The number of newly listed companies in Hong Kong greatly affects the business of the financial printing services industry. Due to Hong Kong's (i) economic freedom; (ii) absence of exchange controls; and (iii) favourable time zone location, Hong Kong's stock market was the 8th largest in the world and the 4th largest in Asia in terms of market capitalisation as of June 2016. Hong Kong was among the most active markets for IPO funds raised globally from 2009 to 2016.

The expected increase in number of listed companies in Hong Kong

Companies listed on the Stock Exchange are required to publish financial reports regularly. The number of listed companies increased at a CAGR of approximately 5.7% from 2010 and 2015 and it is estimated that approximately 110 new companies will be listed in Hong Kong in 2016. Consequently, the demand for printing financial reports is expected to increase.

Threats to the financial printing services industry in Hong Kong

Increasing scrutiny of IPO listing applicants by the Stock Exchange

According to a guidance letter published by the Stock Exchange in June 2016 (HKEX-GL68-13A), the listing requirements with regards to small market capital companies are increasing. This may lead to a relatively slower IPO listing process and potentially a reduced number of IPO listings, which therefore may pose a threat to the financial printing services industry in Hong Kong.

Difficulty on hiring skilled workers

Since most financial printing service providers operate 24 hours a day, 7 days a week, they have to hire night shift skilled workers such as typesetters, designers and proofreaders. Due to the effect of the Minimum Wage Ordinance effective in May 2011 and the relatively low unemployment rate, which remained at around 3.3% throughout 2015, hiring skilled workers willing to take night shifts may potentially become a challenge.

INDUSTRY OVERVIEW

Increasing environmental awareness may reduce the volume of printed publications

The rising use of the internet and increasing environmental awareness may reduce the volume of printed publications, such as financial reports. Moreover, the mandatory requirement to publish paid announcements in newspapers was abolished in June 2008. The Stock Exchange's website has become the preferred platform for publishing information. Therefore, the decreasing number of printed publications may potentially pose a threat to the financial printing services industry in Hong Kong.

Future trends and development of the financial printing services industry in Hong Kong

Rising levels of automation

There are rising levels of automation in print production due to technological developments. Financial printing service providers have sought to invest in a range of areas to assist profitability and compete in a more effective way. Furthermore, this has potentially led to increasing consolidation within the financial printing services industry.

Increasing demand from the Chinese market

In recent years, many Chinese companies have turned to Hong Kong-based companies for financial printing. These companies are seeking to raise international profiles by clearly communicating with investors and public through financial reports and corporate social responsibility statements.

Growing number of additional services

More financial printing service providers are providing additional services over the basic printing packages to clients to differentiate themselves from others. These services include design for financial reports, translation and copywriting services, business promotion solutions, as well as providing conference rooms for meetings when necessary and introducing virtual data room services in order to increase the efficiency of reporting and printing processes.

OVERVIEW OF THE MARKETING COLLATERAL PRINTING SERVICES INDUSTRY IN HONG KONG

Hong Kong plays a vital role in the printing services industry. Owing to Hong Kong's (i) free flow of information; and (ii) freedom of the press, a large number of local and international newspapers, journals, periodicals, religious books and textbooks are designed, typeset and translated in Hong Kong while the printing operation has largely shifted to China to reduce operation costs. In addition, Hong Kong printing service providers are also known for their quality, quick delivery, competitive pricing and the ability to cope with short-notice printing jobs, which attract both domestic and international clients.

The marketing collateral printing services industry includes companies that not only print on paper but also on various materials, for example metal, glass, plastics and textiles. They may also offer pre-press and post-press services in support of printing activities. Marketing collateral printing service providers primarily provide solutions to companies in terms of marketing and business promotion, including printing and sourcing necessary promotional products, designing marketing materials, and hosting public relation events.

INDUSTRY OVERVIEW

Marketing collateral printing service providers produce and source advertising brochures, catalogues, newspaper inserts, direct mail marketing pieces, corporate reports, training manuals, promotional materials, and business forms. Products include posters, red pocket brochures, promotion stands, newsletters, stationery, calendars, neck straps and gift boxes for corporate clients. Gifts and promotional items also include printing on apparel and textile products, glass, metal, and plastics.

Clients of the marketing collateral printing services industry are mainly corporations in sectors such as consumer products, cosmetics, entertainment, fashion, food and beverage, hotel and travel, luxury goods, real estate and financial services. These types of companies have high demand for marketing collateral printing and corporate gifts. The need for marketing and advertising activities is one of the major drivers of this market. Corporations allocate budget for such activities to enhance their brand visibility and gain competitive advantage in the market. However, the shift towards electronic media for marketing and promotional activities is becoming a new trend witnessed by the marketing collateral printing industry. Also, corporations have started adopting social advertising as a cost-effective tool to promote their brand image.

Quality, design, and price are the major selection criteria for clients when choosing a marketing collateral printing service provider.

Entry barriers to the marketing collateral printing services industry in Hong Kong

Increasing operational costs

Over the past few years, operational costs have increased rapidly in Hong Kong, including labour costs and office rentals. To reduce operational costs, large local players have shifted a major share of their operations to China. Also, players are making increasing use of automation and mechanisation in order to combat rising costs.

Hiring skilled design staff

Fulfilling client requests and maintaining strong clients relationships through solid design capabilities is important for companies in the marketing collateral printing services industry. For new companies to the industry, being able to hire sufficiently qualified and experienced designers may represent a barrier to entry. The lack of accreditation requirements for graphic designers means that it can be difficult for clients to distinguish between companies with graphic designers able to produce high quality materials.

Opportunities to the marketing collateral printing services industry in Hong Kong

Overseas clients

Hong Kong printing service providers are known for quality, quick delivery, competitive pricing, and ability to deliver in a short turnaround time. Owing to its proximity to the mainland market, Hong Kong's marketing collateral printing services industry has attracted many foreign players. Order volume by overseas clients has increased significantly as they are looking for faster turnaround and shorter delivery time in order to maximise returns through smaller but more frequent orders. This creates a huge opportunity for new players offering innovative and attractive customised printed items.

INDUSTRY OVERVIEW

Threats to the marketing collateral printing services industry in Hong Kong

Rapid changes in technology

Internet technology has replaced some of the paper-based transactions and traditional printing materials. Marketing collateral printing materials, in some cases, are mainly available online instead of in paper format. This could lead to a drop in demand for printing materials and also lead to a fall in the number of firms engaged in printing, as high costs to re-tool their operations could drive them out of business. With the constantly evolving technology, these companies would have to adapt to the new production techniques and therefore might incur high cost.

Future trends and development of the marketing collateral printing services industry in Hong Kong

Growing number of companies adopting more environmentally-friendly practices

The industry is witnessing a new trend that some marketing collateral printing service providers have started to invest in new machines and processes to reduce environmental impact. They have invested in power-efficient machines, chemical-free printing plates, toxin-free inks and green packaging. Other environmental measures such as the use of recycled paper, FSC and the Programme for the Endorsement of Forest Certification-certified paper are becoming trends. Additionally, some marketing collateral printing service providers also achieved the FSC Chain of Custody certification and thus are able to print with paper manufactured with FSC-certified paper.

Differentiated services offerings

To differentiate from other competitors in the industry, marketing collateral printing service providers offer various kinds of services including concept and graphic design and other pre-press services, video making, actual printing, finishing, event hosting and distribution logistics. Some service providers are capable of providing a comprehensive solution to corporations which have the demand of promoting its brand and hosting a specific event.

REGULATORY OVERVIEW

HONG KONG REGULATORY OVERVIEW

Set out below is the summary of the major applicable laws and regulations relevant to our Group's operations in Hong Kong:

LAWS AND REGULATIONS RELATING TO OUR GROUP'S OPERATIONS

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance regulates the safety and health protection of employees in workplaces, both industrial and non-industrial.

Employers shall as far as reasonably practicable, ensure the safety and health in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety and health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training and supervision to employees for ensuring safety and health;
- maintaining the workplace in a condition that does not endanger safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

Failure to comply with the above requirements constitutes an offence and an employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commissioner for Labour may serve an improvement notice on an employer that has contravened provisions of the Occupational Safety and Health Ordinance or may also issue a suspension notice on an employer where there is an imminent risk of death or serious bodily injury in the premises. Failure to comply with the improvement or suspension notices constitutes an offence liable to a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance sets out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. The Employees' Compensation Ordinance applies to full-time and part-time employees who are employed under service contracts or apprenticeships.

REGULATORY OVERVIEW

If an employee sustains an injury or dies as a result of an accident arising out of and in the course of his/her employment, his/her employer is generally liable to pay compensation under the Employees' Compensation Ordinance even if the employee might have contributed to the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Pursuant to the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law as a result of injuries sustained by their employees in the course of their employments.

An employer who, without reasonable excuse, fails to comply with the Employees' Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 2 years and on a summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 1 year.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance provides for various employment-related benefits and entitlements to employees. All employees covered by the Employment Ordinance, irrespective of their hours of work, are entitled to basic protection under the Employment Ordinance including, among others, payment of wages (which is defined under the Employment Ordinance to include, among others, remuneration and overtime pay), restrictions on wages deductions and granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

MPF is an employment-based retirement protection system under the Mandatory Provident Fund Schemes Ordinance. Except for exempt persons, employees (regular or casual) and self-employed persons who are at least 18 but under 65 years of age and normally residing and working in Hong Kong are required to join the MPF scheme. Under the current MPF scheme, the employer and, where the monthly income is HK\$7,100 or more, the employee are both required to each contribute 5% of the employee's monthly relevant income (subject to a statutory maximum cap of contribution of HK\$1,500 per month with effect from 1 June 2014) as mandatory contributions for and in respect of the employee.

REGULATORY OVERVIEW

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

Under section 52(2) of the Inland Revenue Ordinance, every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the Inland Revenue Ordinance, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor or any other person employed by him named by the assessor.

In addition, under section 52(4) of the Inland Revenue Ordinance, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 3 months after the date of commencement of such employment. Under section 52(5) of the Inland Revenue Ordinance, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 1 month before such individual ceases to be employed in Hong Kong.

OTHER LAWS AND REGULATIONS RELATING TO THE INDUSTRY

The disclosures and the frequency of publications of some of the content outputs processed by our Group, especially for those in the financial printing projects, are subject to the regulations under certain laws and regulations. Please refer to the paragraph headed “Risk Factors – Risks relating to our industry – We may be adversely affected by changes of laws and regulations relating to the industry” in this prospectus for further details. Set out below is the summary of the major applicable laws and regulations relevant to the content outputs processed by our Group:

Listing Rules and GEM Listing Rules

Our Group’s clients include companies listed or proposed to be listed on the Main Board or GEM. As a result, the publication of documents by such companies include announcements, circulars, and annual, interim and quarterly reports are all subject to, among other Hong Kong laws and regulations, the Listing Rules, GEM Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the SFO. Further, our Group also assists its clients to prepare marketing materials and information. The contents of these materials may also be subject to applicable securities laws and regulations.

Our Group’s clients, as listed or proposed to be listed companies on the Main Board or GEM, are required to comply with all applicable laws and regulations, including but not limited to the Listing Rules and GEM Listing Rules. In accordance with the Listing Rules and GEM Listing Rules, listed companies are required to disseminate corporate information to the public by way of announcements, circulars and financial reports, and in the case of IPOs, required to issue listing documents to the public within the stipulated time frame.

SFO

Our Group provides integrated printing services including the publishing of fund fact sheets, fund financial reports and fund prospectuses, the contents of which are subject to the regulations under the SFO. Section 103 of the SFO regulates the issue of advertisements, invitations or documents containing an

REGULATORY OVERVIEW

invitation to the public to acquire certain investments, including CISs. CIS is a term introduced under, and defined in Schedule 1 to, the SFO and which applies to investment products of a collective nature. Unless exempted under section 103 of the SFO, fund prospectuses have to be submitted to the SFC for authorisation before publication. Pursuant to the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products and the SFC Code on MPF Products, CISs, such as unit trust, mutual funds, investment linked assurance schemes, and MPF master trust schemes, are required to issue offering documents containing the information necessary for enabling investors to make an informed judgment of the investment. The contents of offering documents shall meet the disclosure requirements under the applicable product code, such as the Code on Unit Trusts and Mutual Funds and the Code on Investment-Linked Assurance Schemes. In addition, in accordance with provision 11.6 of the Code on Unit Trusts and Mutual Funds, for mutual funds and unit trusts, annual reports must be published and distributed to investors within four months of the scheme's financial year end and interim reports must be published and distributed to investors within two months of the end of the relevant period. CISs may also be subject to other regulations other than those under the SFO. For example, according to provision D3.1 of the Code on Disclosure for MPF Investment Funds published by the MPF Schemes Authority, at least two fund fact sheets should be issued for each financial period of a registered MPF trust scheme within the relevant time frame.

Insurance Companies Ordinance

Our Group's clients include insurance companies and our services provided for such companies include the publication of insurance product catalogues. The content of such publications may be subject to, among other Hong Kong laws and regulations, the Insurance Companies Ordinance. For example, section 56 of the Insurance Companies Ordinance prohibits a person from inducing or attempting to induce another person to enter into an insurance contract by any statement, promise or representation which he knows to be false, misleading or deceptive, or by any dishonest concealment of material facts, or by the reckless making of any statement, promise or representation which is false, misleading or deceptive. Further, pursuant to section 94 of the Insurance Companies Ordinance (which is not yet in operation), the Insurance Authority may make rules to prohibit the use of any misleading or deceptive advertisement by a licensed insurance intermediary, impose conditions on the use of advertisements and require a licensed insurance intermediary to ensure that disclosure is made to its client of the coverage, terms and conditions, and risks in relation to the policy recommended to the client. Note 6.6 of the Guidance Note on Underwriting Long Term Insurance Business (Other than Class C Business) (GN16) also provides that key product risks should be included in the product brochure and marketing materials.

REGULATORY COMPLIANCE

Our Legal Counsel has confirmed that there are no specific licensing requirements for conducting our business in Hong Kong, except those applicable to all body corporate conducting business in Hong Kong such as a business registration certificate and a registration with the Companies Registry. A business registration certificate is generally valid for one year or three years and is renewable before its expiry date. There is no specific expiry date for the registration of a Hong Kong company with the Companies Registry of Hong Kong. Our legal counsel has further confirmed that our Group has obtained all necessary licences, approvals and permits that are material to our business, all of which are valid and current and, since our commencement of business operations, we have been in compliance with all material respects with the applicable laws and regulations in Hong Kong.

HISTORY, REORGANISATION AND DEVELOPMENT

OVERVIEW

Mr. Yu's experience in the financial printing industry can be traced back to January 1992 when Mr. Yu set up Sunland with his personal resources to commence printing business in Hong Kong. In March 2000, Mr. Yu expanded his business and commenced the provision of integrated printing services through HM Services. In March 2002 and November 2012, Mr. Tse and Mr. Chan joined our Group, respectively, to further expand the variety of our services through the incorporations of HM Language, HM Information, HM Too and HM Asia in March 2005, January 2007, November 2012 and January 2015, respectively.

Over the years, we have received awards and recognition for, among others, design of the financial reports printed by our Group. For details of the awards and public recognition received by our Group, please refer to the paragraph headed "Business – Awards and recognitions" in this prospectus.

Set forth below is an overview of the key business milestones in the history of our Group:

Business milestones

Date	Major development and achievement
2000	<ul style="list-style-type: none">• HM Services was incorporated and commenced integrated printing services.
2005	<ul style="list-style-type: none">• HM Language was incorporated and commenced translation services.
2007	<ul style="list-style-type: none">• Our Group was awarded our first Gold Mercury Awards.
2008	<ul style="list-style-type: none">• Our Group was awarded our first "Caring Company" certificate.• Our Group has been accredited with FSC Chain of Custody certifications.
2012	<ul style="list-style-type: none">• HM Too was incorporated and commenced marketing collateral printing services.

Our corporate history

Our Group consists of our Company, HM Immediate, HM Services, HM Language, HM Information, HM Too and HM Asia. Particulars of each Group member are set out below.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 13 January 2016 in anticipation of the Listing. Upon incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued as fully paid to the first subscriber, an Independent Third Party, on 13 January 2016, and was subsequently transferred to HM Ultimate on the same day at par. As at the Latest Practicable Date, our issued Shares were wholly owned by HM Ultimate.

HISTORY, REORGANISATION AND DEVELOPMENT

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 April 2016.

HM Immediate

HM Immediate was incorporated in the BVI with limited liability on 19 November 2015 to serve as an intermediate holding company for holding interests of our operating subsidiaries as part of the Reorganisation. Upon its incorporation, the authorised share capital of HM Immediate was US\$50,000 divided into 50,000 shares of US\$1.00 each. Upon incorporation, 530 shares, 245 shares and 225 shares were allotted and issued as fully paid at par to Mr. Yu, Mr. Tse and Mr. Chan respectively. On 15 December 2016, our Company acquired 530 shares, 245 shares and 225 shares from Mr. Yu, Mr. Tse and Mr. Chan respectively, representing in aggregate the then entire issued share capital of HM Immediate. The consideration of the aforesaid acquisitions were satisfied by the allotments and issues of a total of 999 Shares to HM Ultimate at the respective direction of Mr. Yu, Mr. Tse and Mr. Chan, all credited as fully paid. After the aforesaid acquisitions, HM Immediate became the direct wholly-owned subsidiary of our Company.

HM Services

HM Services was incorporated with limited liability in Hong Kong on 13 March 2000. It principally engages in the provision of integrated printing services.

Upon its incorporation, 7,000 shares and 3,000 shares were allotted and issued as fully paid at par to Mr. Yu and Ms. Wong Mee Che Lilian who is the spouse of Mr. Yu, respectively. Following several share transfers which took place between 2000 and 2003, HMG and Mr. Yu Yau Ki, an Independent Third Party, became shareholders of HM Services in April 2003, holding 9,500 shares and 500 shares in HM Services, respectively.

On 23 November 2004, 500 shares were transferred from Mr. Yu Yau Ki, an Independent Third Party, to Mr. Tse (at the consideration of HK\$195,823.92 which was determined with reference to the net asset value of HM Services as at 30 September 2004), who acted as the trustee of HMG and held the shares of HM Services for and on behalf of, and subject to the directions of HMG pursuant to a declaration of trust of the same date. The trust arrangement was put in place to meet the then requirement of maintaining a minimum of two members under the memorandum and articles of association of HM Services. For the purpose of the Listing and the Reorganisation, such trust arrangement was terminated on 2 February 2016 by Mr. Tse transferring the said 500 shares to HMG on the same day at nil consideration. The said transfer was properly and legally completed and settled. Throughout the Track Record Period and immediately prior to the Reorganisation, HM Services was wholly owned by HMG.

HISTORY, REORGANISATION AND DEVELOPMENT

HM Language

On 12 March 2005, HM Language was incorporated as a limited liability company in Hong Kong. It principally engages in the provision of translation services to our Group. Upon incorporation, 80,000 shares and 20,000 shares were allotted and issued fully paid at par to HMG and Ms. Cheung So Ha, an Independent Third Party who was an employee of HM Language. On 30 March 2015, HMG transferred 10 shares to HMC at par. Throughout the Track Record Period and immediately prior to the Reorganisation, HM Language was owned as to 79.99%, 0.01% and 20% by HMG, HMC and Ms. Cheung So Ha, respectively.

HM Information

On 11 January 2007, HM Information was incorporated as a limited liability company in Hong Kong. It principally engages in the provision of IT services to our Group. Upon its incorporation, 10,000 shares were allotted and issued fully paid at par to HMG. On 23 November 2010, HMG transferred one share to Mr. Yu at par value. Throughout the Track Record Period and immediately prior to the Reorganisation, HM Information was owned as to 99.99% and 0.01% by HMG and Mr. Yu, respectively.

HM Too

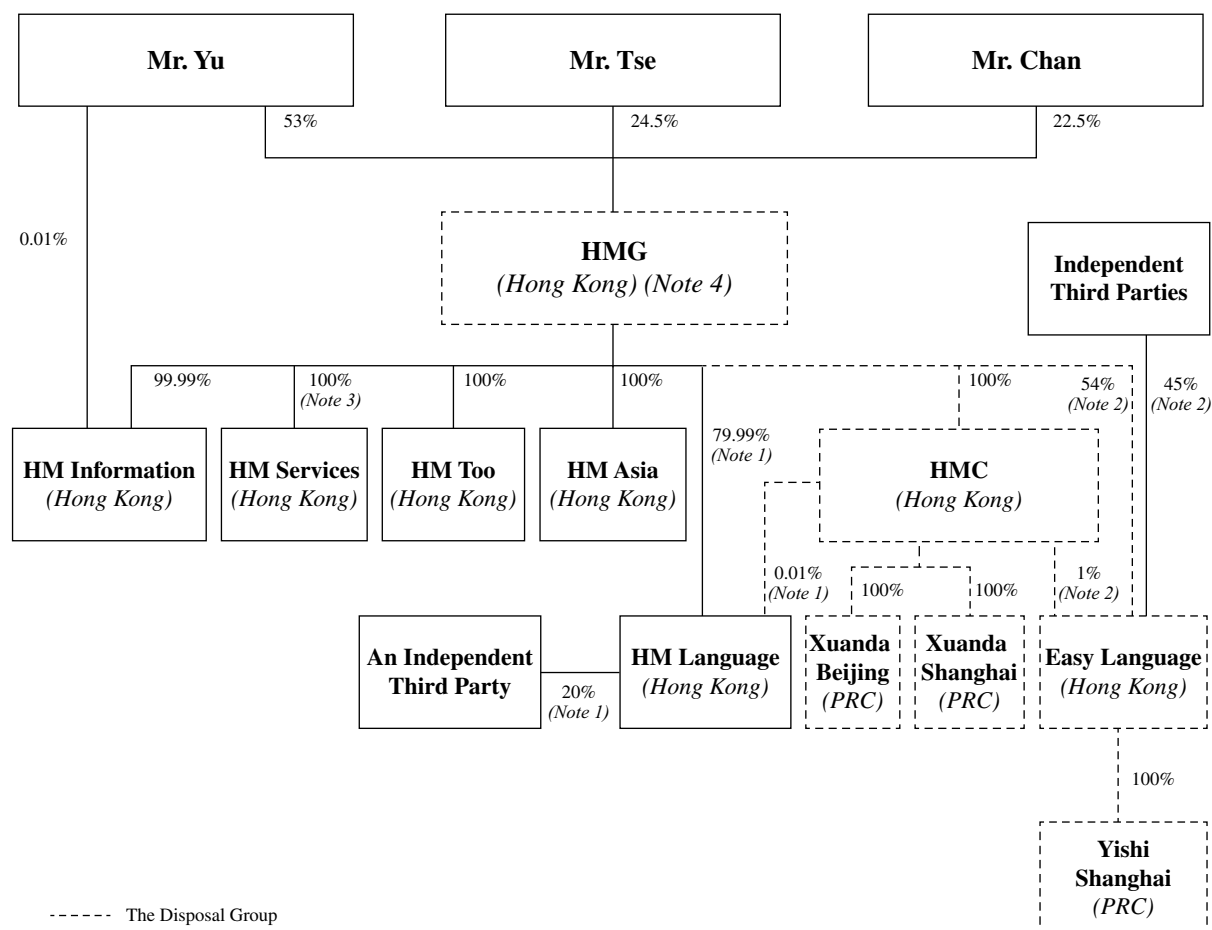
On 21 November 2012, HM Too was incorporated as a limited liability company in Hong Kong. It principally engages in the provision of marketing collateral printing services. Upon its incorporation, one share was allotted and issued fully paid at par to HMG. Throughout the Track Record Period and immediately prior to the Reorganisation, HM Too was wholly owned by HMG.

HM Asia

On 23 January 2015, HM Asia was incorporated as a limited liability company in Hong Kong. It principally engages in the provision of procurement services to our Group. Upon its incorporation, 10,000 shares were allotted and issued fully paid at par to HMG. Throughout the Track Record Period and immediately prior to the Reorganisation, HM Asia was wholly owned by HMG.

HISTORY, REORGANISATION AND DEVELOPMENT

The following chart illustrates the corporate structure of our Group and the Disposal Group immediately before the Reorganisation:



Notes:

1. HM Language was beneficially owned as to 79.99% by HMG, 0.01% by HMC and 20% by Ms. Cheung So Ha, an Independent Third Party who was an employee of HM Language.
2. Easy Language was owned as to 54% by HMG, 1% by HMC, 40% by DocuPro Hong Kong Limited, an Independent Third Party, and 5% by Mr. Hu Jian, an Independent Third Party who was an employee of Yishi Shanghai.
3. HM Services was beneficially wholly owned by HMG, of which 5% was held by Mr. Tse on trust for and on behalf of HMG.
4. On 30 August 2016, Mr. Yu, Mr. Tse and Mr. Chan (as vendors) and Mr. Tsang Ip Chun Daniel (as purchaser), an Independent Third Party, entered into a sale and purchase agreement, pursuant to which Mr. Tsang acquired the entire issued share capital of HMG from Mr. Yu, Mr. Tse and Mr. Chan (as to 53%, 24.5% and 22.5% of the issued share capital of HMG, respectively). For further details of the background of HMG, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

HISTORY, REORGANISATION AND DEVELOPMENT

REORGANISATION

Prior to the Reorganisation, (i) HM Services, HM Too and HM Asia were wholly owned by HMG; (ii) HM Language was owned as to 79.99% by HMG, 20% by Ms. Cheung So Ha, an Independent Third Party who was an employee of HM Language and 0.01% by HMC; and (iii) HM Information was owned as to 99.99% by HMG and 0.01% by Mr. Yu.

In preparation for the Listing, our Group underwent the Reorganisation, which involved the following steps:

(A) Incorporation of overseas holding companies

- (i) On 13 November 2015, HM Ultimate was incorporated in the BVI with limited liability. Upon its incorporation, HM Ultimate had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 530 shares, 245 shares and 225 shares were allotted and issued fully paid to Mr. Yu, Mr. Tse and Mr. Chan respectively on the date of incorporation, representing 53%, 24.5% and 22.5% of the issued share capital of HM Ultimate respectively.
- (ii) On 13 January 2016, our Company was incorporated as an exempted company in the Cayman Islands. Upon its incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 13 January 2016, one fully paid Share was allotted and issued fully paid at par to the first subscriber, and which was then transferred to HM Ultimate on the same day.
- (iii) On 19 November 2015, HM Immediate was incorporated as a limited liability company in the BVI. Upon its incorporation, HM Immediate had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, of which 530 shares, 245 shares and 225 shares were allotted and issued fully paid to Mr. Yu, Mr. Tse and Mr. Chan respectively on the date of incorporation, representing 53%, 24.5% and 22.5% of the issued share capital of HM Immediate respectively.

(B) Acquisition of certain minority interests in HM Information and HM Language by HMG

(1) Acquisition of HM Information

On 7 December 2015, Mr. Yu transferred one share in HM Information to HMG at the consideration of HK\$84.3 (which was determined with reference the net asset value of HM Information as at 30 September 2015). The said transfer was properly and legally completed, with the consideration being settled fully on 7 December 2015. After the aforesaid acquisition, HM Information became a wholly-owned subsidiary of HMG.

HISTORY, REORGANISATION AND DEVELOPMENT

(2) Acquisition of HM Language

On 30 November 2015, Ms. Cheung So Ha, an Independent Third Party who was an employee of HM Language, transferred 20,000 shares in HM Language to HMG, being 20% of its then entire issued share capital, at the consideration of HK\$1,236,200 (which was determined with reference to the net asset value of HM Language as at 30 October 2015). The said transfer was properly and legally completed, with the consideration being fully settled following the completion. After the aforesaid acquisition, HM Language was owned as to 99.99% and 0.01% by HMG and HMC, respectively.

(C) Termination of trust arrangement in relation to shares in HM Services

Immediately before the Reorganisation, 500 shares in HM Services were held by Mr. Tse pursuant to a trust arrangement. Mr. Tse and HMG terminated such trust arrangement on 2 February 2016, by Mr. Tse transferring 500 shares in HM Services to HMG at nil consideration. For further details, please refer to the paragraph headed “Our corporate history” in this section.

(D) Acquisition of HM Services, HM Language, HM Information, HM Too and HM Asia by HM Immediate

(1) Acquisition of HM Services

On 19 August 2016, HM Immediate and HMG entered into a sale and purchase agreement, pursuant to which HMG transferred 10,000 shares in HM Services to HM Immediate, being its then entire issued share capital. The consideration for the acquisition was satisfied by the allotment and issue of 1,000 shares in HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan as to 530 shares, 245 shares and 225 shares respectively, at the direction of HMG, all credited as fully paid. The said transfer was properly and legally settled and completed, with the consideration being fully settled on 19 August 2016.

(2) Acquisition of HM Language

On 19 August 2016, HM Immediate, HMG and HMC entered into a sale and purchase agreement, pursuant to which HMG and HMC transferred 99,990 shares and 10 shares respectively in HM Language to HM Immediate, being its then entire issued share capital. The consideration for the acquisition was satisfied by the allotment and issue of 1,000 shares in HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan as to 530 shares, 245 shares and 225 shares respectively, at the direction of HMG and HMC, all credited as fully paid. The said transfers were properly and legally settled and completed, with the consideration being fully settled on 19 August 2016.

HISTORY, REORGANISATION AND DEVELOPMENT

(3) Acquisition of HM Information

On 19 August 2016, HM Immediate and HMG entered into a sale and purchase agreement, pursuant to which HMG transferred 10,000 shares in HM Information to HM Immediate, being its then entire issued share capital. The consideration for the acquisition was satisfied by the allotment and issue of 1,000 shares in HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan as to 530 shares, 245 shares and 225 shares respectively, at the direction of HMG, all credited as fully paid. The said transfer was properly and legally settled and completed, with the consideration being fully settled on 19 August 2016.

(4) Acquisition of HM Too

On 19 August 2016, HM Immediate and HMG entered into a sale and purchase agreement, pursuant to which HMG transferred one share in HM Too to HM Immediate, being its then entire issued share capital. The consideration for the acquisition was satisfied by the allotment and issue of 1,000 shares in HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan as to 530 shares, 245 shares and 225 shares respectively, at the direction of HMG, all credited as fully paid. The said transfer was properly and legally settled and completed, with the consideration being fully settled on 19 August 2016.

(5) Acquisition of HM Asia

On 19 August 2016, HM Immediate and HMG entered into a sale and purchase agreement, pursuant to which HMG transferred 10,000 shares in HM Asia to HM Immediate, being its then entire issued share capital. The consideration for the acquisition was satisfied by the allotment and issue of 1,000 shares in HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan as to 530 shares, 245 shares and 225 shares respectively, at the direction of HMG, all credited as fully paid. The said transfer was properly and legally settled and completed, with the consideration being fully settled on 19 August 2016.

After the above acquisitions, HM Services, HM Language, HM Information, HM Too and HM Asia became the wholly-owned subsidiaries of HM Immediate. The Reorganisation steps set out above in respect of the acquisitions and transfers of the equity interests in these companies were legal, valid and completed under the laws of Hong Kong.

(E) Acquisition of HM Immediate by our Company

On 15 December 2016, our Company acquired HM Immediate from its existing beneficial owners, Mr. Yu, Mr. Tse and Mr. Chan. The consideration for the acquisition was satisfied by (i) the allotment and issue of 529 Shares to HM Ultimate at the direction of Mr. Yu, all credited as fully paid; (ii) the allotment and issue of 245 Shares to HM Ultimate at the direction of Mr. Tse, all credited as fully paid; and (iii) the allotment and issue of 225 Shares to HM Ultimate at the direction of Mr. Chan, all credited as fully paid.

HISTORY, REORGANISATION AND DEVELOPMENT

COMPLIANCE WITH RULE 11.12A(2) OF THE GEM LISTING RULES

HMG was legally and beneficially owned by Mr. Yu, Mr. Tse and Mr. Chan as to 53%, 24.5% and 22.5%, respectively, since 17 December 2014 until the disposal by Mr. Yu, Mr. Tse and Mr. Chan on 30 August 2016. HMG does not form part of our Group.

Pursuant to the Reorganisation, HM Ultimate, our Company and HM Immediate were each incorporated on 13 November 2015, 13 January 2016 and 19 November 2015, respectively. Since 13 November 2015 and 19 November 2015, each of HM Ultimate and HM Immediate was held by Mr. Yu, Mr. Tse and Mr. Chan as to 53%, 24.5% and 22.5%, respectively. Upon completion of the Reorganisation, HM Immediate became a wholly-owned subsidiary of our Company.

HM Information was a wholly-owned subsidiary of HMG since 7 December 2015 and as a result of the acquisition by HM Immediate on 19 August 2016, it became a wholly-owned subsidiary of HM Immediate.

HM Services was held by HMG and Mr. Tse (as the trustee of HMG) as to 95% and 5%, respectively, from 23 November 2004 to 2 February 2016. The trust arrangement between HM Services and HMG was terminated on 2 February 2016. HM Services was then wholly owned by HMG. After the acquisition by HM Immediate on 19 August 2016, HM Services became a wholly-owned subsidiary of HM Immediate.

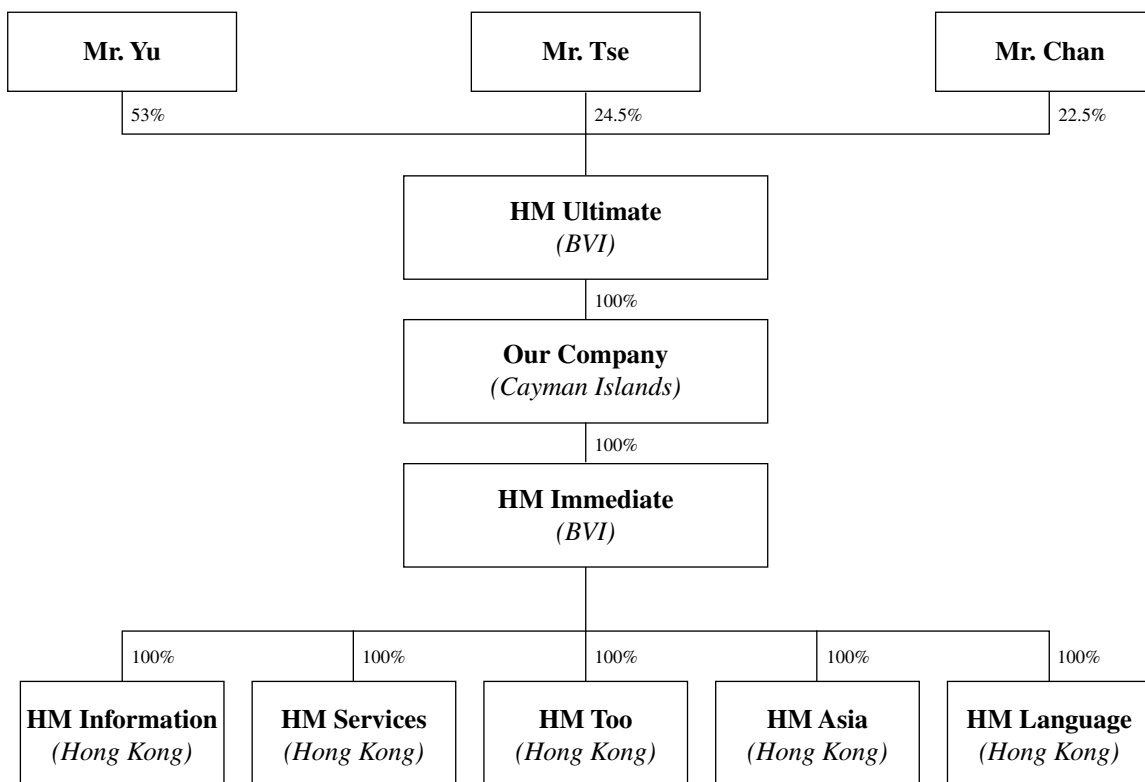
HM Too and HM Asia were wholly-owned subsidiaries of HMG throughout the Track Record Period and up until 19 August 2016. After the acquisition by HM Immediate on 19 August 2016, HM Too and HM Asia became wholly-owned subsidiaries of HM Immediate.

HM Language was owned as to 99.99% and 0.01% by HMG and HMC, respectively, from 30 November 2015 to 19 August 2016. It became a wholly-owned subsidiary of HM Immediate since 19 August 2016.

Based on the above, in particular that the Controlling Parties, in aggregate, directly or indirectly, (i) held 100% of the shareholding interests in each of our Company, HM Immediate, HM Information, HM Services, HM Too and HM Asia; and (ii) held at least 80% of the shareholding interests in HM Language, throughout the period from 1 January 2015 (or their respective date of incorporation, whenever later) and up until the Listing Date, our Group satisfies the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under Rule 11.12A(2) of the GEM Listing Rules.

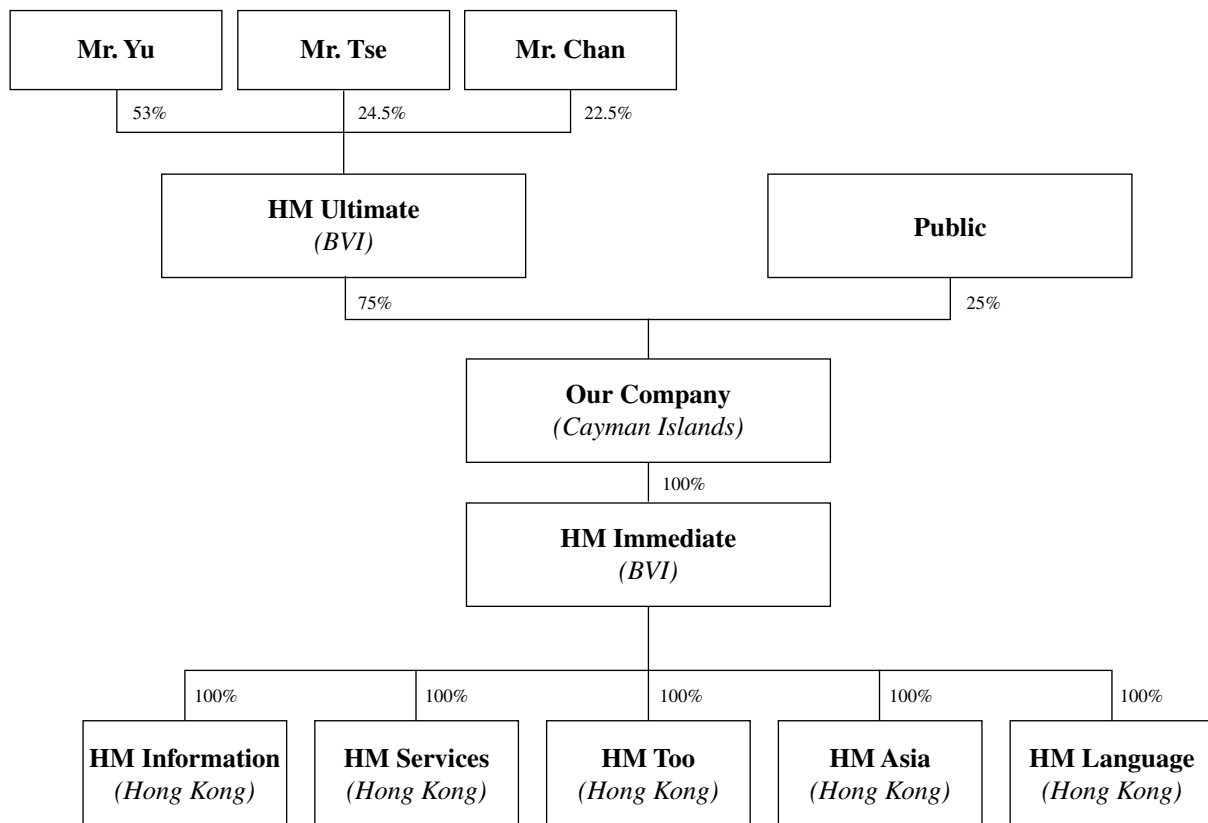
HISTORY, REORGANISATION AND DEVELOPMENT

The following chart sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Placing:



HISTORY, REORGANISATION AND DEVELOPMENT

The following chart sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Placing (taking no account of any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We provide integrated printing services for corporate clients mainly in the financial and capital market in Hong Kong. The comprehensive printing services we offer include concept creation and artwork design, typesetting and proofreading, translation, printing, binding/packaging, logistic arrangement and media placement of content outputs. During the Track Record Period, we served corporations which are listed on the Stock Exchange and potential listing applicants, for the production of listing related content outputs including corporate announcements, circulars, interim and annual reports and listing prospectuses. We also served a number of multinational financial institutions such as fund houses and insurance companies for the production of fund investment and insurance content outputs. With our diverse expertise in the area of concept creation and artwork design, IT and languages, during the Track Record Period, we provided our clients with customised printing services for the production of tailor-made marketing collaterals. We also offered our clients with bespoke non-printing services such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

We are one of the major financial printing service providers in Hong Kong. According to the IPSOS Report, our Group ranked 6th among the financial printing service providers in Hong Kong and had approximately 7.1% of the market share of the financial printing services industry in Hong Kong for the year ended 31 December 2015 in terms of the total revenue contributed by financial printing services.

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our total revenue was approximately HK\$125.3 million, HK\$160.4 million and HK\$82.3 million, respectively, while the profit attributable to owners of the Company for the same period amounted to approximately HK\$10.9 million, HK\$13.9 million and HK\$10.7 million, respectively.

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our on-going success and business growth:

We have an established operating history

Our Group has over 16 years of operating history in the provision of quality and efficient integrated printing services in Hong Kong. With over a decade of experience in the industry, we have successfully built up our industry recognitions and have developed a solid client base in the financial and capital market in Hong Kong. We are well recognised by multinational financial institutions such as fund houses, insurance companies and banks and corporations which are listed on the Stock Exchange and potential listing applicants for our integrated printing services in the production of fund investment and insurance content outputs, listing related content outputs and marketing collaterals. We are one of the key market players in the financial printing services industry. According to the IPSOS Report, there were approximately 21 service providers in Hong Kong in 2015, among which our Group ranked 6th and had approximately 7.1% of the market share of the financial printing services industry in Hong Kong for the year ended 31 December 2015 in terms of the total revenue contributed by financial printing services. Our Directors believe that the long-established track record of our Group in the market allows us to seize more business opportunities and to further increase our market share in Hong Kong.

BUSINESS

We offer a wide range of printing services to our clients

We provide integrated printing solutions to our clients by offering them with a comprehensive printing and related services which include concept creation and artwork design, typesetting and proofreading, translation, printing, binding/packaging, logistic arrangement and media placement of content outputs. Clients can outsource to us their needs on the publications of content outputs, either by engaging us to conduct the entire printing process or only on specific printing steps. For fund investment and insurance content outputs and listing related content outputs, we provide printing services which cover the entire process from typesetting to publishing of fund fact sheets, fund financial reports and fund prospectuses and listing documents, financial reports and other compliance documents as required by the Listing Rules and the GEM Listing Rules. In particular, since we have been equipped with an advanced typesetting/publishing software in 2010, we are capable of providing fund fact sheet automation services which greatly enhance the accuracy of data in the production of fund fact sheets for fund houses. For further details of our typesetting/publishing software, please refer to the paragraph headed "IT development" in this section. Moreover, leveraging on the strong capability of our concept creation and artwork design team, we are competent to tailor-make printing solutions for marketing collaterals on a project-by-project basis. We also offer our clients with bespoke non-printing services such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

We have strong concept creation and artwork design capabilities

We believe our concept creation and artwork design team is renowned in the industry for our outstanding creativity and execution, which are reflected from the prestigious international awards we had been presented with in the past. Up to the Latest Practicable Date, we had been awarded with a total of 218 prizes from various international organisations, including a titanium achievement, 2 grand awards, 37 gold awards, 46 silver awards, 62 bronze awards and 70 honours awards at the ARC Awards, the Astrid Awards, the Galaxy Awards, the Mercury Awards, and the Questar Awards, which are testaments to our market position and outstanding quality of our execution. These awards were presented mainly based on design creativity and clarity of the content outputs we produced for our clients. As at the Latest Practicable Date, we had 10 employees in our concept creation and artwork design team, most of whom had approximately over seven years of experience in concept creation and artwork design. We believe that our strong concept creation and artwork design capabilities enable us to maintain and further develop our brand and strengthen our competitiveness in the industry. For further details of our achievements, please refer to the paragraph headed "Awards and recognitions" in this section.

We have developed a strong client base

With years of presence and development in the market, we have successfully built up a broad client base. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the number of clients with projects that contributed to our revenue was 319, 313 and 255, respectively. 150, 221 and 200 of such clients were recurring clients, respectively. Our clients include multinational financial institutions such as fund houses, insurance companies and banks, corporations listed on the Stock Exchange and potential listing applicants. We believe that our ability to maintain recurring clients demonstrates their recognitions of our quality service and we consider these recognitions as one of the key factors leading to our success in the industry.

BUSINESS

We have a dedicated and experienced management team


We are led by a team of experienced and competent senior management who formulate corporate strategies and manage daily operations with an aim to provide services to our clients in a reliable, efficient and professional manner. Mr. Yu, an executive Director and the chairman of our Group, has over 30 years of experience in the printing industry. Mr. Tse has over 30 years of experience in the printing industry. Mr. Chan has over 14 years of experience in the financial printing industry. Our other senior management team members, including Ms. Chan Wai Chung Caroline, Ms. Cheng Shuk Wa and Ms. Yung Suk Man, have proven industry experience and in-depth knowledge in their respective area of specialisation. For details of the biographies and relevant industry experience of our management team, please refer to the section headed “Directors and Senior Management” in this prospectus.

We have been accredited with FSC Chain of Custody Certifications

HM Services and HM Too, our wholly-owned subsidiaries, are certified with the FSC Chain of Custody Certificates. The certifications allow us to label our content outputs as FSC products, which in turn enable our clients to identify and choose products that support responsible forest management. Chain of Custody certification is essential for businesses seeking to access environmentally and socially aware markets, or to demonstrate compliance with public and private procurement policies that specify environmentally responsible materials. Our clients which engage us to produce FSC products can rest assured that their printed content outputs are produced in a manner which conform to the social, economic, and ecological standard.

According to the IPSOS Report, growing number of companies are adopting more environmentally-friendly practices. Environmental measures such as the use of recycled paper, and the adoption of FSC practice are becoming trends. We believe that being accredited with FSC Chain of Custody Certifications confers on us a competitive advantage especially with respect to clients who are eager to purchase products that carry such accreditations. For details, please refer to the paragraphs headed “Environmental matters” and “Qualifications and certificates” in this section.

We provide 24 x 7 around-the-clock services

We emphasise on providing comprehensive printing services to our clients of good quality and service excellence. To cater the needs of our clients on the publications of their content outputs in a timely manner, our services are available 24 hours a day during the year, including public holidays. Our commitment to offer around-the-clock services to our clients can be demonstrated in the pointer graphic in our logo,  which is made up of twenty four dots, including seven white dots, symbolising the 24 x 7 around-the-clock services we provide.

BUSINESS STRATEGIES

Our Directors consider that the financial printing services industry in Hong Kong is highly competitive. According to the IPSOS Report, the top 7 major players in the financial printing services industry in Hong Kong (among which we were ranked sixth) accounted for over 60% of the market share in 2015 in terms of total revenue contributed by financial printing services. There was no single dominant player in the financial printing services industry and the market share of these top 7 players were close to

BUSINESS

each other, ranging from the lowest at 5.7% to the highest at 11.7%. Our Directors believe that the provision of better service quality is the key to differentiating ourselves from our competitors and to further strengthen our position as a prominent integrated printing service provider in the financial and capital market in Hong Kong. To achieve this, we intend to implement our future plans by pursuing the following strategies:

Continue to provide quality services to our clients through setting up the New Office and improving the facilities in the Infinitus Plaza Office

The term of our tenancy of the Ka Wah Office will be expired on 2 July 2017. Our Directors currently have no intention to renew the aforesaid tenancy and plan to set up the New Office in a prime location in Central, Hong Kong after Listing in mid-2017.

It is our plan to rent a premises with a gross floor area of approximately 4,000 square feet for the New Office, which is approximately 1,201 square feet larger than the gross floor area of the Ka Wah Office of approximately 2,799 square feet. The following table sets forth the expected allocation of our conference rooms available for clients' use and operating functions among our offices as at the Latest Practicable Date and immediately after expiry of our tenancy at the Ka Wah Office in July 2017:

	As at the Latest Practicable Date		Immediately after expiry of our tenancy at the Ka Wah Office in July 2017	
	Infinitus Plaza Office	Ka Wah Office	Infinitus Plaza Office	New office
Number of conference rooms available for clients' use:	9		8	1
Operating Functions:				
Customer service	✓		✓	✓
Management	✓		✓	
Operations	✓	✓	✓	✓
Sales and marketing	✓	✓	✓	✓
Translation	✓		✓	
Human resources and administration	✓	✓	✓	✓
Concept creation and artwork design	✓		✓	
IT development and IT support	✓	✓	✓	✓
Finance and accounting		✓		✓

As shown in the table above, the larger area of the New Office as compared with that of the Ka Wah Office allows us to station customer service staff and set up a conference room available for our clients' use. Conference room facility is one of the major services we provide to our clients for financial printing projects. After our relocation to the New Office, we can provide customer service and conference room facilities to our clients at two locations as compared with one location as at the Latest Practicable Date.

BUSINESS

As at the Latest Practicable Date, we had 125 employees, sharing a total of 100 workstations located at the Infinitus Plaza Office and the Ka Wah Office. We currently intend to apply approximately 9.5% of the proceeds from the Placing for recruiting and retaining additional 11 employees in the customer service, operations and translation functions for the two years ended 31 December 2018. Having considered the existing tight working space for our employees and together with the increased headcounts, our Directors consider that there is a need for us to increase our number of workstations. Accordingly, we plan to (i) relocate our operations at the Ka Wah Office to the New Office which has a larger area so that the number of workstations can be increased from 30 to 38; and (ii) renovate the Infinitus Plaza Office in order to increase the number of workstations from 70 to 79. After our relocation to the New Office, we will have 117 workstations in total. Our workstation to headcount ratio will therefore increase from approximately 80.0% as at the Latest Practicable Date to approximately 86.0% after our relocation to the New Office. Our Directors believe that the increased workstation to headcount ratio can improve our employees' motivation and hence improving the efficiency of our operations.

Apart from increasing our number of workstations, the renovation of the Infinitus Plaza Office allows us to offer better client experience by providing a more equipped and comfortable office environment to our clients. The last renovation work carried out at the Infinitus Plaza Office was in 2010. According to the IPSOS Report, apart from knowledge on key regulatory requirements, efficiency and accuracy of typesetting/publishing and translation quality, clients may also consider the location of office, availability of conference room facilities and client experience when selecting their financial printing services providers. In view of the fact that the financial printing services industry in Hong Kong is highly competitive, our Directors consider that there is a need for us to renovate the Infinitus Plaza Office so as to offer a better experience to our clients and hence, improving clients' satisfactions and maintaining our competitiveness in the industry.

According to the IPSOS Report, all of the top 10 players in the financial printing services industry in Hong Kong has one or more offices located in the central and western district in Hong Kong. Our Directors believe that (i) having an additional office with customer service staff and conference room available for our clients' use located in the central and western district in Hong Kong which is of close proximity to the Stock Exchange and offices of prospective clients and their intermediaries such as law firms will increase our competitiveness on securing new engagements as well as enhancing our corporate image; and (ii) improving the facilities in the Infinitus Plaza Office by carrying out some renovation projects and acquiring office facilities can provide a more equipped and comfortable office environment to our clients and employees.

We currently intend to use approximately 43.7% of our total estimated net proceeds from the Placing, being approximately HK\$15.6 million to set up the New Office and improve the facilities in the Infinitus Plaza Office. For more details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Enhance our IT systems and infrastructures for better service quality and operational efficiency

Our Directors recognise the importance of making continuous investments in our IT systems and infrastructures. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we incurred capital expenditures of approximately HK\$2.7 million, HK\$1.0 million and HK\$0.5 million, respectively, for the additions of computer equipment and computer software. Moreover, our Directors believe that the introduction of Arbortext Advanced Print Publisher in 2010 had brought us positive

BUSINESS

contributions to our financial printing services through the enhancement of our typesetting/publishing and automation efficiency and quality by automating the processes and eliminating content conversion and therefore reduced the overall production costs.

According to the IPSOS Report, it is common for financial printing service providers in Hong Kong to continuously invest in IT systems and infrastructure as IT systems and infrastructure play a vital role in the provision of financial printing services. For example, financial printing service providers need to deal with confidential financial information and any security breaches may have a significant impact on the financial market and/or clients. Therefore, a secure and robust IT system and infrastructure is particularly important to financial printing service providers. Thus, continuously investing in and upgrading IT system and infrastructure to ensure cyber security is crucial in the financial printing service industry. Moreover, documents and information handled by financial printing service providers are time-sensitive. It is imperative that service providers can swiftly deliver content outputs within a limited time. To achieve that, service providers need to rely on their IT systems and infrastructures. Improving our IT systems and infrastructures can lead to shorter lead time and higher efficiency for the business. For instance, with advanced IT systems, document access, typesetting, formatting and transfer with higher speed can speed up our production process. Hence, our Directors consider that investing in IT systems and infrastructures is a business need for our Group to develop and grow continuously and maintain our competitive position in the industry.

As our daily operations depend significantly on the reliability of our IT infrastructures, our Directors believe that enhancing our IT systems and infrastructures could strengthen our competitiveness and expand our servicing capacity. We plan to enhance the capacity and quality of our data server mainly through (i) rental of racks in cage to place our data servers and private cloud space from a leading telecommunications provider in Hong Kong; (ii) installation of private point-to-point networks from our new office to our servers; and (iii) implementation of an information security management system which can meet ISO27001:2013 standards. During the usual course of business, we handle and process a large volume of information from our clients, which is kept and stored in our own IT systems located in our offices. The information is often confidential in nature, any unauthorised release of which may jeopardise our reputation and may cause harm to our business operations. With the ongoing business expansions and development, our Directors consider that it is necessary to enhance our IT environment by renting server racks and private cloud space from an external service provider. Our Directors believe that, by doing so, we can leverage the technical expertise of the service provider which in turn enabling us to have access to a more secure and stable environment for safekeeping important, confidential and price-sensitive information of our clients. By decentralising our data servers to an external data centre, service outages could be reduced when there is any relocation, renovation and facility maintenance in our offices. The installation of private point-to-point networks can streamline our network setting which could improve the overall operational performance due to faster processing time to different applications. On the other hand, the implementation of information security management system can further strengthen our protection of confidential information.

We provide 24 x 7 around-the-clock services to our clients. According to the IPSOS Report, a rising salary trend in the financial printing services industry was witnessed in recent years, which was likely driven by the growth of the industry in Hong Kong. More workers were needed and thus financial printing service providers were required to offer higher salaries in order to attract suitable workers. With an aim to improve work life balance as well as the overall retention rate of our employees, we intend to implement a secured mobile office system such that our employees may work outside our offices through their mobile devices.

BUSINESS

The mobile office system is expected to allow our staff to respond to the requests of our clients more promptly and thus our client relationships and service quality can be improved through better communication and operational efficiency. Further, the mobile office system can serve as a contingency in case of any service outages in our offices.

In addition, we intend to enhance our software systems and upgrade our hardware equipment with an aim to improve the efficiency and quality of our services including typesetting/publishing and artwork design. We also intend to implement a human resources and administration system to improve the efficiency of managing internal resources. Such human resources and administration system will allow us to have better control and monitoring on our employee records such as payroll, training and leaves, as well as enhance communications among our management and employees.

We currently intend to use approximately 37.5% of our total estimated net proceeds from the Placing, being approximately HK\$13.4 million to finance the enhancement of our IT systems and infrastructures. For more details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. Our Directors are of the view that the enhancement of the aforementioned IT systems and infrastructures enables us to further develop our business and strengthen our competitiveness in the industry.

Continue to attract and retain skilled employees to support our future growth

Our employees are critical to our success. Our Directors believe that our success is largely attributable to our ability to recruit and cultivate experienced, motivated and well trained members of our management team, as well as employees at all levels with appropriate expertise and strong dedication to us. We will continue to offer to our staff competitive compensation packages and a caring corporate culture. In addition, we will recruit new talents to enhance the performance and competitiveness of our workforce. We currently intend to use approximately 9.5% of our total estimated net proceeds from the Placing, being approximately HK\$3.4 million to recruit 11 additional employees. For more details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

BUSINESS MODEL

We provide integrated printing services for corporate clients mainly in the financial and capital market in Hong Kong. The comprehensive printing services we offer include concept creation and artwork design, typesetting and proofreading, translation, printing, binding/packaging, logistic arrangement and media placement of content outputs. Clients can outsource to us their needs on the publications of content outputs, either by engaging us to conduct the entire printing process or only on specific printing steps.

The projects we handled are mainly categorised into two types, namely financial printing projects and marketing collateral printing projects. The content outputs of our financial printing projects are generally regulatory related. Our clients for the financial printing projects are mainly (i) corporations which are listed on the Stock Exchange and potential listing applicants for the production of listing related content outputs; and (ii) fund houses and insurance companies for the production of fund investment and insurance content outputs. Listing related content outputs and fund investment and insurance content outputs are subject to the requirements under regulations such as the Listing Rules, the GEM Listing Rules, the SFO and/or the Insurance Companies Ordinance. For marketing collateral printing projects, the content outputs are mainly for the marketing and promotional purposes of our clients which include posters, red pockets, brochures, promotional displays, newsletters, stationeries, calendars, neck-straps, gift boxes and etc.. During the Track Record Period, our clients for marketing collateral printing projects include multinational banks, education organisations, private companies including marketing and advertising companies and individuals.

BUSINESS

Details of our financial printing projects and marketing collateral printing projects are summarised as below:

	Financial printing projects	Marketing collateral printing projects
Major services we provide	<ul style="list-style-type: none"> • Concept creation and artwork design • Typesetting and proofreading • Translation • Printing and binding/packaging • Logistic arrangement • Fund fact sheet automation • Media placement (including e-Submission) • Conference room facilities 	<ul style="list-style-type: none"> • Concept creation and artwork design • Typesetting and proofreading • Translation • Printing and binding/packaging • Logistic arrangement
Major content outputs	<ul style="list-style-type: none"> • Listing related content outputs including corporate announcements, circulars, financial reports and listing documents • Fund investment and insurance content outputs such as fund fact sheets, fund financial reports, fund prospectuses and insurance product catalogues 	<ul style="list-style-type: none"> • Marketing collaterals including posters, red pockets, brochures, promotional displays, newsletters, stationeries, calendars, neck-straps, gift boxes and etc.
Type of services and forms of content outputs	<ul style="list-style-type: none"> • Relatively standard in the industry 	<ul style="list-style-type: none"> • Customised on a project-by-project basis
Target clients	<ul style="list-style-type: none"> • Corporations listed on the Stock Exchange and potential listing applicants • Fund houses and insurance companies 	<ul style="list-style-type: none"> • Corporations in need of tailor-made content outputs. During the Track Record Period, our clients for marketing collateral printing projects included multinational banks, education organisations, private companies including marketing and advertising companies and individuals
Key technical focus	<ul style="list-style-type: none"> • Knowledge on key regulatory requirements such as the Listing Rules and the GEM Listing Rules, the SFO and/or the Insurance Companies Ordinance • Efficiency and accuracy of typesetting/publishing software • Translation quality 	<ul style="list-style-type: none"> • Concept creation and artwork design capability • Innovation • Market knowledge/insight • Technology savviness

BUSINESS

During the Track Record Period, majority of our revenue was generated from the financial printing projects we handled. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the revenue generated from financial printing projects represented approximately 79.8%, 73.0% and 74.9% of our total revenue, whereas the revenue generated from marketing collateral printing projects represented approximately 19.6%, 26.7% and 24.8% of our total revenue, respectively. The following table sets out a breakdown of our revenue by project type during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Financial printing projects	99,957	79.8	117,125	73.0	63,856	76.1	61,653	74.9
Marketing collateral printing projects	24,591	19.6	42,783	26.7	19,868	23.7	20,401	24.8
Other projects (<i>Note</i>)	795	0.6	461	0.3	219	0.2	248	0.3
Total	125,343	100	160,369	100	83,943	100	82,302	100

Note: Other projects include bespoke non-printing services projects such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

The following table sets out a breakdown of the number of projects from which we generated revenue during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
Financial printing projects	4,308	5,106	2,564	2,701
Marketing collateral printing projects	658	811	418	333
Other projects (<i>Note</i>)	37	35	20	21
Total	5,003	5,952	3,002	3,055

Note: Other projects include bespoke non-printing services projects such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

BUSINESS

The following table sets out a further breakdown of the number of financial printing projects from which we generated revenue by (i) listing related content outputs; and (ii) fund investment and insurance content outputs during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
Financial printing projects:				
Listing related content outputs	2,318	2,923	1,491	1,704
Fund investment and insurance content outputs	<u>1,990</u>	<u>2,183</u>	<u>1,073</u>	<u>997</u>
Total	<u>4,308</u>	<u>5,106</u>	<u>2,564</u>	<u>2,701</u>

OUR SERVICES

Our services in the financial printing projects and marketing collateral printing projects basically include concept creation and artwork design, typesetting and proofreading, translation, printing and binding/ packaging, logistic arrangement and media placement. Details of these services are set out below:

Concept creation and artwork design

Our in-house concept creation and artwork design team mixes innovation and imagination with technical knowledge and execution expertise to create bespoke solutions according to our clients' needs. Our concept creation and artwork design team translates the theme that our clients would like to present into design concepts and then to the actual content outputs, combining IT, innovation and quality into every design we produce. We believe that our concept creation and artwork design capability is an essential factor leading to the success of our financial printing as well as marketing collateral printing business. We provide a full spectrum of creative services ranging from brand and corporate identity consultation, to designing graphics, stationery, brochures, websites and flash animation. For financial printing projects, our concept creation and artwork design team is primarily responsible for providing designs for the covers, graphs and charts of our clients' content outputs. For marketing collateral printing projects, we offer customised design and the production of wide variety of marketing and promotional content outputs. As at the Latest Practicable Date, we had 10 employees in our concept creation and artwork design team, most of whom had approximately over seven years of experience in concept creation and artwork design.

In general, a concept creation and artwork design project starts from idea generation upon clients' request. Our sales and marketing team communicates with our clients in relation to their requirements for the project and, our concept creation and artwork design team is responsible for generating several design concepts and preparing drawings (hand drafts) and dummy samples for presentation to our clients and for their selection when necessary. We keep refining the artwork design in response to the feedback from our clients until the clients are satisfied with the artwork design. After that, our operations team will arrange for execution of the productions based on selected artwork design.

BUSINESS

Typesetting and proofreading

We believe that accuracy of information in the published content outputs is of the utmost importance to our clients. We proofread, edit and scrutinise on drafts of the content outputs for our clients before the final printing. Our typesetting and proofreading services include corrections on mis-spelling, punctuation, and format consistency checks. We are readily available to meet our clients' tight printing schedules by providing a round-the-clock typesetting and proofreading services. We place strong emphasis on the accuracy for typesetting the content outputs and implement a quality control system through the proofreading service. Once the draft content outputs have been typesetted and proofread by us, our customer service team will release the draft content outputs to the clients. Our customer service team also works closely with our clients and their professional teams such as investment bankers, reporting accountants and legal advisers so that the clients' printing requirements can be handled promptly.

Fund investment and insurance content outputs is one of our key content outputs which contributed over 30% of our total revenue during the Track Record Period. In particular, during the production of fund fact sheets for our clients, a specific typesetting/publishing software is used to allow the automated and customised production of fund fact sheet based on source data provided from our clients. For each fund fact sheet automation project, we use our software for chart generation, simple data analysis, extraction and conversion of source data from multiple file types provided by our clients. Benefiting from the typesetting/publishing functions of this software, we can integrate the converted data with the fund fact sheet templates to output the finishing content. Automation and computerised data-reporting ability allow us to complete the fund fact sheet projects with shorter time and minimise human errors. Please refer to the paragraph headed "IT development" in this section for details of our typesetting/publishing software.

Translation

We provide quality translations across a wide spectrum of subjects in Chinese, English, Japanese and Korean. Our team of dedicated language professionals consists of qualified translation staff. As at the Latest Practicable Date, we had 5 in-house translation staff. Depending on our work schedule and capacity, we occasionally outsource our translation services to third party individuals and corporate translation service providers. HM Language, a wholly-owned subsidiary of our Company, provides translation services to our Group. We select in-house and third party translation service providers and carry out quality assurance on translation works done by our translation staff. Our customer service team communicates closely with our translation staff and/or third party translation service providers to keep track of the progress of the translation work so as to update our clients with the latest status of the draft content outputs during the entire project.

Printing and binding/packaging

Our management team has strategically decided to focus our resources on areas including concept creation and artwork design, typesetting and proofreading, translation and media placement of content outputs. Therefore, we engage third party subcontractors to perform all printing and binding/packaging works. For more details of the subcontracting arrangement, please refer to the paragraph headed "Subcontracting arrangement" in this section.

BUSINESS

Logistic arrangement

Generally, our final printed content outputs are delivered to our clients' designated locations by our subcontractors such as the printing houses and logistic service providers. Our operations team is responsible for liaising with our subcontractors regarding the delivery of the final content outputs to various intended destinations.

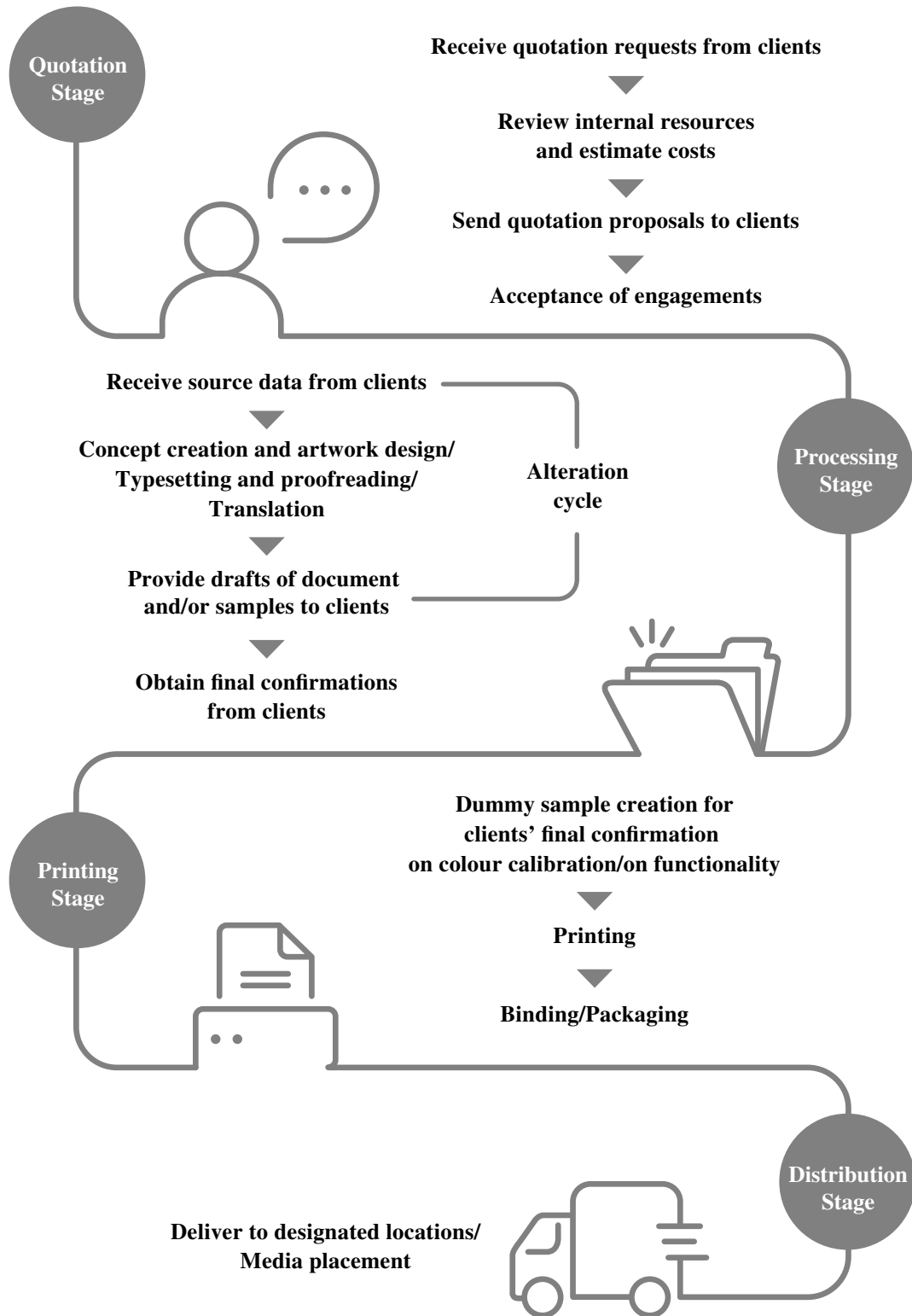
Media placement

Our media placement services refer to the placing of content outputs on the internet and in newspapers. According to the Listing Rules and the GEM Listing Rules, listed corporations are required to submit electronic copies of financial reports and other Listing Rules and the GEM Listing Rules related compliance documents, such as announcements and circulars, on the website of the Stock Exchange through e-Submission and their own websites. With the 24 x 7 around-the-clock services we offer to our clients, we can place the documents for our clients outside normal business hours. It is also optional for listed corporations to publish their announcements in newspapers by way of paid advertisement. With the media network we developed, we are able to place advertisements for our clients to the media of their choice.

OPERATION FLOW

Our operation flow can be generally categorised into four stages, namely quotation stage, processing stage, printing stage and distribution stage. The following chart summarises the general procedures undertaken by us:

BUSINESS



BUSINESS

Quotation stage

Our business usually begins with quotation requests made by our existing or potential clients. The quotation requests of our clients, in particular those seeking for financial printing services for listing related content outputs, are often made through professional parties such as bankers and legal advisers, etc.. Upon receiving quotation request from a client, our sales and marketing team begins preparation of the fee quotation by defining our client's printing requirements of the project through discussions. With reference to the complexity of the job, amount of time required and the estimated costs to be incurred (such as subcontractors' quotations and other costs of services), our sales and marketing team prepares and provides the client with a quotation proposal which lists out the proposed scope of work and proposed fee for the project.

Processing stage

Our processing stage mainly involves data processing. Upon acceptance of engagement by our client and receipt of source data and requests from our clients, we start our production process, which normally involves concept creation and artwork design, typesetting and proofreading and translation. We then produce drafts of content outputs, which can be in electronic or physical form, for our clients' further review. The process from the receipt of source data and request to our return of drafts of the content outputs may form an alteration cycle and repeat for multiple times until the content are ready for final outputs. The number of alteration cycles, the time required for each alteration cycle and the actual time required for the entire production process vary widely, depending on factors such as the complexity and the volume of the data, urgency, the types of services required by our clients and the approval/clearance by the regulatory authorities (if applicable). Our concept creation and artwork design team may participate in the initial meeting with our clients regarding the production of content outputs. Once our client provides a "no comment" confirmation on the drafts of content outputs, the processing stage is completed and the project will proceed to the printing stage.

Printing stage

All of our final printing works were outsourced to third party printing houses as we do not operate any printing factory. Our operations team liaises and coordinates with the printing houses to ensure the meeting of printing deadlines and exercise control over the overall quality of the printed content outputs.

Distribution stage

The final content outputs in physical form after printing and binding/packaging are delivered to our clients or their designated recipients through physical delivery to designated locations such as the addresses of, among others, receiving banks, the Stock Exchange, share registrars and investment banks. Our operations team works closely with our subcontractors such as printing houses and logistic service providers to ensure timely delivery of the content outputs to the destinations.

BUSINESS

For content outputs in electronic form, at the request by our clients, we will (i) upload the content outputs to the website of the Stock Exchange through e-Submission as required under the Listing Rules or the GEM Listing Rules, or to other designated websites such as our clients' websites; (ii) publish in media such as newspapers; and/or (iii) send the soft copies to the clients' designated locations for their further handling.

OUR CONTENT OUTPUTS

Our content outputs can be broadly categorised into three types, namely (i) listing related content outputs; (ii) fund investment and insurance content outputs; and (iii) marketing collaterals. The first two types refer to content outputs of our financial printing projects, while the third type refers to content outputs of our marketing collateral printing projects. Listing related content outputs include listing documents, financial reports and other listing compliance documents, whereas fund investment and insurance content outputs include fund fact sheets, fund financial reports, fund prospectuses and insurance materials.

The following table sets out a further breakdown of our revenue of financial printing projects by content outputs during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<i>(Unaudited)</i>								
Financial printing projects:								
Listing related content								
outputs	53,503	53.5	59,409	50.7	35,605	55.8	34,753	56.4
– IPO prospectuses	5,627	5.6	4,746	4.1	4,746	7.5	226	0.4
– Post-IPO announcements/ circulars	47,876	47.9	54,663	46.6	30,859	48.3	34,527	56.0
Fund investment and								
insurance content outputs	46,454	46.5	57,716	49.3	28,251	44.2	26,900	43.6
– Fund investment content outputs	44,443	44.5	54,994	47.0	27,138	42.5	25,086	40.7
– Insurance content outputs	2,011	2.0	2,722	2.3	1,113	1.7	1,814	2.9
Total	99,957	100	117,125	100	63,856	100	61,653	100

BUSINESS

The following table sets out the details of our key content outputs:

(i) *Listing related content outputs:*

Key content outputs	Details of the key content outputs
1. Listing documents	<p>According to the Listing Rules and the GEM Listing Rules, a listing document includes a prospectus, a circular and any equivalent document (including a scheme of arrangement and introduction document) issued or proposed to be issued in connection with an application for listing.</p> <p>Due to the involvement of numerous professional parties and the comments from the Stock Exchange and the SFC, there are more frequent turnarounds in the productions of drafts as compared with other content outputs.</p>
2. Financial reports <ul style="list-style-type: none">• Annual reports• Interim reports• Quarterly reports	<p>According to the Listing Rules and the GEM Listing Rules, listed corporations on the Main Board are required to publish an annual report and an interim report for each financial year, while the listed corporations on the GEM are required to publish two quarterly reports, an interim report and an annual report for each financial year.</p> <p>Compared with other listing related content outputs, clients usually put more focus on the artwork design such as covers, graphs and charts incorporated in their financial reports. To cater for the needs of these clients, we have a concept creation and artwork design team of 10 staff as at the Latest Practicable Date and we have obtained a number of international awards on our artwork design of annual reports. For further details of our achievements, please refer to the paragraph headed “Awards and recognitions” in this section.</p>
3. Other listing compliance documents <ul style="list-style-type: none">• Announcements• Circulars• Notices	<p>According to the Listing Rules and the GEM Listing Rules, listed corporations are required to publish announcements and/or circulars under several circumstances, including but not limited to the following:</p> <ul style="list-style-type: none">(a) where the Stock Exchange considers appropriate;(b) in the cases of notifiable transactions as defined in the Listing Rules and the GEM Listing Rules;(c) in the cases of voluntary disclosure by the listed corporations; and(d) in the cases of regular announcement, such as monthly returns. <p>Clients for the publications of these listing compliance documents mainly focus on the timely delivery of documents to their shareholders and the investing public and minimal artwork design is involved by normal practice.</p>

BUSINESS

(ii) Fund investment and insurance content outputs:

Key content outputs	Details of the key content outputs
1. Fund fact sheets	Fund fact sheet is a report issued by a MPF master trust scheme. It provides information on product performance, asset composition, and securities portfolio and is issued at least two times for each financial period.
2. Fund financial reports <ul style="list-style-type: none">• Fund annual reports• Fund interim reports	Fund annual/interim report is a yearly/half-yearly record of the financial status of a unit trust or a mutual fund. The report includes a review of the unit trust/mutual fund's operations as well as its financial statements and financial information.
3. Fund prospectuses	Fund prospectus is a legal offering document describing the objectives of a CIS, the background of fund managers, and key financial data, such as expenses and fund results. A prospectus aims to provide investors with the information they need to make an informed decision about investing in a CIS.
4. Insurance materials <ul style="list-style-type: none">• Insurance product catalogues	Insurance product catalogue usually contains an overview of an insurance product.

(iii) Marketing collaterals:

Examples of key content outputs	Details of the key content outputs
<ul style="list-style-type: none">• Posters• Red pockets• Brochures• Promotional displays• Newsletters• Stationeries• Calendars• Neck-straps• Gift boxes	Customised products mainly used for marketing and promotion purposes of our clients.

BUSINESS

CLIENTS

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we had a total of 319, 313 and 255 clients who had projects contributed to our revenue, respectively, the majority of which were either corporations listed on the Stock Exchange and/or financial institutions such as fund houses, insurance companies and banks. Apart from clients in the financial and capital markets, during the Track Record Period, we also served (i) education organisations such as a university in Hong Kong; (ii) private companies including but not limited to hospitality, marketing and advertising companies and law firms; and (iii) individuals. We, in general, do not enter into any long-term contracts with our clients, and we are engaged by our clients on a project-by-project basis.

The following table sets out a breakdown of our revenue by client type during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(Unaudited)			
Financial institutions (Notes 1, 2)	58,260	46.5	71,188	44.4	33,829	40.3	35,386	43.0
Corporations listed on the Stock Exchange (Note 2)	46,560	37.1	51,352	32.0	31,247	37.2	27,598	33.5
Others (Note 3)	20,523	16.4	37,829	23.6	18,867	22.5	19,318	23.5
Total	125,343	100	160,369	100	83,943	100	82,302	100

Notes:

1. Financial institutions mainly refer to fund houses, insurance companies and banks.
2. For the purpose of this table, clients who are financial institutions with their shares listed on the Stock Exchange are classified as financial institutions only.
3. Others include private companies (such as potential listing applicants), education organisations and individuals.

The following table sets forth a breakdown of our revenue contributed by our five largest clients during the Track Record Period:

BUSINESS

Five largest clients for the year ended 31 December 2014

Rank	Client	Background of the client	Service provided	Approximate year of business relationship with our Group*	Credit terms and payment method	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Client group A (Note 1)	a subsidiary of an investment management company listed on New York Stock Exchange which offers investment management services.	Financial printing	10	30 days, bank transfer	10,488	8.4%
2	Client B	a subsidiary of a global marketing service provider with operations in over 20 countries.	Marketing collateral printing	3	90 days, bank transfer	9,363	7.5%
3	Client group C (Note 1)	subsidiaries of a company listed on a number of reputable stock exchanges which provides banking and related financial services through an international network in the Asia-Pacific region, Europe, the America, the Middle East and Africa.	Financial printing and marketing collateral printing	8	30 days, bank transfer	7,463	5.9%
4	Xuanda Beijing (Note 2)	a company established in the PRC and principally engaged in financial information consultation; scientific and technical information consultation; business information consultation; marketing planning; graphic design and translation services.	Financial printing	6	30 days, telegraphic transfer	5,848	4.7%
5	Client group D (Note 1)	subsidiaries of a company listed on a number of reputable stock exchanges which offers financial protection, asset management and wealth management products and services.	Financial printing	10	30 days, bank transfer	4,930	3.9%
Total:						38,092	30.4%

BUSINESS

Five largest clients for the year ended 31 December 2015

Rank	Client	Background of the client	Service provided	Approximate year of business relationship with our Group*	Credit terms and payment method	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Client B	a subsidiary of a global marketing service provider with operations in over 20 countries.	Marketing collateral printing	3	90 days, bank transfer	30,826	19.2%
2	Client group A (Note 1)	subsidiaries of an investment management company listed on the New York Stock Exchange which offers investment management services.	Financial printing	10	30 days, bank transfer	12,340	7.7%
3	Client group C (Note 1)	subsidiaries of a company listed on a number of reputable stock exchanges which provides banking and related financial services through an international network in the Asia-Pacific region, Europe, the America, the Middle East and Africa.	Financial printing and marketing collateral printing	8	30 days, bank transfer	8,339	5.2%
4	Client group D (Note 1)	subsidiaries of a company listed on a number of reputable stock exchanges which offers financial protection, asset management and wealth management products and services.	Financial printing	10	30 days, bank transfer	6,375	4.0%
5	Client E	a subsidiary of a company listed on the Stock Exchange which offers investment management services.	Financial printing	10	30 days, bank transfer	6,069	3.8%
Total:						63,949	39.9%

BUSINESS

Five largest clients for the six months ended 30 June 2016

Rank	Client	Background of the client	Service provided	Approximate year of business relationship with our Group*	Credit terms and payment method	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Client B	a subsidiary of a global marketing service provider with operations in over 20 countries.	Marketing collateral printing	3	90 days, bank transfer	15,350	18.7%
2	Client group A (Note 1)	a subsidiary of an investment management company listed on the New York Stock Exchange which offers investment management services.	Financial printing	10	30 days, bank transfer	4,094	5.0%
3	Client group C (Note 1)	subsidiaries of a company listed on a number of reputable stock exchanges which provides banking and related financial services through an international network in the Asia-Pacific region, Europe, the America, the Middle East and Africa.	Financial printing and marketing collateral printing	8	30 days, bank transfer	4,042	4.9%
4	Client E	a subsidiary of a company listed on the Stock Exchange which offers investment management services.	Financial printing	10	30 days, bank transfer	3,316	4.0%
5	Client group F (Note 1)	subsidiaries of a company listed on a number of reputable stock exchanges which provides financial services in the United States, Asia, Europe and Latin America.	Financial printing	10	30 days, cheque	3,122	3.8%
Total:						<u>29,924</u>	<u>36.4%</u>

* Up to the Latest Practicable Date

Note 1: Transactions with clients controlled by the same shareholder(s) are aggregated for the purpose of the above analysis. "Client group A" represented 1, 2 and 1 clients for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. "Client group C" represented 4, 3 and 3 clients for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. "Client group D" represented 3 and 3 clients for the years ended 31 December 2014 and 2015, respectively. "Client group F" represented 3 clients for the six months ended 30 June 2016.

Note 2: Xuanda Beijing was a company jointly held by the Controlling Parties through their respective shareholding interests in HMG until August 2016. For details, please refer to the paragraph headed "Relationship with our Controlling Shareholders – Companies interested by the Controlling Parties during the Track Record Period" in this prospectus.

BUSINESS

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our five largest clients in aggregate accounted for approximately 30.4%, 39.9% and 36.4%, respectively, of our total revenue while the largest client accounted for approximately 8.4%, 19.2% and 18.7%, respectively, of our total revenue. Save for Xuanda Beijing, details of which are disclosed in the paragraphs headed “Relationship with our Controlling Shareholders – Companies interested by the Controlling Parties during the Track Record Period” and “Financial Information – Related parties transactions” in this prospectus, our Directors have confirmed that (i) none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company, held any interest in our five largest clients during the Track Record Period and up to the Latest Practicable Date; and (ii) all of our five largest clients during the Track Record Period were Independent Third Parties.

During the Track Record Period, one of our five largest clients, namely Xuanda Beijing, was also our subcontractor for printing services. Xuanda Beijing had further sub-contracted the relevant printing works to another third party. Purchase from Xuanda Beijing was minimal which accounted for nil, approximately 0.4% and nil of our total purchase for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. Our revenue from Xuanda Beijing attributed to approximately 4.7%, 2.4% and 3.3% of our total revenue for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. Our gross profit derived from the sales to Xuanda Beijing was approximately HK\$1.2 million, HK\$0.8 million and HK\$0.4 million, with gross profit margin of approximately 21.1%, 20.9% and 12.9% for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively.

Contracts with our clients

We generally enter into contracts with our clients for each project secured, with major salient terms as set out below:

Services offered and pricing

The contract normally specifies the proposed types of services we provide and the specifications of the content outputs such as quantity, materials to be used, size and binding method with a package price. To provide flexibility to our clients, upon their requests, we may list out prices for a few packages with different scope of work in the contract and our clients can confirm the final package at a later stage. Prices will be adjusted proportionally in accordance with any increment or upgrades to the stated specification.

In addition to the service package, the contract also specifies the rates for possible additional items that a project may incur for the consideration and reference to our clients. Possible additional items include (i) additional pages of documents for processing; (ii) logistic services; and (iii) overtime services.

Term of contract

The job should be completed and delivered within 6 months from the date of the contract, unless otherwise specified.

BUSINESS

Payment term

We generally do not request for deposit from our clients and would generally issue invoice after our work is performed. We usually allow a credit period of 30 days upon the issuance of invoice to our clients. For new clients, we may require cash on delivery or grant the clients a shorter credit term. For each contract, we reserve the right to issue work-in-progress invoice at any time during and/or at the expiry of the stated contract period for services rendered.

In the event of (i) an early termination of the contract initiated by our clients; (ii) suspension of the project for more than 6 months without a restarting schedule; or (iii) suspension of the project until the pre-agreed completion date without requesting for an extension, our client shall pay the full contract sum stated in the contract to us within one month of our presentation of the final invoice.

Copyright

Generally, the copyright of all designs, images, layouts, films and files designed and produced by our Group belongs to us.

Pricing policy

In formulating our service fees for projects, we take into consideration factors such as: (i) subcontractors' quotations or their list of charge rates; (ii) the costs for carrying out the projects with reference to the estimated time to be spent and the scale of the projects, such as the quantity and the type of services required and the manpower involved; (iii) the prevailing market prices for similar services offered in the market; (iv) the size and industry of the client; and (v) the existing relationship/potential future business opportunities with the client. Our pricing policy is generally cost plus and does not contain price adjustment provisions in the contracts.

We generally enter into contracts with our clients on a project-by-project basis, which normally specify one or more package prices for the proposed types of services required and the proposed specifications of the content outputs and/or rates for different types of service we can offer. Additional items of services or alterations of specifications of the content outputs may be ordered by our clients, in writing or by email, after the date of the contract and before the completion of the project and charged in accordance with the rates stated in the contracts (if applicable) or as further agreed between the clients and our sales and marketing team. We generally do not enter into any supplemental contracts with our clients for such kind of additional items of services or alterations of specifications of the content outputs. Based on the actual work done and any out-of-pocket expenses, we issue invoice to our clients for payment. As our clients may order additional items of services or change the specifications of the content outputs during the production process, the final service fee may be different from the original package price as set out in the respective contracts. Our Directors confirm that our revenue generated from additional items of services or alterations of specifications of the content outputs, being the difference between the final service fee and the original package price, was not material to our total revenue during the Track Record Period.

BUSINESS

The following table sets forth our price range for projects which we generated revenue from during the Track Record Period by content outputs:

	Year ended 31 December		Six months ended
	2014	2015	30 June 2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
Listing related content outputs	160 – 2,600,000	86 – 2,812,000	100 – 883,000
Fund investment and insurance content outputs	48 – 1,173,000	65 – 2,241,000	47 – 1,125,000
Marketing collaterals	113 – 1,140,000	82 – 1,439,000	100 – 1,344,000

We experienced a wide price range for each type of project which we generated revenue from during the Track Record Period. The wide price range was mainly due to the significant difference among the projects we handled in terms of scope of services provided, quantity and quality of materials involved and the additional items incurred.

The following table sets forth our average price for projects which we generated revenue from during the Track Record Period by content outputs:

	Year ended 31 December		Six months ended
	2014	2015	30 June 2016
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
Listing related content outputs	23,000	20,000	20,000
Fund investment and insurance content outputs	23,000	26,000	27,000
Marketing collaterals	37,000	53,000	61,000

As shown in the table above, the average price for listing related content outputs and fund investment and insurance content outputs are similar while the average price for marketing collaterals is relatively high as compared with listing related content outputs and fund investment and insurance content outputs. It is mainly due to the cost of materials used for the production of marketing collaterals are usually higher than those for content outputs in financial printing projects.

Credit policy

We usually allow a credit period of 30 days upon the issuance of invoice to our clients. The credit terms granted to our clients are generally the result of negotiations between individual clients and us, and varied depending on the client's reputation and credibility, payment history and business relationship with our Group. We review the clients' annual reports, if available, to assessing their reputation and credibility. For existing clients, we review their payment history with us to ensure that extended credit period will not be granted to clients who have default record. For assessing the clients' business relationship with our Group, we take into account of the length of our cooperation and the importance of the clients to our

BUSINESS

business. During Track Record Period, the clients which we granted credit period of over 30 days mainly include (i) corporations dually-listed on the Stock Exchange and the Shanghai Stock Exchange; and (ii) Client B, being our largest client for marketing collateral printing projects during the Track Record Period.

We generally do not request for deposit from our clients and issue invoice after our work is completed. For new clients, we may require cash on delivery or grant the clients a shorter credit term. For projects with prolonged schedule or substantial costs generated, we may issue work-in-progress invoice to our clients for payment before the completion of the project.

Our trade receivables turnover days during the Track Record Period was higher than the credit period that we normally granted to our clients, mainly due to late payment from one of our clients, namely Xuanda Beijing. The late payment from Xuanda Beijing was mainly due to the fact that it was a company jointly held by the Controlling Parties through their respective shareholding interests in HMG until August 2016. We considered that there was no liquidity or operational negative impact for the late payment allowed to Xuanda Beijing as it was fully controlled by the Controlling Parties until August 2016. Xuanda Beijing settled all previously outstanding trade receivables balances payable to us in the first half of 2016.

In order to mitigate our risk in relation to the collectability of our trade receivables, we have implemented the following measures:

- We perform client acceptance procedures prior to project engagements, including but not limited to (i) for our existing clients, checking our internal record regarding their payment history with us; and (ii) for sizeable projects, doing searches such as company search, credit search, and court cases search to ascertain the potential clients' credibility, depending on the situation and with the assistance of independent credit management company if necessary.
- We closely monitor the payments from our clients pursuant to the terms of each respective project. Aging status of trade receivable is circulated by accounts department to the senior management of our Group on a weekly basis. Sales department is responsible for communication with clients with long outstanding debt to understand the reasons for such late settlement and update the status to our accounts department for further follow-up actions.
- Follow-up actions generally include but not limited to issuing payment reminders, actively liaising with clients, and, if necessary, instructing solicitors to issue demand letters, taking legal actions against the client and/or using debt recovery services from debt collection companies to collect the outstanding receivables.
- Material overdue payments are monitored continuously and evaluated on a case-by-case basis as to the appropriate follow-up actions having regard to the client's normal payment processing procedures, reputation and financial position, as well as our business relationship with the client and the general economic environment.
- We review the recoverable amount of each individual receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts.

BUSINESS

We believe that our current procedures are effective to mitigate our risk in relation to the collectability of our trade receivables. During the Track Record Period, we did not experience any material difficulty in collecting trade receivables from our clients and did not make any provision on bad debt except for an impairment loss of approximately HK\$230,000 was recognised for the year ended 31 December 2015 on outstanding trade receivables of a client which was in liquidation.

SUPPLIERS

Major suppliers

Our Group's five largest suppliers comprised mainly printing houses, logistic service providers and translation service providers during the Track Record Period. The following table sets forth the details of our five largest suppliers during the Track Record Period:

Five largest suppliers for the year ended 31 December 2014

Rank	Supplier	Background of the supplier	Nature of purchase	Approximate year of business relationship with our Group*	Credit terms and payment method	Purchase (HK\$'000)	Approximate % of our total purchase
1	Sunland	Printing house	Printing and binding/packaging services (including related logistic arrangement)	16	30-90 days, cheque	38,293	70.2%
2	Supplier A	Printing house	Printing and binding/packaging services (including related logistic arrangement)	3	60 days, cheque	2,846	5.2%
3	Supplier B	Logistic service provider	Logistic arrangement	3	60 days, cheque	1,446	2.7%
4	Supplier C	Printing house	Printing and binding/packaging services (including related logistic arrangement)	3	60 days, cheque	1,198	2.2%
5	Supplier D	Translation service provider	Translation services	8	60 days, telegraphic transfer	1,024	1.9%
Total:						44,807	82.2%

BUSINESS

Five largest suppliers for the year ended 31 December 2015

Rank	Supplier	Background of the supplier	Nature of purchase	Approximate year of business relationship with our Group*	Credit terms and payment method	Purchase (HK\$'000)	Approximate % of our total purchase
1	Sunland	Printing house	Printing and binding/packaging services (including related logistic arrangement)	16	30-90 days, cheque	35,041	51.2%
2	Supplier A	Printing house	Printing and binding/packaging services (including related logistic arrangement)	3	60 days, cheque	12,045	17.6%
3	Supplier C	Printing house	Printing and binding/packaging services (including related logistic arrangement)	3	60 days, cheque	5,239	7.7%
4	Supplier E	Printing house	Printing and binding/packaging services (including related logistic arrangement)	1	60 days, cheque	2,976	4.4%
5	Supplier D	Translation service provider	Translation services	8	60 days, telegraphic transfer	1,446	2.1%
Total:						<u>56,747</u>	<u>83.0%</u>

BUSINESS

Five largest suppliers for the six months ended 30 June 2016

Rank	Supplier	Background of the supplier	Nature of purchase	Approximate year of business relationship with our Group*	Credit terms and payment method	Purchase (HK\$'000)	Approximate % of our total purchase
1	Sunland	Printing house	Printing and binding/packaging services (including related logistic arrangement)	16	30-90 days, cheque	12,336	34.6%
2	Supplier A	Printing house	Printing and binding/packaging services (including related logistic arrangement)	3	60 days, cheque	6,021	16.9%
3	Supplier C	Printing house	Printing and binding/packaging services (including related logistic arrangement)	3	60 days, cheque	3,825	10.7%
4	Supplier F (Note)	Translation service provider	Translation services	less than 1	30-60 days, cheque	1,590	4.5%
5	Supplier G	Printing house	Printing and binding/packaging services (including related logistic arrangement)	less than 1	30 days, cheque	1,582	4.5%
Total:						<u>25,354</u>	<u>71.2%</u>

Note: To the best knowledge of our Directors, Supplier F is a company wholly owned by Ms. Cheung So Ha, a former employee and shareholder of HM Language.

** Up to the Latest Practicable Date*

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our five largest suppliers in aggregate accounted for approximately 82.2%, 83.0% and 71.2% of our total purchase, respectively. Sunland, a company controlled by the Controlling Parties through their respective interests in HMG until August 2014, was our largest supplier which accounted for approximately 70.2%, 51.2% and 34.6% of our total purchase for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. Save for Sunland, our Directors have confirmed that (i) none of our Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company, held any interest in our five largest suppliers during the Track Record Period and up to the Latest Practicable Date; and (ii) all of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our five largest suppliers was our client during the Track Record Period. For further details of the background of Sunland and our engagement of Sunland, please refer to the paragraphs headed “Relationship with our Controlling Shareholders – Companies interested by the Controlling Parties during the Track Record Period” and “Business – Suppliers – Engagement of Sunland” in this prospectus.

Our credit terms from suppliers typically involve a credit period of 30 days to 90 days. Our procurements are mainly in HK\$ and usually settled by cheques and telegraphic transfers.

BUSINESS

Subcontracting arrangement

Given our Group's business nature, all of our major suppliers are our subcontractors. It is our Group's policy to subcontract all printing and binding/packaging works to third parties. During the Track Record Period, all of our printing and binding/packaging works are outsourced to third party printing houses. Generally, our final printed content outputs are delivered to our clients' designated locations by our subcontractors such as the printing houses and logistic service providers. It is our business strategy that IT, translation, concept creation and artwork design and typesetting works are conducted in-house, to ensure provision of high and stable quality of services. However, when we are out of spare capacities, we may engage third party subcontractors to handle some of our productions. During the Track Record Period, we had outsourced certain IT works to subcontractors in Hong Kong. Our outsourced translation service providers included individuals and private companies in Hong Kong and the PRC, whereas our concept creation and artwork design and/or typesetting services were outsourced to subcontractors in Hong Kong, PRC, India and Singapore.

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our total subcontractor charges amounted to approximately HK\$55.2 million, HK\$68.2 million and HK\$36.9 million, respectively, representing approximately 70.6%, 71.1% and 76.4% of our cost of sales. The table below sets forth a breakdown of our subcontractor charges by major service types during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
Printing and binding/ packaging (including related logistic arrangement)	47,311	85.8	58,467	85.7	30,158	86.1	28,129	76.2
Translation	3,369	6.1	4,212	6.2	2,440	7.0	5,925	16.0
Logistic arrangement	2,610	4.7	2,789	4.1	1,502	4.3	1,440	3.9
Concept creation and artwork design	492	0.9	1,668	2.4	337	1.0	823	2.2
IT	503	0.9	322	0.5	153	0.4	249	0.7
Others (<i>Note</i>)	886	1.6	724	1.1	415	1.2	372	1.0
Total	55,171	100	68,182	100	35,005	100	36,938	100

Note: Others include media placement in newspaper and typesetting.

We generally have full discretion in engaging subcontractors we considered appropriate without further consent or pre-approval from our clients. Save for Sunland, all of our subcontractors engaged during the Track Record Period were Independent Third Parties. Their business relationships with our Group ranged from less than 1 year to 16 years. Our Group carefully evaluates and assesses subcontractors by taking into account their equipment used, production environment, qualifications and certifications and service/product quality. Based on these factors, our Group selects and maintains a list of subcontractors which have been

BUSINESS

approved by us as our service providers and the list is reviewed and updated on a continuous basis. The table below summarises the number of our approved subcontractors by major service types as at the Latest Practicable Date:

Subcontractor by major service types	Number of approved subcontractor
Printing and binding/packaging (including related logistic arrangement)	81
Translation	82
Logistic arrangement	14
Concept creation and artwork design	10
IT	10

During the Track Record Period, we had not identified any material quality issues in content outputs/ services provided by our subcontractors and our Directors do not anticipate any material difficulties in the sourcing of subcontractors in the foreseeable future as the outsourced services can be readily performed by a number of alternative subcontractors in the market. Our Directors also confirm that we had not experienced any material shortage or delay in the services provided by our subcontractors which may cause material disruption to our business operations during the Track Record Period.

In order to maintain our resilience, we did not enter into any long-term subcontracting agreements with any of our subcontractors. Instead, we engage our subcontractors on a project-by-project basis. The salient terms of our subcontracting arrangements are set out below:

- **quantity, price and types of the services.** The subcontracting arrangements normally specify the definite quantity, price, specification of the content output and types of services to be provided by the subcontractor. There is no price adjustment provisions stated in the subcontracting arrangements.
- **payment terms.** Our subcontractors generally grant to us credit terms of 30 days to 90 days from the date of invoice. Generally, no deposit is required for general printing services. Our trade payables are usually settled by cheque or bank transfer.
- **termination clause.** No termination clause is specified in the subcontracting arrangements. We did not terminate any subcontracting arrangements due to the failure of our subcontractor to meet their obligations during the Track Record Period.
- **non-disclosure agreement.** Subcontractors are generally required to sign a non-disclosure agreement with us.

BUSINESS

Engagement of Sunland

Background

We have been engaging Sunland as our subcontractor for printing and binding/packaging works (including related logistic arrangement) for over 16 years. Sunland was our largest supplier for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016. Our subcontractor charges payable to Sunland amounted to approximately HK\$38.3 million, HK\$35.0 million and HK\$12.3 million, representing approximately 70.2%, 51.2% and 34.6% of our total purchase for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. In January 1992, Mr. Yu and two Independent Third Parties set up Sunland to commence printing business in Hong Kong. After a series of corporate actions of Sunland, Mr. Yu owned the majority stake of Sunland through HMG in April 2003. Our business relationship with Sunland started in 2000 along with the incorporation of HM Services.

Leveraging on the extensive experience of our senior management in the industry, we developed our concept creation and artwork design capacity and established a strong client base with the effort of our management team through sales and marketing activities and quality service delivery. As such, Mr. Yu, Mr. Tse and Mr. Chan have strategically decided to focus their investments on business areas including concept creation and artwork design, typesetting and proofreading, translation and media placement of content outputs through our Group. On 31 August 2014, HMG and HM Services (as vendors), which owned 1,055,999 shares and one share in Sunland, respectively, representing an aggregate of 80% of its then entire issued share capital, entered into an agreement for sale and purchase with Mr. Nelson Mak Chiu Fung (who owned 20% of its then entire issued share capital) and Mr. Mui Tung Lai (as purchasers), and Sunland. Save for Mr. Mak's shareholding in Sunland and Mr. Mak's and Mr. Mui's employment with Sunland, the purchasers were Independent Third Parties. Pursuant to the said sale and purchase agreement, HMG and HM Services disposed of all of their shareholding interest in Sunland to Mr. Mak and Mr. Mui. Immediately before the aforesaid disposal, each of the Controlling Parties was a director of Sunland. Each of them resigned as a director of Sunland in September 2014.

Salient terms of subcontracting arrangement with Sunland

Our Directors confirm that our engagements of Sunland during the Track Record Period were negotiated on an arm's length basis and under normal commercial terms. Same as our other subcontractors, our engagement of Sunland was negotiated on a project-by-project basis and we did not enter into any long-term subcontracting agreements with Sunland. The salient terms of our subcontracting arrangements with Sunland were similar to those of our engagements with other subcontractors. Please refer to the paragraph headed "Subcontracting arrangement" in this section for details.

Measures to mitigate our reliance on Sunland

Given the satisfactory quality and timely delivery of its services and products in the past, our Group continued to engage Sunland as our subcontractor for printing and binding/packaging works (including related logistic arrangement) notwithstanding that the Controlling Parties no longer hold any interests and ceased directorship in Sunland. Our Directors are of the view that it is an industry norm to engage a supplier on continuous basis as long as it provides quality services and products at our satisfactions. Notwithstanding, heavy reliance on Sunland may also impose risk to our Group which may not be in the interests of our

BUSINESS

Company and our Shareholders as a whole. For the relevant risk factor in relation to our reliance on Sunland, please refer to the paragraph headed “Risk Factors – Risks relating to our business – Most of our printing and binding/packaging works (including related logistic arrangement) were outsourced to a single supplier and our inability to identify alternative service providers may affect our business operations and financial results” in this prospectus.

Our historical reliance on Sunland was mutual and complementary. For the two years ended 31 December 2014 and 2015, our subcontractor charges paid to Sunland represented approximately 98.4% and 92.3% of the total revenue of Sunland, respectively, which demonstrated that the business operations of Sunland also relied heavily on our Group.

Nevertheless, our Directors have been diversifying our subcontracting engagements for printing and binding/packaging works (including related logistic arrangement) to other printing houses as part of our efforts to reduce our reliance on Sunland in order to mitigate the associated risks. As a result, our reliance on Sunland has demonstrated a decreasing trend during the Track Record Period. The percentage of subcontractor charges payable to Sunland to our total purchase decreased from approximately 70.2% for year ended 31 December 2014 to approximately 51.2% for the year ended 31 December 2015, and further decreased to approximately 34.6% for the six months ended 30 June 2016. Notwithstanding our decreased reliance on Sunland, our Group’s gross profit margin increased from approximately 37.7% for the year ended 31 December 2014 to approximately 40.2% for the year ended 31 December 2015, and further increased to 41.2% for the six months ended 30 June 2016.

Our Directors are also of the view that there is sufficient supply of comparable service providers in the market and do not foresee any difficulties in finding substitute service providers. Other than Sunland, for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we had engaged 10, 8 and 7 printing houses, respectively, for our printing and binding/packaging works (including related logistic arrangement). In addition, our Group maintains the contacts of 81 approved printing houses which can perform similar works as Sunland which our Group can engage as subcontractors where appropriate.

Our Directors therefore consider that the decreased reliance on Sunland would not have material adverse impact to our Group’s operations and financial position.

SEASONALITY

We did not experience material seasonal fluctuations in our overall sales during the Track Record Period due to the diversified portfolio of our printing services. However, peak seasons for our financial printing projects for listing related content outputs are generally in March through April and August through September. Our Directors believe that such seasonal pattern is mainly attributable to the Listing Rules and the GEM Listing Rules requirement, pursuant to which corporations listed on the Main Board and on GEM are required to publish their annual reports not later than four months and three months, respectively, after the end of their respective financial year. As most of our clients have their financial year ends on 31 December, the publication for their annual reports and interim reports is concentrated in March/April and August/September, respectively. Because of the seasonality of the financial printing projects, we strive to maintain the appropriate level of resources so as to balance the needs of having sufficient resources to cope with the extensive workload during the peak seasons and minimising our fixed operating expense during the non-peak seasons.

BUSINESS

SALES AND MARKETING

We consider that it is important for us to continue to promote our corporate image and maintain our brand recognition amongst our clients. We also strive to attract clients by conducting different sales and marketing strategies. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the business promotion expenses incurred by us amounted to approximately HK\$123,000, HK\$120,000 and HK\$112,000, respectively. As at the Latest Practicable Date, we had 19 employees primarily engaged in sales and marketing activities.

In order to enhance our sales performance, we have implemented a commission and bonus scheme, which provides incentive and reward to our sales personnel based on the contribution margin achieved (i.e. sales less external variable cost). The channels we have and the strategies we adopt in our sales and marketing are set out below:

Marketing and charity events

We believe that marketing and charity events can provide an opportunity for us to maintain our relationships with our clients, introduce our Group and our services to potential clients and enhance our corporate social responsibility. From time to time, we organise marketing events to enhance our brand awareness and promote our services. For instance, we held a “Design for sharing” seminar in Beijing in June 2015 for our clients and other professional parties to share our concept creation and artwork design knowledge. We also organised a carnival in February 2012 for celebrating our 20th anniversary and invited our clients, staff and their families and friends to enjoy this momentous occasion together. Apart from self-organised events, we also sponsored events held by other institutions which were relevant to our industry and participated in charity events as part of our commitment to social responsibilities.

Marketing materials

To maintain good relationship with our clients, we design and present different gifts and souvenirs such as red pockets and calendars to our clients during key festivals. In addition, we regularly prepare and update our corporate leaflets featuring the range of services we offer for distribution to our existing clients and also the potential clients.

CUSTOMER SERVICES

We recognise that good customer services are crucial in enhancing our brand image and customer loyalty. Thus, our operations team closely follows up with the clients and/or their professional parties in the production of content outputs throughout the processing, printing and distribution stages. In the event that a complaint is received from our client, our customer service team will revert and discuss with the sales and marketing team in order to process the client’s complaint. During the Track Record Period, we did not experience any complaint of serious nature from our clients nor did we pay any compensation to our clients as a result of any service failure incident.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

Quality control

Our Directors consider that the ability to maintain the quality of our services would not only enhance our brand image and market recognition but is also crucial to the maintaining of our relationship with existing clients and attracting new clients. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material return of our content outputs from our clients as a result of quality issue. Our quality control procedures implemented during our in-house production process and over our subcontractors are described below:

Quality control during in-house production process

We place strong emphasis on the accuracy and quality of our services and have implemented quality control procedures as guidelines for our employees. To ensure the accuracy of our content outputs, once the drafts of the content outputs have been typesetted, translated and/or designed, the drafts are proofread by our operations team before releasing to our clients. Our customer service team communicates closely with our clients and, where appropriate, other professional parties such as investment bankers, legal advisers and reporting accountants to understand our clients' requirements. For some projects, dummy samples are provided to our clients to ensure the final content outputs are produced in accordance with their instructions. We will only proceed to final production of the content outputs and media placement after receiving "no comment" confirmations or instructions from our clients.

Our services for financial printing projects include the posting of content outputs to the website of the Stock Exchange through e-Submission. To mitigate the risk of incorrect posting on e-Submission by inadvertent errors of our employees, the responsible employees are required to complete an internal checklist, which is cross-checked by another staff, before posting. Password for e-Submission is changed on a regular basis or whenever there is cessation of employment of the responsible employees.

Quality control over our subcontractors

We carefully evaluate the service standard of our subcontractors taking into account their equipment used, production environment, qualification and certifications and service/product quality. Based on these factors, we select and maintain a list of subcontractors which have been approved by us as our service providers and the list is reviewed and updated on a continuous basis. In order to maintain the quality standard of the services subcontracted, our operations team liaises and coordinates with our subcontractors to monitor their quality and working schedule.

Confidentiality risk management

During the course of provision of our services, we come across with a lot of sensitive information of our clients which must be kept confidential before it is officially published to the public. We adhere strictly to our obligation to keep the information of our clients confidential. Each of our employees are required to sign a non-disclosure agreement with us before the commencement of their employment. We expressly reiterate the confidentiality obligations in our staff manual and provide frequent education to our employees regarding confidential information. Any breach of the codes in our staff manual (including our

BUSINESS

confidentiality obligations) by our employees is considered as a serious misconduct and this may result in disciplinary actions such as termination of employment without compensation. We also reserve the right for criminal or civil proceedings. Access to our office is controlled by a centralised security system. In addition, each of our employees has his/her own account and they are required to log in for accessing our system network. Therefore, any computer footprints of our employees are recorded and traceable. In addition, access level to our clients' information is strictly controlled and monitored by authorised personnel such that only limited number of authorised staff are allowed to access the confidential information of our clients for each project. Our IT support team is scheduled to reset the passwords of our system network to access clients' information every two months. For personal data we received during our services, only the responsible parties can have access to it and we will discard/destroy the files after completing the projects.

Our subcontractors are generally required to sign a non-disclosure agreement with us. In addition, we engage a confidential material destruction service provider to collect and handle all used papers which are likely to contain clients' confidential information.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any breach of confidentiality obligations by our employees or our subcontractors nor any claims from our clients regarding breach of confidential obligations against us.

Credit risk management

We usually allow a credit period of 30 days upon the issuance of invoices to our clients. In order to minimise our credit risk, we have delegated a team responsible for determining of credit limits, granting credit approvals and conducting other monitoring procedures to ensure that appropriate actions have been taken to recover overdue receivables. Depending on the overdue period and amount, our accounts department will issue reminders, instruct the solicitors to issue demand letters, take legal actions against the client and/or use debt recovery services from debt collection companies to collect the outstanding receivables. In addition, we review the recoverable amount of each individual trade receivables at the end of each of the financial reporting period to ensure that adequate impairment has been made for irrecoverable amounts. During the Track Record Period, we did not experience any material difficulty in collecting trade receivables from our clients and did not make any provision on bad debt except for an impairment loss of approximately HK\$230,000 was recognised for the year ended 31 December 2015 on trade receivables from a client which was in liquidation.

IT control

Our IT support team is responsible for monitoring and reviewing the IT systems to ascertain the delivery of the required functionality. Our IT systems for operation and the server rooms are properly safeguarded within a restricted area with door access control system. Our server rooms can only be accessed by designated employees. We have also established policies in respect of information system securities, among others, e-mail and internet usage policy and mobile device security policy as guidelines for appropriate use of e-mail, internet facilities and mobile devices. Our servers are also protected by firewall, anti-virus software and spam filtering applications.

BUSINESS

Our key servers and data storage facilities are located in Hong Kong. We have adopted a business continuity plan which sets out recovery actions and steps, such as job handover/diversion and backup, in case of any system or hardware failure or other contingent circumstances. During the Track Record Period, our network had not experienced any material unexpected interruptions due to the occurrence of events such as fires, hardware and software failures or telecommunication failure.

On-going measures to monitor the effectiveness of our risk management policies and internal control procedures

In order to continuously monitor the effectiveness of our risk management policies and internal control procedures, we have adopted and implemented the following control measures:

1. we have established an internal control manual which shall be observed by our Directors and employees. Each department shall be responsible for making all relevant staff aware of the internal control manual and for ensuring that they comply with its principles. After Listing, our management will review quarterly on the effectiveness of our risk management policies and internal control procedures and update our internal control manual where necessary;
2. we will engage external legal advisers to provide training to our Directors annually on the relevant regulatory requirements relating to our Group's operations; and
3. we have established the audit committee which comprises three independent non-executive Directors, namely Mr. Ng Jack Ho Wan, Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. The audit committee of our Company has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matters of our Group, and ensuring compliances with the relevant laws and regulations.

Our Board understands its responsibility towards the corporate governance of our Group, including but not limited to reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements. We have designated Mr. Chan, our executive Director, as our compliance officer to supervise our compliance matters. In preparation for the Listing, Mr. Chan, together with our other Directors, had attended training provided by our Company's legal advisers as to Hong Kong law in respect of, among other matters, the responsibilities of a director of a company listed in Hong Kong including the requirements of corporate governance. All our Directors (including Mr. Chan) and our company secretary will participate in continuous professional development to develop and refresh their knowledge and skills, including without limitation, seeking legal advice on change of or update on the legal and regulatory requirements as and when applicable and appropriate. Our Directors are of the view that the above arrangements will enable our Group to ensure its compliance with the legal and regulatory requirements in the future.

BUSINESS

AWARDS AND RECOGNITIONS

Up to the Latest Practicable Date, we had been presented with a total of 218 awards for design and overall quality of the financial reports printed by our Group, including a titanium achievement, 2 grand awards, 37 gold awards, 46 silver awards, 62 bronze awards and 70 honours awards at the ARC Awards, the Astrid Awards, the Galaxy Awards, the Mercury Awards and the Questar Awards. Set out below is a summary of our major awards:

Year	Name of awards received by our Group	Awards
2016	The 26th Astrid Awards 2016 <i>(Note 1)</i>	1 Silver, 1 Honours
	The 30th International ARC Awards 2016 <i>(Note 3)</i>	1 Gold, 2 Bronze, 3 Honours
2015	The 26th Galaxy Awards 2015 <i>(Note 2)</i>	1 Gold, 2 Silver, 2 Honours
	The 29th International ARC Awards 2015 <i>(Note 3)</i>	4 Gold, 3 Silver, 2 Bronze, 3 Honours
	The 29th Mercury Awards 2015 <i>(Note 4)</i>	1 Gold, 1 Bronze
2014	The 24th Astrid Awards 2014 <i>(Note 1)</i>	1 Silver
	The 25th Galaxy Awards 2014 <i>(Note 2)</i>	1 Silver, 2 Honours
	The 28th International ARC Awards 2014 <i>(Note 3)</i>	4 Gold, 5 Silver, 6 Bronze, 3 Honours
	The 28th Mercury Awards 2014 <i>(Note 4)</i>	2 Bronze, 3 Honours
2013	The 23rd Astrid Awards 2013 <i>(Note 1)</i>	1 Gold, 1 Silver, 1 Bronze
	The 24th Galaxy Awards 2013 <i>(Note 2)</i>	1 Gold, 1 Bronze, 1 Honours
	The 27th International ARC Awards 2013 <i>(Note 3)</i>	1 Titanium Achievement <i>(Note 6)</i> , 5 Gold, 5 Silver, 5 Bronze, 2 Honours
	The 27th Mercury Awards 2013 <i>(Note 4)</i>	1 Silver, 1 Bronze, 1 Honours
	The 22nd Questar Awards 2013 <i>(Note 5)</i>	1 Silver, 1 Bronze
2012	The 22nd Astrid Awards 2012 <i>(Note 1)</i>	1 Gold, 1 Silver, 2 Bronze, 2 Honours
	The 23rd Galaxy Awards 2012 <i>(Note 2)</i>	1 Gold, 1 Bronze, 4 Honours
	The 26th International ARC Awards 2012 <i>(Note 3)</i>	2 Gold, 5 Silver, 6 Bronze, 5 Honours
	The 26th Mercury Awards 2012 <i>(Note 4)</i>	1 Bronze, 3 Honours
2011	The 21st Astrid Awards 2011 <i>(Note 1)</i>	1 Gold, 3 Silver, 1 Bronze, 2 Honours
	The 22nd Galaxy Awards 2011 <i>(Note 2)</i>	3 Gold, 1 Silver, 3 Bronze, 2 Honours
	The 25th International ARC Awards 2011 <i>(Note 3)</i>	2 Gold, 7 Silver, 7 Bronze, 7 Honours
	The 25th Mercury Awards 2011 <i>(Note 4)</i>	1 Gold, 1 Silver, 2 Bronze, 4 Honours

BUSINESS

Year	Name of awards received by our Group	Awards
2010	The 20th Astrid Awards 2010 <i>(Note 1)</i>	1 Grand Award <i>(Note 7)</i> , 1 Gold, 1 Honours
	The 21st Galaxy Awards 2010 <i>(Note 2)</i>	1 Bronze, 2 Honours
	The 24th International ARC Awards 2010 <i>(Note 3)</i>	2 Silver, 4 Bronze, 6 Honours
	The 24th Mercury Awards 2010 <i>(Note 4)</i>	1 Grand Award <i>(Note 7)</i> , 2 Gold, 2 Silver, 2 Bronze, 3 Honours
2009	The 19th Astrid Awards 2009 <i>(Note 1)</i>	1 Bronze
	The 20th Galaxy Awards 2009 <i>(Note 2)</i>	1 Gold, 3 Bronze, 2 Honours
	The 23rd International ARC Awards 2009 <i>(Note 3)</i>	1 Gold, 4 Bronze, 4 Honours
	The 23rd Mercury Awards 2009 <i>(Note 4)</i>	2 Gold, 2 Silver, 1 Bronze
2008	The 22nd International ARC Awards 2008 <i>(Note 3)</i>	1 Silver, 1 Bronze, 2 Honours
2007	The 21st Mercury Awards 2007 <i>(Note 4)</i>	1 Gold

1. The criteria of the Astrid Awards is judged on the basis of concept creativity, clarity and production quality.
2. The criteria of the Galaxy Awards is based on the degree that the individual entry achieves its intended purpose. Judgment is based on the values of creativity, effectiveness, performance and success.
3. The criteria of the International ARC Awards is based on how effective each annual report can communicate its company's story. Judgment is based on the values of creativity, clarity, effectiveness and excellence. Some of the elements to be considered in the judgment of the annual reports include: cover design, president's letter, interior design, clarity of written text, presentation of corporate information, expression of financial data, and how well the spirit of the organisation is communicated.
4. The criteria of the Mercury Awards is based on the degree that the individual entry achieves its intended purpose. Judgment is based on the values of creativity, effectiveness, performance and success. Some of the elements to be considered in the judgment process are: how effective the material meets the stated objectives; how well the material is communicated to the designated audience; use of imaginative and original solutions; the use of material to illustrate and clarify the information; and the overall expression of the message.
5. The criteria of the Questar Awards is unique in that each entry is judged against itself, to the degree that the individual entry achieves its intended purpose. Judgment is based not on budget, but on the values of creativity, craft, and skills.
6. The Titanium Achievement Award was presented by the winner for delivering the greatest percentage of wins for their clients.
7. Grand Awards were selected from the top scoring gold winners in each category.

BUSINESS

QUALIFICATIONS AND CERTIFICATES

As at the Latest Practicable Date, we held the following qualifications/certificates related to our operations:

Holder	Qualifications/ Certificates	Issuing authorities	Details	Expiry Date
HM Services	FSC Chain of Custody Certificate	SGS Hong Kong Limited	Certified as meeting the requirements of chain of custody for purchase and sales of FSC mix and FSC recycled printed paper products (transfer system)	6 March 2018
HM Too	FSC Chain of Custody Certificate	Bureau Veritas Certification	Certified as meeting the requirements of chain of custody for trading of FSC mix or FSC recycled paper products	25 August 2019
HM Services	Caring Company	The Hong Kong Council of Social Service	Received the “5 Years Plus Caring Company” certificate	28 February 2017

HEALTH AND WORK SAFETY

We have established procedures to provide our staff with a safe and healthy working environment by providing work safety guidelines for our staff to follow. We follow the health and safety-related rules and regulations in accordance with the Occupational Safety and Health Ordinance and sets the requirements for workplace environmental control and hygiene at workplaces pursuant to the Occupational Safety and Health Ordinance. During the Track Record Period, we did not experience any significant incidents or accidents in relation to workers' safety or any non-compliance with the applicable laws and regulations relevant to the work safety and health issues.

ENVIRONMENTAL MATTERS

Because of our business nature, no pollutant is produced, emitted or discharged during the course of provision of our services. As such, we are not subject to any specific rules and regulation in relation to the environmental protection matters. During the Track Record Period, we were not subject to any major environmental claim, lawsuit, penalty or disciplinary action.

HM Services and HM Too, our wholly-owned subsidiaries, are accredited with the FSC Chain of Custody Certifications. The FSC Chain of Custody Certificate tracks FSC certified material throughout the production process, from the forest to the consumer, including all successive stages of processing, transformation, manufacturing, and distribution. Only FSC Chain of Custody certified operations are allowed

BUSINESS

to have the FSC™ trade marks label on the products. The FSC™ label thus provides the link between responsible production and consumption, thereby assisting the consumers in making socially and environmentally responsible purchasing decisions. The certifications allow us to label our content outputs as FSC products, which in turn enables our clients to identify and choose products that support responsible forest management. Chain of Custody certification is essential for businesses seeking to access environmentally and socially aware markets, or to demonstrate compliance with public and private procurement policies that specify environmentally responsible materials. Our clients can rest assured that their collaboration with us ensures their printed content outputs are produced under a succession of production stages which conform to the social, economic, and ecological standard. We comply with standards to assure resources will be sustained for present and future generations. We are experienced in producing different types of FSC products from paper sourcing, logo selection, to layout preparation. Therefore, all clients' projects with FSC products are ensured to be handled efficiently.

COMPETITION

According to the IPSOS Report, there are 21 service providers in Hong Kong in 2015 and the top 10 major players have significantly dominated the industry. The top 10 major players have accounted for an approximate market share of 77.2% in 2015 in terms of total revenue contributed by financial printing services. The remaining 11 financial printing service providers accounted for the remaining 22.8% market share. There is no single dominant player in the financial printing services industry. The top 6 companies in the financial printing services industry have close market share of approximately 7.1% to 11.7% to the total industry revenue.

It is generally expected that the financial printing service providers in Hong Kong should be located in the central business district with well-equipped office facilities and offer around-the-clock services. Thus, most of the financial printing service providers in Hong Kong are subject to a relatively high office rental and a substantial amount of staff cost, electricity expenses and other miscellaneous expenses. Clients tend to choose the same service provider if the services provided are acceptable and therefore it might be difficult for new entrants to reach clients that are already using services from a financial printing service provider. All of the above factors create entry barriers for potential competitors to enter into the financial printing services industry.

According to the IPSOS Report, quality, design and price are the major selection criteria for clients in choosing a marketing collateral printing service provider. Besides, environment-friendly products have gained popularity among clients because this also presents a good brand image of the clients. New entrants to the marketing collateral printing services industry may face the challenge of increasing operating cost and hiring skilled design staff.

Based on the experience of our management team, notwithstanding our competitive strengths as mentioned in the paragraph headed "Competitive strengths" in this section, our Directors expect that competition in the integrated printing services industry in Hong Kong will remain intense in the future.

BUSINESS

IT DEVELOPMENT

In 2010, we introduced Arbortext Advanced Print Publisher, an advanced typesetting/publishing software, to our Group's operation at an initial acquisition cost of approximately HK\$1.9 million and a development cost of approximately HK\$1.6 million. We may, from time to time, enhance the software or develop add-on features for higher efficiency. The highly customisable nature and large array of vertical specific features of Arbortext Advanced Print Publisher enable tailoring to suit almost any typesetting/publishing environment in both black-box and manual configurations. Arbortext Advanced Print Publisher enhances our typesetting services by its multi-level tracking function. This function allows us to provide clients with drafts of content outputs showing mark-up changes made in multiple periods as per their needs. Apart from typesetting services, Arbortext Advanced Print Publisher is also applied to our fund fact sheet automation services. Our Directors believe that the implementation of Arbortext Advanced Print Publisher can enhance our typesetting/publishing and automation efficiency and quality by automating the processes and eliminating content conversion and therefore reducing the overall production costs. Our expense in relation to the licensing and upgrading of Arbortext Advanced Print Publisher amounted to approximately HK\$500,000 per annum.

INTELLECTUAL PROPERTY RIGHTS

Other than the copyright of all designs, images, layouts, films and files designed and produced by us, we are also the registered owner of trade marks. We consider our trade marks which are used as part of our branding, are important to our business operations. Further details of our intellectual property rights are set out in the paragraph headed "B. Further information about our business – 2. Intellectual property of our Group" in Appendix IV to this prospectus.

During the Track Record Period, we had not experienced any infringement to our intellectual property rights which had a materially and adversely impact on our business, operations, financial position and prospects. Our Directors confirm that we had not received any infringement claims nor had we filed any infringement claims against any third parties during the Track Record Period.

BUSINESS

PROPERTIES

As at the Latest Practicable Date, we leased certain properties as set out below:

Leased properties

Address	Usage	Landlord	Major terms of the tenancy
9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong	Office, with 9 well-equipped conference rooms available for our clients' use	Independent Third Party	Monthly rental of HK\$678,243 with tenancy period up to the 31 July 2019
8th Floor of Ka Wah Bank Centre, 232 Des Voeux Road Central, Hong Kong	Office	Independent Third Party	Monthly rental of HK\$88,169 with tenancy period up to the 2 July 2017
House 77, Tycoon Place, 38 Lo Fai Road, Tai Po, New Territories, Hong Kong	Director's quarter	Unique Concept (Note)	Monthly rental of HK\$50,000 with tenancy period up to the 31 December 2018

Note: Unique Concept is principally engaged in property investment and is wholly owned by Mr. Yu, who is one of our executive Directors and Controlling Shareholders. For further details of our tenancy with Unique Concept, please refer to the section headed "Connected Transactions" in this prospectus.

As at the Latest Practicable Date, we did not own any property and thus, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INSURANCE

Our Group maintains insurance on, among others, office contents, business interruption, employees' compensation, medical emergencies/accidents and travelling.

Our Directors believe that the insurance coverage taken out by us is in line with the industry norms in Hong Kong and is adequate and sufficient for our operations. Our Directors confirm that we were not subject to any material insurance claims or liabilities arising from our operation during the Track Record Period.

BUSINESS

EMPLOYEES

As at 31 December 2014, 31 December 2015 and 30 June 2016, we had a total of 115, 111 and 115 employees, all located in Hong Kong. As at the Latest Practicable Date, we had a total of 125 employees. A breakdown of our employees by function as at the Latest Practicable Date is set forth below:

Function

	As at the Latest Practicable Date
Customer service	15
Management	4
Operations	46
Sales and marketing	19
Translation	5
Human resources and administration	11
Concept creation and artwork design	10
IT development and IT support	7
Finance and accounting	8
Total	125

Relationship with staff

We encourage our employees to maintain open and direct communications with each other. Our Directors believe that our Group offers a competitive package and long term career development which have contributed to building our corporate culture. We did not experience any strike or labour dispute with our staff which had a material effect on our business or results of operations during the Track Record Period.

Recruitment policies and training

We intend to use our best effort to attract and retain qualified and talented personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and may employ any persons on ad-hoc, monthly or temporary basis under appropriate titles to meet our operational requirements. We provide our employees with on-the-job training relevant to their current roles in our Group, aiming to encourage our employees to continuously develop themselves by further education. We recognise our employees as our assets, to learn with us, to progress with us and to change with us.

For our employees in Hong Kong, we maintain employee compensation insurance for all of them as required under the Employees' Compensation Ordinance and other applicable laws and regulations in Hong Kong. We also participate in a mandatory provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance for all our eligible employees in Hong Kong.

BUSINESS

Remuneration

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the remuneration payable to our employees included fees, salaries, retirement benefit scheme contributions and other benefits was approximately HK\$35.2 million, HK\$45.2 million and HK\$21.0 million, respectively. We determine new employees' remuneration based on factors such as educational background, previous work experience, technical skills and language capabilities. The key principles of the recognition and discipline policy are to award as well as discipline employees based on their performance. We regularly carry out staff evaluation to assess their performance-based on, among others, their business conduct, professional knowledge and skills and communication. Employees who perform remarkably are awarded by promotion, salary increment, discretionary bonus and commendation. On the other hand, incompetent employees are subjected to warning, degradation or dismissal based on the seriousness of their conduct.

Share Option Scheme

We have conditionally adopted the Share Option Scheme in which certain eligible persons may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

REGULATORY COMPLIANCE

Our Legal Counsel has confirmed that there are no specific licensing requirements for conducting our business in Hong Kong, except those applicable to all body corporate conducting business in Hong Kong such as a business registration certificate and a registration with the Companies Registry of Hong Kong. A business registration certificate is generally valid for one year or three years and is renewable before its expiry date. There is no specific expiry date for the registration of a Hong Kong company with the Companies Registry of Hong Kong. Our legal counsel has further confirmed that our Group has obtained all necessary licences, approvals and permits that are material to our business, all of which are valid and current and, since our commencement of business operations, we have been in compliance with all material respects with the applicable laws and regulations in Hong Kong.

LEGAL PROCEEDINGS

Our Directors confirm that, as at the Latest Practicable Date, our Group was not subject to any actual litigation, arbitration proceedings or claim of material importance and was not aware of any litigation, arbitration proceedings or claim of material importance pending or threatening against our Company or any of its subsidiaries or any of our Directors, that would have material adverse effect on our Group's financial condition, operation or reputation.

NON-COMPLIANCE MATTERS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material non-compliance incidents that would have a material adverse impact on our business, financial condition and results of operations.

BUSINESS

DEED OF INDEMNITY

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, fines, actions, liabilities and any associated costs and expenses which may be incurred or suffered by our Group directly or indirectly, from or on the basis of or in connection with any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group occurred at any time on or before the Listing Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the Listing Date. Further details of the Deed of Indemnity are set out in the paragraph headed “E. Other information – 1. Estate duty, tax and other indemnity” in Appendix IV to this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 75% by HM Ultimate, which is in turn owned as to 53%, 24.5% and 22.5% by Mr. Yu, Mr. Tse, and Mr. Chan respectively. HM Ultimate will control over 30% of the issued share capital of our Company and therefore, Mr. Yu, Mr. Tse, Mr. Chan (by virtue of their interests in HM Ultimate) and HM Ultimate will be regarded as a group of our Controlling Shareholders.

Save as mentioned above, there is no other person who will, immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares in issue.

COMPANIES INTERESTED BY THE CONTROLLING PARTIES DURING THE TRACK RECORD PERIOD

During the Track Record Period, the Controlling Parties were interested in Sunland and the Disposal Group.

The Controlling Parties have strategically decided to focus their investments on business areas including concept creation and artwork design, typesetting and proofreading, translation and media placement of content outputs. Having considered that their focuses on the aforesaid business areas would be inevitably distracted as the day-to-day operations and management of a printing factory would be time-consuming and that the operations of the printing factory would have a high operating cost, the Controlling Parties decided to dispose of Sunland and ceased the printing business.

On 31 August 2014, HMG and HM Services (as vendors), which owned 1,055,999 shares and one share in Sunland, respectively, representing an aggregate of 80% of its then entire issued share capital, entered into an agreement for sale and purchase with Mr. Nelson Mak Chiu Fung (who owned 20% of its then entire issued share capital) and Mr. Mui Tung Lai (as purchasers), and Sunland. Having considered that (i) Mr. Mak was the then minority shareholder of Sunland holding 20% of the then entire issued share capital of Sunland; (ii) Mr. Mak and Mr. Mui deliberated on acquiring Sunland; and (iii) Mr. Mak and Mr. Mui started working in Sunland since 1992 and 2007, respectively, and both of them were involved in the operations and management of Sunland before the disposal, the Controlling Parties believed that Mr. Mak and Mr. Mui were familiar with the operations of Sunland as well as the need of our Group. Hence, the Controlling Parties were confident that having Mr. Mak and Mr. Mui as the purchasers of Sunland could ensure a smooth transfer and minimal disruption to our Group's business as our Group intended to continue to engage Sunland as its subcontractor for printing and binding/packaging works (including related logistic arrangement). Save for Mr. Mak's shareholding in Sunland and Mr. Mak's and Mr. Mui's employment with Sunland, the purchasers were Independent Third Parties. Pursuant to the said sale and purchase agreement, HMG and HM Services disposed of all of their shareholding interest in Sunland to Mr. Mak (as to 792,000 shares, representing 60% of its then entire issued share capital) and Mr. Mui (as to 264,000 shares, representing 20% of its then entire issued share capital) at the aggregate consideration of HK\$22 million payable by instalments (i.e. ten equal instalments of HK\$2,000,000 payable on the first day of March, June,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

September and December, with the first installment payable on 1 December 2014), which was negotiated at arm's length with reference to the net asset value of Sunland as at 30 April 2014 of approximately HK\$22.9 million.

Pursuant to the said sale and purchase agreement, Mr. Mak and Mr. Mui agreed to execute a share charge in favor of HMG and HM Services to secure, among others things, the payment obligations, of Mr. Mak and Mr. Mui. Accordingly, on 31 August 2014, Mr. Mak and Mr. Mui (as chargors) entered into a deed of share charge with HMG and HM Services (as chargees), pursuant to which Mr. Mak and Mr. Mui agreed to charge to HMG and HM Services 1,320,000 shares in Sunland (representing the then entire issued share capital of Sunland) as continuing security for, amongst other things, the payment of the consideration for the acquisition of the 1,056,000 shares in Sunland. Under the aforesaid deed of share charge, the security would become immediately enforceable should Mr. Mak and Mr. Mui fail to pay to HMG and HM Services all or any part of the secured obligations upon demand by HMG and HM Services. Three installments each in the amount of HK\$2 million were paid by cheque in December 2014, March 2015 and June 2015. To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Mak and Mr. Mui satisfied the instalment payments by their return on the operation of Sunland.

Following the completion on 31 August 2014, HM Services has continued to engage Sunland for printing services on terms not less favourable than those given to Sunland's other clients. As at 28 August 2015, HM Services had an outstanding balance of trade payable to Sunland in the amount of approximately HK\$18 million which was subsequently assigned by Sunland to Mr. Mak and Mr. Mui. Among the outstanding balance of trade payable of approximately HK\$18.4 million, the trade payable owed to Sunland in the amount of HK\$16 million was novated by HM Services to HMG on 28 August 2015 pursuant to a deed of novation. As a result, HMG was indebted to Mr. Mak and Mr. Mui in the amount of HK\$16 million. On 31 August 2015, HMG, HM Services, Mr. Mak, Mr. Mui and Sunland entered into a supplemental agreement pursuant to which the outstanding consideration in the amount of HK\$16 million due from Mr. Mak and Mr. Mui for the acquisition of the 1,056,000 shares in Sunland was set off and fully settled against the corresponding amount of the trade payable owed by HMG to Mr. Mak and Mr. Mui. Consequently, the consideration was fully settled on 1 September 2015, by way of the three instalment payments made by the purchasers (in the aggregate sum of HK\$6 million) as mentioned in the above and the set-off of the trade payable (in the sum of HK\$16 million) owed by the vendors to the purchasers. Immediately before the disposal, Sunland was a profit-making company. The share charge in favour of HMG and HM Services to secure the payment obligations of Mr. Mak and Mr. Mui in relation to the disposal of Sunland was released upon the full settlement of the consideration.

Save for the arrangements mentioned above in this section, our Directors confirm that the Controlling Parties do not have any financing, trust or other arrangement with Mr. Mak or Mr. Mui in relation to the disposal of Sunland.

Further, as (i) it is our Group's strategy to focus our resources and efforts on our core business of provision of integrated printing services for corporate clients mainly in the financial and capital markets in Hong Kong; (ii) the main business focus of the Disposal Group was on the PRC market; and (iii) the scale of the Disposal Group's businesses was small, the Disposal Group was disposed of by the Controlling Parties pursuant to the Reorganisation and did not form part of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

On 30 August 2016, Mr. Yu, Mr. Tse and Mr. Chan (as vendors) and Mr. Tsang Ip Chun Daniel (as purchaser), an Independent Third Party, entered into a sale and purchase agreement, pursuant to which Mr. Tsang acquired the entire issued share capital of HMG from Mr. Yu, Mr. Tse and Mr. Chan (as to 53%, 24.5% and 22.5% of the issued share capital of HMG, respectively), at a consideration of HK\$2 million based on the combined net assets value of HMG and its subsidiaries as at 30 June 2016. The disposal was properly and legally completed on 30 August 2016 and the consideration was fully settled following the completion. Consequently, the Controlling Parties ceased to have any interest in the Disposal Group.

Details of each of companies of the Disposal Group and Sunland are as follows:

The Disposal Group

HMG

HMG was incorporated in Hong Kong with limited liability on 7 August 2002. Upon incorporation, one share was allotted and issued fully paid at par to each of the two initial subscribers. On 19 August 2002, the two initial subscribers transferred one share of HMG to each of Mr. Tse and Begonia Group Limited, the shares of which were held by Mr. Yu Kai Shui (father of Mr. Yu) at par respectively. On the same date, HMG issued and allotted 6,999 shares, 1,999 shares and 1,000 shares to Begonia Group Limited, Mr. Tse and Mr. Mangles Edward John Smythies (an Independent Third Party) at par respectively. As a result, HMG was held as to 70% by Begonia Group Limited, 20% by Mr. Tse and 10% by Mr. Mangles Edward John Smythies.

Following several share transfers which took place between 2004 and 2007, HMG was held by Mr. Yu, Mr. Tse, Ms. Yu Suet Lin (sister of Mr. Yu), and Mr. Cheung Wai Kit, an Independent Third Party who was an employee of HM Services, as to 60%, 25%, 10% and 5% respectively as at 18 March 2008.

On 14 May 2010, Mr. Yu and Mr. Tse transferred 700 shares and 300 shares of HMG to Mr. Chan for a nominal consideration of HK\$1 and HK\$1 respectively. HMG was then held as to 53% by Mr. Yu, 22% by Mr. Tse, 10% by Mr. Chan, 10% by Ms. Yu Suet Lin and 5% by Mr. Cheung Wai Kit.

On 24 December 2012, Mr. Yu transferred 1,000 shares of HMG to Mr. Chan for a nominal consideration of HK\$1. On 30 September 2014, Ms. Yu Suet Lin transferred 1,000 shares of HMG to Mr. Yu (at the consideration of HK\$3.75 million which was determined with reference to the net asset value of HMG as at 31 July 2014) and on 17 December 2014, Mr. Cheung Wai Kit transferred 250 shares and 250 shares of HMG to Mr. Tse and Mr. Chan (each at the consideration of HK\$2 million and HK\$2 million, respectively which were determined with reference to the net asset value of HMG as at 31 October 2014). The said transfers were properly and legally completed and as a result, HMG was held as to 53% by Mr. Yu, 24.5% by Mr. Tse and 22.5% by Mr. Chan thereafter and until the disposal of the Disposal Group. Immediately prior to the disposal on 30 August 2016, Mr. Yu, Mr. Tse and Mr. Chan were the directors of HMG. Immediately before the disposal, HMG was principally engaged in investment holding. Accordingly, no revenue was recorded by HMG during the Track Record Period. However, other incomes were recorded under other revenue by HMG during the Track Record Period. HMG recorded a net profit of approximately HK\$28.8 million, HK\$23.3 million and HK\$8.7 million for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. These net profit of HMG was primarily generated from (i) gain on disposal of Sunland recorded for the year ended 31 December 2014 which amounted to

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

approximately HK\$20.9 million; and (ii) dividend income from its then shareholdings in its subsidiaries, which amounted to approximately HK\$8.0 million, HK\$24.4 million and HK\$8.5 million for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively.

HMC

HMC was incorporated in Hong Kong with limited liability on 25 June 2009. Immediately prior to the disposal on 30 August 2016, Mr. Yu, Mr. Tse and Mr. Chan were the directors of HMC, and it was wholly owned by HMG. Immediately before the disposal, HMC was principally engaged in investment holding.

Easy Language

Easy Language was incorporated in Hong Kong with limited liability on 21 November 2012. Immediately prior to the disposal on 30 August 2016, Mr. Yu, Mr. Tse and Mr. Chan, together with two Independent Third Parties were the directors of Easy Language, and it was owned as to 54% and 1% by HMG and HMC, and 40% and 5% by DocuPro Hong Kong Limited and Mr. Hu Jian, who are Independent Third Parties and Mr. Hu was an employee of Yishi Shanghai. Immediately before the disposal, Easy Language was principally engaged in investment holding.

Xuanda Beijing

Xuanda Beijing was established in the PRC as a limited liability company on 5 November 2009. Immediately prior to the disposal on 30 August 2016, (i) the entire registered capital of Xuanda Beijing was wholly owned by HMC; (ii) Mr. Yu was the chairman of the board of directors and legal representative of Xuanda Beijing; and (iii) Mr. Tse was a director of Xuanda Beijing. Following the disposal, Mr. Yu and Mr. Tse had arranged for their resignations from their respective roles in Xuanda Beijing. Immediately before the disposal, Xuanda Beijing was principally engaged in financial information consultation; scientific and technical information consultation; business information consultation; marketing planning; graphic design and translation services in the PRC. Immediately before the disposal, Xuanda Beijing was a loss-making company.

Xuanda Shanghai

Xuanda Shanghai was established in the PRC as a limited liability company on 15 May 2013 and was, as at the Latest Practicable Date, in the process of voluntary liquidation which commenced in May 2015. Immediately prior to the commencement of the liquidation process and the disposal on 30 August 2016, the entire registered capital of Xuanda Shanghai was owned by HMC, and Mr. Yu was the director of Xuanda Shanghai. Immediately before the commencement of the liquidation process, Xuanda Shanghai was principally engaged in marketing, international economic information consultation; scientific and technical information consultation; enterprise management consultation; and provision of interpretation and translation services in the PRC.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Yishi Shanghai

Yishi Shanghai was established in the PRC as a limited liability company on 15 February 2015. Immediately prior to the disposal on 30 August 2016, (i) the entire registered capital of Yishi Shanghai was owned by Easy Language; (ii) Mr. Tse was the legal representative, director and general manager of Yishi Shanghai; and (iii) Mr. Chan was the supervisor of Yishi Shanghai. After the disposal, Mr. Tse and Mr. Chan have ceased their respective roles in Yishi Shanghai. Immediately before the disposal, Yishi Shanghai was principally engaged in the provision of office supplies and related services in the PRC. Immediately before the disposal, Yishi Shanghai was a loss-making company.

Sunland

Sunland was incorporated in Hong Kong on 12 November 1991 as a limited liability company with a share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. It was principally engaged in the provision of printing services through a printing factory in Hong Kong. Immediately before the aforesaid disposal, each of the Controlling Parties was a director of Sunland. After the disposal, they resigned from their directorships in Sunland. Please refer to the paragraph headed “Business – Suppliers – Engagement of Sunland” in this prospectus for further details of Sunland.

RULE 11.04 OF THE GEM LISTING RULES

Save as disclosed above, each of our Controlling Shareholders, our Directors and their respective close associates does not have any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS FROM OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Company, under which each of our Controlling Shareholders has irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for each of our subsidiaries) that:

- (a) he/it shall not, and shall procure each of his/its close associates (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group), whether on his/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly and whether for profit or otherwise, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete, whether directly or indirectly, with the Restricted Business;
- (b) if he/it or his/its close associates (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) is offered or becomes aware of any project or new business opportunity that relates to the Restricted Business in Hong Kong, whether directly or indirectly, he/it shall give our Company a first right of refusal to participate or engage in such

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

new business opportunity by: (i) promptly within seven business days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such new business opportunity; and (ii) use his/its best endeavours to procure that such new business opportunity is offered to our Company on terms no less favourable than the terms on which such new business opportunity is offered to him/it and/or his/its close associates;

- (c) he/it shall provide our Company and our Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-Competition and the enforcement of the non-competition undertakings therein and to make an annual declaration on compliance with the undertakings contained therein in the annual reports of our Company;
- (d) he/it shall allow our Directors, their respective representatives and the auditors to have sufficient access to his/its records and the records of his/its close associates to ensure their compliance with the terms and conditions of the Deed of Non-Competition and during the continuation of the Deed of Non-Competition;
- (e)
 - (i) he/it shall not solicit any existing or then existing employee of our Group for employment by him/it or his/its close associates (excluding member of our Group); and
 - (ii) he/it shall not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as a Controlling Shareholder or Director for any purposes not related to the business of our Group.

The restrictions which each of our Controlling Shareholders has agreed to undertake pursuant to the non-competition undertaking will not apply to the following:

- (a) the holding of shares or other securities issued by our Company or any member of our Group from time to time;
- (b) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on the Stock Exchange or any other recognised stock exchange approved by the board of Directors from time to time and the aggregate interest of our Controlling Shareholders and their respective close associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) do not amount to more than 5% of the relevant share capital of the company in question and our Controlling Shareholders and their respective close associates do not otherwise control the majority of the board of directors of that company;
- (c) the contracts and other agreements (including any business carried on and service provided pursuant thereto and the transactions contemplated thereunder) entered into between any member of our Group and any Controlling Shareholders and/or his/its respective close associates;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) the involvement or participation of any Controlling Shareholder or his/its close associates in a Restricted Business in Hong Kong, the PRC or other jurisdiction in which any member of our Group carries on business from time to time in relation to which our Company has agreed in writing to such involvement or participation, following a decision by our independent non-executive Directors to allow such involvement or participation subject to any conditions our independent non-executive Directors may require to be imposed.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earlier of:

- (a) the day on which (i) such Controlling Shareholders and/or their close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued Shares directly or indirectly or cease to be deemed as controlling shareholder (as defined under the GEM Listing Rules from time to time) of our Company and does not have power to control the board of Directors or there is at least one other independent Shareholder other than our Controlling Shareholders and their close associates holding more Shares than our Controlling Shareholders and their close associates taken together; and (ii) Mr. Yu, Mr. Tse and Mr. Chan cease to be Directors; or
- (b) the day on which the Shares cease to be listed on GEM or other recognised stock exchange.

CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTERESTS OF MINORITY SHAREHOLDERS

To further protect the interests of the minority Shareholders, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend. The attendance of that Director shall not be counted towards a quorum at the meeting and such Director shall not vote on the relevant resolution;
- (2) the independent non-executive Directors will review on a quarterly basis the compliance with the respective non-competition undertaking by our Controlling Shareholders;
- (3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the quarterly review by the independent non-executive Directors and the enforcement of the respective non-competition undertaking;
- (4) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the respective non-competition undertaking of our Controlling Shareholders in the annual reports of our Company;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (5) our Controlling Shareholders will make an annual declaration on compliance with their respective non-competition undertaking in the annual report of our Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to be involved or participate in a Restricted Business in Hong Kong or other jurisdiction in which any member of our Group carries on business from time to time, and if so, any condition to be imposed;
- (7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertakings or connected transaction(s) at the cost of our Company; and
- (8) our Company has appointed Messis Capital Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management independence

Although our Controlling Shareholders will retain controlling interests in our Company upon completion of the Placing and Capitalisation Issue, the day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management of our Company. Our Board has six Directors comprising three executive Directors, and three independent non-executive Directors. Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to our Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant Board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group's business independently from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. We have sufficient operational resources, such as office premises, sales and marketing and general administration resources, to operate our business independently. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

Save that Sunland was our largest supplier during the Track Record Period (for further details of the background of Sunland and its relationship with us, please refer to the paragraphs headed “Relationship with our Controlling Shareholders – Companies interested by the Controlling Parties during the Track Record Period” and “Business – Suppliers – Engagement of Sunland” in this prospectus) and that Xuanda Beijing was one of our five largest clients during the year ended 31 December 2014 (for further details, please refer to the paragraph headed “Business – Clients” in this prospectus), none of our Controlling Shareholders and/or their close associates has been our suppliers (including our subcontractors) or clients which provided any critical services or materials for our operation during the Track Record Period. Our Directors believe that we do not unduly rely on our Controlling Shareholders or their associates and have our independent access to our suppliers (including our subcontractors) and clients.

Save as disclosed in the section headed “Connected Transactions” in this prospectus, our Group does not currently have any intention to enter into any other transactions with our Controlling Shareholders and their associates and, if such event happens in the future, the connected transactions/continuing connected transactions will be conducted in compliance with the GEM Listing Rules. Though there will be a continuing connected transaction between our Group and an associate of one of our Controlling Shareholders after Listing, the transaction is entered into in the ordinary course of business of our Group on terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and our Directors are of the view that alternative premises are available if necessary. Accordingly, our Directors do not consider there is any material reliance by our Group on our Controlling Shareholders or their associates.

Financial independence

We have our own accounting and finance department and independent financial system and make financial decisions according to our own business needs. We also have independent access to third party financing.

During the Track Record Period, Mr. Yu, Mr. Tse and Mr. Chan provided personal guarantees to secure the repayment obligations under banking facilities granted by two financial institutions to HM Services. Apart from the above, Mr. Tse also provided a personal guarantee to secure the repayment obligations under a lease/hire purchase agreement granted by a financial institution to HM Services during the Track Record Period. These personal guarantees will be released and/or replaced by corporate guarantees provided by our Group upon Listing.

In view of our Group’s internal resources and the estimated net proceeds from the Placing of new Shares, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective associates.

NON-DISPOSAL UNDERTAKINGS

Each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Joint Lead Managers and the other Underwriters that he/it shall not, and shall procure that the relevant registered holders shall not:

- (i) in the period commencing on the date by reference to which disclosure of the shareholding of each of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner;
- (ii) in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder;
- (iii) in the period of 12 months commencing on the date on which the Second Six-Month Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder;
- (iv) in the event he/it pledges or charges any direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (i) or paragraph (ii) above, he/it must inform our Company, the Sponsor, the Joint Lead Managers and the other Underwriters immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (v) having pledged or charged any of his/its interests in the Shares under paragraph (iv) above, he/it must inform our Company, the Sponsor, the Joint Lead Managers and the other Underwriters immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE GEM LISTING RULES

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that, save as permitted under the GEM Listing Rules and pursuant to the Placing, he/it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the First Six-Month Period, sell, dispose of, nor enter into any agreement to dispose of, or otherwise create any Encumbrances in respect of, any of the Shares which he/it is shown in this prospectus to be the beneficial owner(s); and
- (b) in the Second Six-Month Period, sell, dispose of, nor enter into any agreement to dispose of, or otherwise create any Encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would either individually or together cease to be a Controlling Shareholder.

CONNECTED TRANSACTIONS

During the Track Record Period and prior to Listing, our Group entered into a tenancy agreement with Unique Concept. Unique Concept is principally engaged in property investment. It is wholly owned by Mr. Yu, who is one of our executive Directors and Controlling Shareholders. Since Unique Concept will become an associate of Mr. Yu pursuant to Rule 20.10(1)(c) of the GEM Listing Rules upon Listing, it will become a connected person of our Company as defined under the GEM Listing Rules. The transaction is expected to continue after Listing and will therefore become a continuing connected transaction. Details of the continuing connected transaction are set out below.

EXEMPT CONTINUING CONNECTED TRANSACTION

Tenancy agreement

On 24 December 2015, a tenancy agreement was entered into between Unique Concept (as landlord) and HM Services (as tenant), pursuant to which the parties agreed that the property situated at House 77, Tycoon Place, 38 Lo Fai Road, Tai Po, New Territories, Hong Kong, with a gross floor area of approximately 3,601 square feet shall be leased for a term of 36 months commencing on 1 January 2016 and ending on 31 December 2018 (both days inclusive) at a monthly rental of HK\$50,000. There is no option to renew the tenancy agreement. Either party may terminate the tenancy agreement by serving not less than one month's written notice. As such, our Company enjoys the flexibility to relocate to another premises and to terminate the tenancy agreement should it consider the tenancy no longer suitable for our Group's use or no longer cost competitive. The rental under the tenancy agreement was determined after arms' length negotiations between the parties thereto with reference to the market rent payable for comparable premises and is in line with the market level.

Considering that the rent under the tenancy agreement is in line with market level, our Company intends to continue using the premises as our director's quarters after Listing, which we believe is in the interest of our Company and our Shareholders as a whole in terms of cost and time.

GEM Listing Rules implications

Since the tenancy agreement is expected to continue after Listing, the entering into of the tenancy agreement will constitute a continuing connected transaction of our Company under the GEM Listing Rules.

Based on the fixed monthly rent under the tenancy agreement, the annual cap in respect of the annual rental payable by our Group to Unique Concept for each of the three years ending 31 December 2018 will be HK\$600,000. Each of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the rental annual cap is less than 5% and the annual consideration is less than HK\$3,000,000. Accordingly, the entering into of the tenancy agreement constitutes an exempt continuing connected transaction of our Company under Rule 20.74 of the GEM Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

CONFIRMATION OF OUR DIRECTORS AND THE SPONSOR

Our Directors (including our independent non-executive Directors) and the Sponsor are of the view that (i) the basis for determining the rental annual cap is fair and reasonable; and (ii) the exempt continuing connected transaction mentioned in this section was entered into in the ordinary and usual course of our business, on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of six Directors comprising three executive Directors and three independent non-executive Directors. The following table sets forth the information regarding our Directors.

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Director(s) and/or senior management
Mr. Yu Chi Ming (余志明)	57	Chairman and executive Director	Formulating the overall financial and strategic planning of our Group	March 2000	13 January 2016	Nil
Mr. Tse Kam Wing Walter (謝錦榮)	57	Vice chairman and executive Director	Overall business development and corporate planning of our Group	March 2002	13 January 2016	Nil
Mr. Chan Wai Lin (陳威廉)	43	Chief executive officer and executive Director	Overall business management and making overall operational decisions of our Group	November 2012	13 January 2016	Nil
Mr. Choi Hon Ting Derek (蔡翰霆)	48	Independent non-executive Director	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	15 December 2016	15 December 2016	Nil
Mr. Ng Jack Ho Wan (吳浩雲)	40	Independent non-executive Director	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	15 December 2016	15 December 2016	Nil
Mr. Wan Chi Wai Anthony (尹智偉)	41	Independent non-executive Director	Overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company	15 December 2016	15 December 2016	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yu Chi Ming (余志明), aged 57, is an executive Director and the chairman of our Group and is mainly responsible for formulating the overall financial and strategic planning of our Group. Mr. Yu has more than 30 years of experience in the printing industry. Mr. Yu obtained a Diploma in Management for Executive Development from the Chinese University of Hong Kong in September 1991. From April 1982 to February 1992, he was the production supervisor at Speedflex Asia Limited, a financial pre-press services provider, and was subsequently promoted to the position of general manager of production, mainly responsible for managing its printing factory. In January 1992, Mr. Yu was appointed as a director of Sunland and he resigned from the role in September 2014. Since March 2000, Mr. Yu has been the chairman of HM Services. Mr. Yu is currently a director of each of HM Immediate, HM Information, HM Services, HM Too, HM Asia and HM Language.

Mr. Yu has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Tse Kam Wing Walter (謝錦榮), aged 57, is an executive Director and the vice chairman of our Group and is mainly responsible for the overall business development and corporate planning of our Group. Mr. Tse has over 30 years of experience in the printing industry. He joined our Group in March 2002, as managing director of HM Services, responsible for developing and implementing a strategic plan. In December 1994, he obtained a degree of Master of Business Administration from Newport University, USA.

From July 1982 to March 1988, Mr. Tse worked at Jardine Printing, a division of Jardine Marketing Services Ltd. which is a subsidiary of Jardine Matheson & Co. Ltd., during which he was promoted to the role of business development manager and was mainly responsible for business and products development. Between August 1988 to May 1990, he became the sales manager at Times Ringier (HK) Limited, a company which principally engages in magazine printing services, mainly responsible for building relationship with clients. Between February 1991 and August 1992, Mr. Tse was employed as district manager of the systemedia division at NCR (Hong Kong) Limited, mainly responsible for the provision of financial instrument printing services. From April 1995 to February 2002, Mr. Tse worked at Elegance Finance Printing Services Limited as general manager, mainly responsible for the day-to-day management and was subsequently promoted to the role of director. Mr. Tse is currently a director of each of HM Immediate, HM Information, HM Services, HM Too, HM Asia and HM Language.

Mr. Tse has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chan Wai Lin (陳威廉), aged 43, is an executive Director and the chief executive officer of our Group and is mainly responsible for overall business management and making overall operational decisions of our Group. He joined our Group in November 2012 as a director of HM Too. Mr. Chan has over 14 years of experience in the financial printing industry. In December 1998, Mr. Chan obtained a degree of Bachelor of Arts in Economics from the University of Missouri, USA. In December 2000, he obtained a degree of Master of Arts in Finance from Webster University, USA. Mr. Chan also obtained a degree of Master of Business Administration from Webster University, USA, in August 2001.

DIRECTORS AND SENIOR MANAGEMENT

In March 1999, Mr. Chan worked at State Street – Kansas City (formerly known as IFTC (Investors Fiduciary Trust Company)) as fund accountant/portfolio administrator and was subsequently promoted to the position of financial analyst in May 2000. He was mainly responsible for preparing financial reports and conducting ad hoc analysis on profitability of new fund accounts. Mr. Chan was employed by RR Donnelley Roman Financial Limited, a financial printer, from March 2002 to March 2008 and his last position was head of office in the business process outsourcing department. He was mainly responsible for developing production strategies, planning projects and developing and implementing procedures and systems. In March 2008, Mr. Chan was appointed as director of HMG until May 2012. During June 2012 and November 2012, he was appointed as executive director of Williams Lea Asia, Limited responsible for strategic sourcing in Asia excluding Japan. Mr. Chan is currently a director of each of HM Immediate, HM Information, HM Services, HM Too, HM Asia and HM Language.

Mr. Chan has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Independent non-executive Directors

Mr. Choi Hon Ting Derek (蔡翰霆) (formerly known as Choi Kwan Wai Derek (蔡群威)), aged 48, is an independent non-executive Director and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. He joined our Group on 15 December 2016. Mr. Choi has over 24 years of experience in the trading of specialised engineering equipment. Mr. Choi is the co-founder of Symbior Energy Limited, whose principal business activities are mainly investing in energy ventures, where he has been its president, responsible for China business operations since August 2010. Since May 2010, Mr. Choi has served as the managing director of Pure Technologies (China) Limited, a company engaged in the development and application of innovative technologies for inspection, monitoring and management of physical infrastructure and was responsible for the overall management of the company. Since December 1991, Mr. Choi has worked at Balama Prima Engineering Co., Ltd., the core business of which includes infrastructure environmental conservation and agricultural-related business and he is currently its managing director, responsible for its overall management.

Mr. Choi graduated with a degree of Bachelor of Science in Agricultural Engineering from Purdue University, USA in May 1991.

Mr. Choi currently holds the following directorships in the companies set out below and which are listed on the Main Board of the Stock Exchange:

Appointment date	Name of the listed company	Stock code	Position
11 September 2014	D&G Technology Holding Company Limited	1301	Executive director
23 June 2004	IPE Group Limited	929	Independent non-executive director

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, Mr. Choi has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Ng Jack Ho Wan (吳浩雲) (formerly known as Ng Ho Wan (吳浩雲)), aged 40, was appointed as an independent non-executive Director on 15 December 2016 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. He has over 18 years of experience in accounting, auditing, asset management and fund administration. He worked in PricewaterhouseCoopers LLP, Canada from September 1997 until February 2001. He then joined KPMG in Hong Kong and was an audit partner during July 2008 and October 2012, where he was responsible for overseeing audit and advisory projects in the wealth and fund management sectors both in China and Hong Kong. He has been the managing director of Jack H.W. Ng CPA Limited since June 2013.

In May 2000, Mr. Ng graduated from Simon Fraser University, Canada with a degree of Bachelor of Business Administration (Co-operative Education).

Mr. Ng has been a fellow of the Hong Kong Institute of Certified Public Accountants since May 2010 and also a chartered accountant in British Columbia, Canada since February 2001. In November 2004, Mr. Ng was granted the designation of financial risk manager by the Global Association of Risk Professionals. He was accredited as certified information systems auditor in January 2007. In September 2007, he was certified as chartered financial analyst by the CFA Institute. In July 2012, he was admitted to the Hong Kong Institute of Directors as a member. Mr. Ng was admitted as a member of the Hong Kong Securities and Investment Institute in November 2012 and was awarded with a specialist certificate in asset management in February 2005.

Mr. Ng has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Wan Chi Wai Anthony (尹智偉), aged 41, was appointed as an independent non-executive Director on 15 December 2016 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. Mr. Wan possess professional experience in both the accounting and legal fields. In November 1997, Mr. Wan graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration in Accounting. He subsequently obtained a degree of Bachelor of Laws in August 2003 from the University of London, United Kingdom through distance learning and obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 2004. He was admitted as a solicitor in Hong Kong in September 2006.

Mr. Wan was an associate in the assurance and business advisory services department of PricewaterhouseCoopers Ltd. from August 1997 to May 2001 with his last position held there as senior associate. He was mainly responsible for auditing and accountancy in Hong Kong companies. In October 2001, he joined Wellink Services Limited as accounting manager and resigned in January 2002. He was mainly responsible for handling accounting and financing matters of the company. From April 2002 to September 2003, Mr. Wan worked as an assistant manager of finance in the business services division of MLC (Hong Kong) Limited, and was mainly responsible for accounting and finance matters of the company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wan is an associate of the Hong Kong Institute of Certified Public Accountants since January 2002 and was admitted as a fellow of The Association of Chartered Certified Accountants in May 2006. Mr. Wan is currently a partner in the corporate, private equity, M&A and commercial practice of King & Wood Mallesons, Hong Kong.

Since December 2015, he has been an independent non-executive director of Charmacy Pharmaceutical Co., Ltd. (formerly known as Chuangmei Pharmaceutical Co., Ltd.) (stock code: 2289), the shares of which are listed on the Main Board of the Stock Exchange.

Save as disclosed above, Mr. Wan has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Mr. Choi Hon Ting Derek, our independent non-executive Director was a director of China Media Limited, a company which was incorporated in Hong Kong and was dissolved under section 228A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in December 1998. China Media Limited was a joint venture, principally engaged in publishing magazines. Due to the breaking down of the joint venture relationship, Mr. Choi resigned as director of China Media Limited in August 1995. Within 12 months after Mr. Choi ceasing to act as a director of China Media Limited, it commenced creditor's voluntary winding up proceedings in August 1995. The net liabilities of China Media Limited were about HK\$32.6 million at the date of commencement of winding up. As a result of the proceedings, China Media Limited was dissolved in December 1998.

Mr. Choi confirms that the dissolution of China Media Limited as mentioned above in which he was previously a director had not resulted in any liability or obligation imposed against him.

Mr. Choi was a director of 希希科技(深圳)有限公司 (C & C Technology (Shenzhen) Co., Ltd), a company which was established in the PRC and had its business licence revoked in February 2002. C & C Technology (Shenzhen) Co., Ltd was a wholly foreign-owned enterprise and was principally engaged in research and development of electrical system, equipment and software. C & C Technology (Shenzhen) Co., Ltd failed to attend the annual examination since 1999 due to operational difficulties and its business licence was revoked.

Mr. Choi confirms that the revocation of the relevant business licences had not resulted in any restriction, liability or penalty imposed against him.

Mr. Choi was a director of Fortune Asia UBC Limited, a company which was incorporated in the BVI on 25 June 2007 and was struck off in October 2010. Fortune Asia UBC Limited was intended to be used for investment holding but did not actually carry out any business activities.

Mr. Choi confirms that the dissolution of Fortune Asia UBC Limited as mentioned above had not resulted in any liability or obligation imposed upon him.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, each of our Directors confirms with respect to himself that: (i) he does not hold any other position in our Company or any of its subsidiaries; (ii) save as disclosed in the section “C. Further information about our Directors and Substantial Shareholders – 1. Disclosure of interests” in Appendix IV to this prospectus, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The following table sets out certain information concerning members of our senior management:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Relationship with other Director(s) and/or senior management
Ms. Chan Wai Chung Caroline (陳慧中)	43	Chief operations officer	Overall business operation and management of our Group	August 2010	Nil
Ms. Cheng Shuk Wa (鄭淑華)	48	Shared services officer	Supervising all the shared services units such as translation, administration and human resources of our Group	June 2012	Nil
Ms. Yung Suk Man (翁淑文)	49	Financial controller	Reviewing financial reports and overseeing financial and accounting matters of our Group	September 2014	Nil

The business address of the senior management team of our Group is 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Ms. Chan Wai Chung Caroline (陳慧中), aged 43, is the chief operations officer of our Group and is responsible for overall business operation and management of our Group. She is primarily responsible for supervising the day-to-day operations of our business units. She joined our Group in August 2010. Ms. Chan obtained a degree in Bachelor of Commerce from Deakin University, Australia, in September 1996. She obtained a degree of Master of Environmental and Business Management from the University of Newcastle, Australia, in December 2005 and a degree of Master of Business Administration jointly issued by the University of Sydney, Australia and the University of New South Wales, Australia, in September 2003. Ms. Chan obtained a degree of Master of Arts in Computer-Aided Translation from The Chinese University of Hong Kong in December 2010.

DIRECTORS AND SENIOR MANAGEMENT

Between September 1999 and January 2000, she was a customer service supervisor of Roman Financial Press Limited, where she was mainly responsible for the daily operations of the international customer service department. During January 2001 to February 2008, Ms. Chan was employed by RR Donnelley Roman Financial Limited with her last position held as financial services service delivery supervisor in the service delivery department. She was mainly responsible for staff training.

Ms. Chan has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. Cheng Shuk Wa (鄭淑華), aged 48, is the shared services officer of our Group and is responsible for supervising all the shared services units such as translation, administration and human resources of our Group. Ms. Cheng joined our Group in June 2012 as human resources and administration manager of HM Services. Ms. Cheng attended University of Victoria, Canada, and obtained a degree of Bachelor of Arts majoring in Economics in May 1994. During May 2003 to June 2004, she was sales administration manager at The Essentials on behalf of Home Apply Limited, where she was mainly responsible for the supervision of sales support team to provide administrative support to business unit. Between June and December 2005, Ms. Cheng was an assistant administration manager at Sun Power Container Services Limited, where she was responsible for running the personnel and general administration functions.

Ms. Cheng has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. Yung Suk Man (翁淑文), aged 49, is the financial controller of our Group and is responsible for reviewing financial reports, overseeing financial and accounting matters of our Group. Ms. Yung was an accountant of Sunland from May 1995, and subsequently joined HM Services as an accounting manager in September 2014. Ms. Yung graduated from Curtin University of Technology, Australia with a degree of Bachelor of Commerce in Accounting and Finance in September 2004. In May 2015, Ms. Yung obtained a degree of Master of Business Administration from European University, through distance learning.

Ms. Yung has not held any directorship in any other public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Ms. Chan Sau Ling (陳秀玲), is the company secretary of our Group and is responsible for the company secretarial and related matters of our Group. She was appointed as the company secretary on 5 September 2016. Ms. Chan has over 19 years of company secretarial experience. She is a chartered secretary and an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, the United Kingdom since October 2002, and holds a practitioner's endorsement certificate from The Hong Kong Institute of Chartered Secretaries. She is a senior manager of the corporate services division of Tricor Services Limited. Between October 2010 and October 2015, Ms. Chan was a company secretary of Evergreen International Holdings Limited (stock code: 238), which is listed on the Main Board of the Stock Exchange. During February 2013 to June 2016, Ms. Chan was a company secretary of China New Town Development Company Limited (stock code: 1278), which is dual-listed on the Main Board of the Stock Exchange and Singapore Exchange Securities Trading Limited.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chan has not held any directorships in any public companies, the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

COMPLIANCE OFFICER

Mr. Chan is the compliance officer of our Company. Details of the qualifications and experience of Mr. Chan have been disclosed in the paragraph headed “Executive Directors” of this section.

BOARD COMMITTEES

The Board has established an audit committee (the “**Audit Committee**”), a nomination committee (the “**Nomination Committee**”) and a remuneration committee (the “**Remuneration Committee**”). The committees operate in accordance with the terms of reference established by the Board.

Audit Committee

Our Company established the Audit Committee pursuant to a resolution of our Directors passed on 15 December 2016 in compliance with Rule 5.28 of the GEM Listing Rules, which consists three members who are Mr. Ng Jack Ho Wan, Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. Mr. Ng Jack Ho Wan is the chairman of the audit committee. The Audit Committee has adopted written terms of reference in compliance with paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Among other things, the primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of external auditors; review of the financial statements and material advice in respect of financial reporting; and supervision of the internal control procedures and risk management systems of our Company.

Remuneration Committee

Our Company established the Remuneration Committee on 15 December 2016 with written terms of reference in compliance with paragraph B1.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee consists of three members who are Mr. Yu, Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. Mr. Choi Hon Ting Derek is the chairman. The primary duties of the Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure that none of our Directors determine their own remuneration.

Nomination Committee

Our Company established the Nomination Committee on 15 December 2016 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on a regular basis; assess the competence and ability of nominees for our Board; oversee the independence of our independent non-executive Directors; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee consists of three members who are Mr. Wan Chi Wai Anthony, Mr. Ng Jack Ho Wan and Mr. Chan. Mr. Wan Chi Wai Anthony is the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operation. Our Board regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by making reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group. After Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

The aggregate amounts of remuneration including fees, salaries, contributions to retirement benefit schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid or payable to our Directors for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 were approximately HK\$2.8 million, HK\$4.0 million and HK\$2.4 million respectively. Under the arrangement currently in force, the aggregate remuneration (excluding discretionary bonus) of our Directors for the year ending 31 December 2016 is estimated to be approximately HK\$3.2 million.

The aggregate amounts of remuneration including fees, salaries, contributions to retirement benefit schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals (excluding our Directors) for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 was approximately HK\$2.3 million, HK\$3.7 million and HK\$0.8 million respectively.

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

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 10 to the accountants' report as set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

Our Company has adopted conditionally the Share Option Scheme. For details of the Share Option Scheme, please refer to the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Pursuant to Rule 6A.19 of the GEM Listing Rules, our Company has appointed Messis Capital Limited as the compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 6A.23 of the GEM Listing Rules:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results deviate from any forecast, estimate or other information of this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 18.03 of the GEM Listing Rules on the distribution of the annual report in respect of the financial results of the second full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Placing and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons will have an interest and/or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested 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 our Company or any other member of our Group:

Interests and long positions in Shares

Name of shareholder	Nature of interests	As at the date of this prospectus		Immediately following the completion of the Placing and the Capitalisation Issue	
		Number of Shares	Percentage of shareholding	Number of Shares <i>(Note 1)</i>	Percentage of shareholding
HM Ultimate	Beneficial owner <i>(Note 2)</i>	1,000	100%	300,000,000 (L)	75%
Mr. Yu	Interest held jointly with another person; interest in a controlled corporation <i>(Note 2)</i>	1,000	100%	300,000,000 (L)	75%
Mr. Tse	Interest held jointly with another person; interest in a controlled corporation <i>(Note 2)</i>	1,000	100%	300,000,000 (L)	75%
Mr. Chan	Interest held jointly with another person; interest in a controlled corporation <i>(Note 2)</i>	1,000	100%	300,000,000 (L)	75%
Ms. Wong Mee Che Lilian	Interest of spouse <i>(Note 3)</i>	1,000	100%	300,000,000 (L)	75%
Ms. Wong Yuk Sim Kathy	Interest of spouse <i>(Note 4)</i>	1,000	100%	300,000,000 (L)	75%
Ms Tang Wai Kwan May	Interest of spouse <i>(Note 5)</i>	1,000	100%	300,000,000 (L)	75%

SUBSTANTIAL SHAREHOLDERS

- Note 1:* The letter “L” denotes the long position (as defined under Part XV of the SFO) in such Shares.
- Note 2:* HM Ultimate is beneficially owned as to 53% by Mr. Yu, 24.5% by Mr. Tse and 22.5% by Mr. Chan. Mr. Yu, Mr. Tse and Mr. Chan together control all the Shares held by HM Ultimate.
- Note 3:* Ms. Wong Mee Che Lilian is the spouse of Mr. Yu. Ms. Wong Mee Che Lilian is deemed to be interested in the same number of Shares in which Mr. Yu is interested by virtue of the SFO.
- Note 4:* Ms. Wong Yuk Sim Kathy is the spouse of Mr. Tse. Ms. Wong Yuk Sim Kathy is deemed to be interested in the same number of Shares in which Mr. Tse is interested by virtue of the SFO.
- Note 5:* Ms. Tang Wai Kwan May is the spouse of Mr. Chan. Ms. Tang Wai Kwan May is deemed to be interested in the same number of Shares in which Mr. Chan is interested by virtue of the SFO.

Save as disclosed above, none of our Directors is aware of any other person who will, immediately following the Placing and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying Shares which would be fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. None of our Directors is aware of any arrangement which may at a subsequent date result in a change of control of our Company.

CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has given undertakings in respect of its Shares to our Company the Sponsor, the Joint Lead Managers and the other Underwriters in addition to the requirements of Rules 13.16(A) and 13.19 of the GEM Listing Rules. For further details, please refer to the paragraph headed “Relationship with our Controlling Shareholders – Non-disposal undertakings”.

SHARE CAPITAL

SHARE CAPITAL

The table below sets forth information with respect to the authorised and issued share capital of our Company before and following the completion of the Capitalisation Issue and Placing (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):

As of the date of this prospectus

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>38,000,000</u>	Shares of HK\$0.01 each	<u>380,000</u>
<i>Issued share capital:</i>		
<u>1,000</u>	Shares of HK\$0.01 each	<u>10</u>

Immediately after completion of the Placing and the Capitalisation issue

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.01 each	<u>50,000,000</u>
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>		
1,000	Shares in issue at the date of this prospectus	10
299,999,000	Shares to be issued pursuant to the Capitalisation Issue	2,999,990
<u>100,000,000</u>	Shares to be issued pursuant to the Placing	<u>1,000,000</u>
<u>400,000,000</u>	Total	<u>4,000,000</u>

ASSUMPTIONS

The table as shown above assumes the Placing becoming unconditional and the allotment and issue of Shares pursuant thereto and under the Capitalisation Issue and Placing are made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to in the paragraph headed “General mandate to issue Shares” or the paragraph headed “General mandate to repurchase Shares” in this section, as the case may be.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Placing Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Placing – Conditions of the Placing” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the total number of issued Shares immediately following the completion of the Placing and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder passed on 15 December 2016” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the paragraph headed “Structure and conditions of the Placing – Conditions of the Placing” being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate number of Shares of not more than 10% of the total number of issued Shares immediately following the completion of the Capitalisation Issue and the Placing (not including Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about our Company and our subsidiaries – 7. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws and regulations of the Cayman Islands or the Articles; or
- (c) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder passed on 15 December 2016” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in our Articles. For details, please see the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, in the accountants' report as set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We provide integrated printing services for corporate clients mainly in the financial and capital market in Hong Kong. The comprehensive printing services we offer include concept creation and artwork design, typesetting and proofreading, translation, printing, binding/packaging, logistic arrangement and media placement of content outputs.

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our total revenue was approximately HK\$125.3 million, HK\$160.4 million, HK\$83.9 million and HK\$82.3 million, respectively, while the profit attributable to owners of our Company for the same period amounted to approximately HK\$10.9 million, HK\$13.9 million, HK\$12.1 million and HK\$10.7 million, respectively.

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, the revenue generated from financial printing projects represented approximately 79.8%, 73.0%, 76.1% and 74.9% of our total revenue, whereas the revenue generated from marketing collateral printing projects represented approximately 19.6%, 26.7%, 23.7% and 24.8% of our total revenue, respectively. We also offered our clients with bespoke non-printing services such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production, which represented less than 1% of our total revenue during the Track Record Period.

Our content outputs can be broadly categorised into three types, namely (i) listing related content outputs; (ii) fund investment and insurance content outputs; and (iii) marketing collaterals. The first two types refer to content outputs of our financial printing projects, while the third type refers to content outputs of our marketing collateral printing projects. For details and examples of these content outputs, please refer to the paragraph headed "Business – Operation flow – Our content outputs" in this prospectus. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, (i) the revenue generated from listing related content outputs represented approximately 42.7%, 37.0%, 42.4% and 42.2% of our total revenue; (ii) the revenue generated from fund investment and insurance content outputs represented

FINANCIAL INFORMATION

approximately 37.1%, 36.0%, 33.7% and 32.7% of our total revenue; and (iii) the revenue generated from marketing collaterals represented approximately 19.6%, 26.7%, 23.7% and 24.8% of our total revenue, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability. Its parent and ultimate holding company is HM Ultimate, a company incorporated in the BVI and owned by the Controlling Parties. Throughout the Track Record Period, the companies now comprising our Group were under the control of the Controlling Parties. Through the corporate reorganisation as more fully explained in the paragraph headed “History, Reorganisation and Development – Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group on 15 December 2016. Accordingly, for the purpose of the preparation of the financial information of our Group, our Company has been considered as the holding company of the companies now comprising our Group throughout the Track Record Period. Further details of the basis of presentation of our financial statements are detailed in note 1 headed “General information and basis of presentation of financial information” in the accountants’ report as set out in Appendix I to this prospectus.

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The selected financial information from our statements of financial position as at 31 December 2014 and 2015 and the six months ended 30 June 2016 and our combined statements of profit or loss and other comprehensive income and combined statements of cash flows for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 set forth below are extracted from our accountants’ report included in Appendix I to this prospectus, and should be read in conjunction with the accountants’ report set forth in Appendix I to this prospectus.

FINANCIAL INFORMATION

Combined statements of profit or loss and other comprehensive income

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Revenue	125,343	160,369	83,943	82,302
Cost of sales	<u>(78,095)</u>	<u>(95,899)</u>	<u>(47,803)</u>	<u>(48,378)</u>
Gross profit	47,248	64,470	36,140	33,924
Other income and gains	1,409	585	278	42
Selling expenses	(7,499)	(9,933)	(4,831)	(4,957)
Administrative expenses	(28,000)	(36,024)	(16,046)	(16,054)
Finance costs	<u>(84)</u>	<u>(133)</u>	<u>(58)</u>	<u>(73)</u>
Profit before tax	13,074	18,965	15,483	12,882
Income tax expense	<u>(1,791)</u>	<u>(3,967)</u>	<u>(2,591)</u>	<u>(2,230)</u>
Profit and total comprehensive income for the year/period	<u><u>11,283</u></u>	<u><u>14,998</u></u>	<u><u>12,892</u></u>	<u><u>10,652</u></u>
Profit and total comprehensive income for the year/period attributable to:				
Owners of the Company	10,868	13,873	12,121	10,652
Non-controlling interests	<u>415</u>	<u>1,125</u>	<u>771</u>	<u>–</u>
	<u><u>11,283</u></u>	<u><u>14,998</u></u>	<u><u>12,892</u></u>	<u><u>10,652</u></u>

FINANCIAL INFORMATION

Combined statements of financial position

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>
Property, plant and equipment	2,275	3,346	2,946
Intangible assets	2,521	1,397	934
Total non-current assets	4,796	4,743	3,880
Amounts due from customers on service contracts	3,791	3,339	2,039
Trade and other receivables	47,643	52,538	42,459
Amounts due from directors	17,387	–	–
Amounts due from related companies	812	–	–
Pledged bank deposit	6,000	6,000	6,000
Cash and bank balances	9,571	16,574	14,534
Total current assets	85,204	78,451	65,032
Total assets	90,000	83,194	68,912
Trade and other payables	55,560	35,021	38,021
Amounts due to related companies	5,432	19,642	–
Bank borrowings	–	4,083	4,001
Finance leases obligations	–	528	537
Bank overdrafts	–	1,972	298
Current tax liabilities	1,150	2,407	4,637
Total current liabilities	62,142	63,653	47,494
Net current assets	23,062	14,798	17,538
Total assets less current liabilities	27,858	19,541	21,418
Finance leases obligations	–	814	539
Deferred tax liabilities	69	272	272
Total non-current liabilities	69	1,086	811
Net assets	27,789	18,455	20,607
Capital and reserves			
Share capital	100	138	138
Reserves	25,658	18,317	20,469
Equity attributable to owners of the Company	25,758	18,455	20,607
Non-controlling interests	2,031	–	–
Total equity	27,789	18,455	20,607

FINANCIAL INFORMATION

Combined statements of cash flows

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Cash and cash equivalents at the beginning of the year/period	<u>341</u>	<u>9,571</u>	<u>9,571</u>	<u>14,602</u>
Net cash generated from operating activities	18,026	3,056	1,705	28,661
Net cash used in investing activities	(3,034)	(1,254)	(400)	(464)
Net cash (used in)/generated from financing activities	<u>(5,762)</u>	<u>3,229</u>	<u>7,937</u>	<u>(28,563)</u>
Net increase/(decrease) in cash and cash equivalents	<u>9,230</u>	<u>5,031</u>	<u>9,242</u>	<u>(366)</u>
Cash and cash equivalents at the end of the year/period	<u><u>9,571</u></u>	<u><u>14,602</u></u>	<u><u>18,813</u></u>	<u><u>14,236</u></u>

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial conditions and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus.

Our ability to secure projects and maintain a high rate of recurring clients

We, in general, do not enter into any long-term contracts with our clients, and we are engaged by our clients on a project-by-project basis. Our success is partly attributable to our ability to retain our existing clients and attract new clients. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the number of clients with projects that contributed to our revenue was 319, 313 and 255, respectively. 150, 221 and 200 of such clients were recurring clients, respectively. Revenue generated from these recurring clients amounted to approximately HK\$78.3 million, HK\$141.4 million and HK\$75.3 million, representing approximately 62.5%, 88.2%, and 91.4% of our Group’s total revenue for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. There is no assurance that such clients will continue to be secured by us, therefore our results of operations may vary from period to period and face significant fluctuations in the future.

FINANCIAL INFORMATION

Changes in laws and regulations relating to the industry

Our key content outputs such as listing documents, financial reports, announcements, circulars, fund fact sheets, fund financial reports and fund prospectuses are subject to the regulatory requirements such as those set out by the Stock Exchange and the SFC. Accordingly, we may be susceptible to any changes in laws and regulations in relation to the requirements of the abovementioned documents and such changes are beyond our control. Any amendments to the existing laws and regulations governing our prospective clients, such as relaxation on laws or regulations requiring the publication of documents or replacing print materials with a more environmental-friendly web-based distribution channel, may affect the demand of our services and may significantly affect our business and prospects in the future.

The performance of the financial and capital markets in Hong Kong

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we had a total of 319, 313 and 255 clients who had projects contributed to our revenue, respectively, the majority of which were either corporations listed on the Stock Exchange and/or financial institutions such as fund houses, insurance companies and banks, respectively. Our business growth primarily depends on the positive environment of financial and capital market in Hong Kong as a whole. Any significant unfavourable change in the financial market in Hong Kong may cause adverse effect on the number and volume of fund raising activities as well as reduction on the budget spending of listed companies and/or financial institutions on their financial reporting and marketing activities.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Our Group's financial statements have been prepared in accordance with HKFRSs. Significant accounting policies adopted by our Group and key sources of estimation uncertainty are set forth in detail in Note 3 to the accountants' report as set out in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as judgments related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. We set forth below discussions to supplement the description on critical accounting policies, estimates and judgments adopted in the preparation of our financial statements:

Critical accounting policy

Revenue recognition

Revenue is recognised progressively based on the stage of completion of each project by making reference to the actual contract costs incurred to date as a percentage of total estimated contract costs to complete the project. Actual contract costs incurred are based on the cost incurred which mainly comprise subcontractor charges and direct labour costs. Estimated contract costs of the project are based on budgets prepared by the management, which mainly comprise subcontractor charges and direct labour costs estimated by the management on the basis of (i) direct labour costs estimated based on the experience of the management on previously completed projects; and (ii) subcontractor charges estimated based on the quotations provided by the subcontractors or suppliers involved and the experience of the management on previously completed projects. Our Group recognises revenue from a project over time only if it can

FINANCIAL INFORMATION

reasonably measure progress towards completion. Otherwise, it would recognise revenue to the extent of the actual costs incurred. Please refer to Note 3 to the accountants' report as set out in Appendix I to this prospectus for details. During the Track Record Period, there were no delay of revenue recognition due to time required for inspection and acceptance by our clients.

Critical accounting estimates and judgments

Our management decides accounting estimates and judgments and also seeks advice from the external reporting accountants, if necessary. The basis of determination of the estimates and judgments used for the preparation of our financial statements have not changed in the past and are unlikely to change in the near future without unforeseeable events such as change in accounting standard and guidelines. We had not experienced any material deviation between our management's estimate and actual results and had not changed these estimates or the underlying assumptions during the Track Record Period. Our management does not expect any material change in these estimates or the underlying assumptions in the foreseeable future. For details of our critical accounting estimates and judgments, please refer to Note 3 to the accountants' report as set out in Appendix I to this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF OUR GROUP

The following discussion is based on our historical results of operations and may not be indicative of our future operating performance.

Revenue

We provide integrated printing services for corporate clients mainly in the financial and capital market in Hong Kong. During the Track Record Period, all of our Group's revenue was generated in Hong Kong. The comprehensive printing services we offer include concept creation and artwork design, typesetting and proofreading, translation, printing, binding/packaging, logistic arrangement and media placement of content outputs. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our total revenue was approximately HK\$125.3 million, HK\$160.4 million, HK\$83.9 million and HK\$82.3 million, respectively.

FINANCIAL INFORMATION

The following table sets out a breakdown of our revenue by project type during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Financial printing projects	99,957	79.8	117,125	73.0	63,856	76.1	61,653	74.9
Marketing collateral printing projects	24,591	19.6	42,783	26.7	19,868	23.7	20,401	24.8
Other projects (<i>Note</i>)	795	0.6	461	0.3	219	0.2	248	0.3
Total	125,343	100	160,369	100	83,943	100	82,302	100

Note: Other projects include bespoke non-printing services projects such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, the revenue generated from financial printing projects represented approximately 79.8%, 73.0%, 76.1% and 74.9% of our total revenue, whereas the revenue generated from marketing collateral printing projects represented approximately 19.6%, 26.7%, 23.7% and 24.8% of our total revenue, respectively. We also offered our clients with bespoke non-printing services such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production, which represented less than 1% of our total revenue during the Track Record Period.

Our content outputs can be broadly categorised into three types, namely (i) listing related content outputs; (ii) fund investment and insurance content outputs; and (iii) marketing collaterals. The first two types refer to content outputs of our financial printing projects, while the third type refers to content outputs of our marketing collateral printing projects. For details and examples of these content outputs, please refer to the paragraph headed “Business – Our content outputs” in this prospectus.

FINANCIAL INFORMATION

The following table sets out a further breakdown of our revenue of financial printing projects by content outputs during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<i>(Unaudited)</i>								
Financial printing projects:								
Listing related content								
outputs	53,503	53.5	59,409	50.7	35,605	55.8	34,753	56.4
– IPO prospectuses	5,627	5.6	4,746	4.1	4,746	7.5	226	0.4
– Post-IPO announcements/ circulars	47,876	47.9	54,663	46.6	30,859	48.3	34,527	56.0
Fund investment and								
insurance content outputs	46,454	46.5	57,716	49.3	28,251	44.2	26,900	43.6
– Fund investment content outputs	44,443	44.5	54,994	47.0	27,138	42.5	25,086	40.7
– Insurance content outputs	2,011	2.0	2,722	2.3	1,113	1.7	1,814	2.9
Total	99,957	100	117,125	100	63,856	100	61,653	100

During the Track Record Period, the percentage of revenue generated from each type of our major content outputs to our total revenue were relatively stable. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, (i) the revenue generated from listing related content outputs represented approximately 42.7%, 37.0%, 42.4% and 42.2% of our total revenue; (ii) the revenue generated from fund investment and insurance content outputs represented approximately 37.1%, 36.0%, 33.7% and 32.7% of our total revenue; and (iii) the revenue generated from marketing collaterals represented approximately 19.6%, 26.7%, 23.7% and 24.8% of our total revenue, respectively.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales which was our major expenditure item during the Track Record Period, primarily consist of subcontractor charges, direct labour costs, material costs and other direct costs. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our cost of sales amounted to approximately HK\$78.1 million, HK\$95.9 million, HK\$47.8 million and HK\$48.4 million, respectively. The following table sets out the summary of our cost of sales during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
Subcontractor charges	55,171	70.6	68,182	71.1	35,005	73.2	36,938	76.4
Direct labour costs	19,845	25.4	24,517	25.6	11,041	23.1	9,929	20.5
Material costs	912	1.2	431	0.4	242	0.5	460	1.0
Other direct costs <i>(Note)</i>	2,167	2.8	2,769	2.9	1,515	3.2	1,051	2.1
Total	78,095	100	95,899	100	47,803	100	48,378	100

Note: Other direct costs include repairs and maintenance of office facilities, amortisation of computer software and rental for equipment.

The proportion of each cost types was maintained at similar levels during the Track Record Period. We engaged subcontractors to perform all printing and binding/packaging works (including related logistic arrangement) and to handle some of our IT, translation, concept creation and artwork design and typesetting works during the Track Record Period. As such, subcontractor charges are significant to our cost of sales, which accounted for approximately 70.6%, 71.1%, 73.2% and 76.4% of our total cost of sales for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, respectively. For more details of our subcontracting arrangement, please refer to the paragraph headed “Business – Suppliers – Subcontracting arrangement” in this prospectus.

Sensitivity analysis

The following tables illustrate the sensitivity analysis of the estimated increase/(decrease) of our profit before tax in relation to general percentage changes to subcontractor charges and direct labour costs with all other variables remaining constant.

FINANCIAL INFORMATION

Sensitivity analysis on price of subcontractor charges

	Impact on profit before tax							
	for the year ended 31 December				for the six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Subcontractor charges								
increase/(decrease) by:								
10%	(5,517)	(42.2)	(6,818)	(36.0)	(3,500)	(22.6)	(3,694)	(28.7)
5%	(2,759)	(21.1)	(3,409)	(18.0)	(1,750)	(11.3)	(1,847)	(14.3)
(5%)	2,759	21.1	3,409	18.0	1,750	11.3	1,847	14.3
(10%)	5,517	42.2	6,818	36.0	3,500	22.6	3,694	28.7

For illustrative purposes, for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, it is estimated that we would achieve breakeven on our profit before tax if our subcontractor charges increased by approximately 23.7%, 27.8%, 44.2% and 34.9%, respectively, with all other variables remaining constant.

Sensitivity analysis on price of direct labour costs

	Impact on profit before tax							
	for the year ended 31 December				for the six months ended 30 June			
	2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Direct labour costs increase/								
(decrease) by:								
10%	(1,985)	(15.2)	(2,452)	(12.9)	(1,104)	(7.1)	(993)	(7.7)
5%	(992)	(7.6)	(1,226)	(6.5)	(552)	(3.6)	(496)	(3.9)
(5%)	992	7.6	1,226	6.5	552	3.6	496	3.9
(10%)	1,985	15.2	2,452	12.9	1,104	7.1	993	7.7

For illustrative purposes, for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, it is estimated that we would achieve breakeven on our profit before tax if our direct labour costs increased by approximately 65.9%, 77.4%, 140.2% and 129.7%, respectively, with all other variables remaining constant.

Gross profit and gross profit margin

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our total gross profit was approximately HK\$47.2 million, HK\$64.5 million, HK\$36.1 million and HK\$33.9 million, respectively.

FINANCIAL INFORMATION

The following table sets out a breakdown of our gross profit and gross profit margin by project type during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
Financial printing projects	42,125	42.1	55,420	47.3	31,940	50.0	29,109	47.2
Marketing collateral printing projects	5,003	20.3	8,855	20.7	4,093	20.6	4,737	23.2
Other projects <i>(Note)</i>	120	15.1	195	42.3	107	48.9	78	31.5
Total	47,248	37.7	64,470	40.2	36,140	43.1	33,924	41.2

Note: Other projects include bespoke non-printing services projects such as (i) website design, enhancement and revamp; (ii) video production; (iii) e-book and APP production and maintenance; and (iv) electronic marketing presentation material production.

FINANCIAL INFORMATION

The following table sets out a further breakdown of our gross profit and gross profit margin of financial printing projects by content outputs during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2014		2015		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
<i>(Unaudited)</i>								
Financial printing projects:								
Listing related content								
outputs	24,202	45.2	29,413	49.5	18,204	51.1	16,339	47.0
– IPO prospectuses	3,571	63.5	2,903	61.2	2,903	61.2	13	5.8
– Post-IPO announcements/ circulars	20,631	43.1	26,510	48.5	15,301	49.6	16,326	47.3
Fund investment and								
insurance content outputs	17,923	38.6	26,007	45.1	13,736	48.6	12,770	47.5
– Fund investment content outputs	17,244	38.8	25,238	45.9	13,262	48.9	12,086	48.2
– Insurance content outputs	679	33.8	769	28.3	474	42.6	684	37.7
Total	42,125	42.1	55,420	47.3	31,940	50.0	29,109	47.2

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our total gross profit was mainly attributable to our financial printing projects, which accounted for approximately 89.2%, 86.0%, 88.4% and 85.8% of our total gross profit, respectively. Among which, approximately 57.5%, 53.1%, 57.0% and 56.1% was attributable to our projects for listing related content outputs, respectively.

During the Track Record Period, the gross profit margins of our projects for listing related content outputs and the gross profit margins of our projects for fund investment and insurance content outputs were at similar levels due to the relatively similar type of services and materials involved. The gross profit margins of our financial printing projects were higher than that of our marketing collateral printing projects during the Track Record Period, as the cost of materials used for the production of marketing collaterals are usually higher than those for content outputs in financial printing projects.

The gross profit margins of both of our financial printing projects and marketing collateral printing projects were maintained at similar levels throughout the Track Record Period. The significant fluctuations in gross profit margin of our other projects during the Track Record Period was mainly due to significant difference among the projects we handled in terms of scope of services provided, quantity and quality of materials involved and the additional items incurred. Given that our other projects only accounted for a

FINANCIAL INFORMATION

minimal portion of our total gross profit, our Directors consider that the significant fluctuation of the gross profit margin of our other projects would not have a material effect on our financial position and profitability as a whole.

Other income and gains

Our other income and gains was approximately HK\$1.4 million, HK\$585,000, HK\$278,000 and HK\$42,000 for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, respectively. The following table sets out a breakdown of our other income and gains for the periods indicated:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
			<i>(Unaudited)</i>	
Bank interest income	16	13	8	8
Management fee income	1,152	167	167	–
IT services charge income	200	50	50	–
Sundry income	636	51	41	12
Net (losses)/gains on disposal of property, plant and equipment	(594)	295	–	–
Net foreign exchange (losses)/gains	(1)	9	12	22
Total	1,409	585	278	42

Management fee income which amounted to approximately HK\$1.2 million for the year ended 31 December 2014 represented income from Sunland for our provision of administrative services. Management fee income which amounted to approximately HK\$167,000 for the year ended 31 December 2015 represented income from Easy Language for our provision of administrative services. For more details, please refer to the paragraph headed “Related party transactions” in this section. For the five months after the disposal of Sunland by HMG and HM Services, we provided IT services to Sunland up to January 2015 and charged income amounted to approximately HK\$200,000 and HK\$50,000 for the years ended 31 December 2014 and 2015, respectively.

Sundry income for the year ended 31 December 2014 included income from forfeiture of prepayment by one of our clients of approximately HK\$220,000.

Net (losses)/gains on disposal of property, plant and equipment represented the difference between the selling price and the carrying value of the property, plant and equipment at the time of disposal. The disposal for the year ended 31 December 2014 primarily comprised of leasehold improvements as a result of a relocation of our office in mid-2014. The disposal for the year ended 31 December 2015 primarily comprised of computer equipment and a motor vehicle.

FINANCIAL INFORMATION

Selling expenses

Our selling expenses mainly comprised of (i) staff costs and benefits (including salaries, commission, contributions to retirement benefits schemes and performance bonus) for our sales and marketing staff; and (ii) entertainment and business promotion expenses, mainly for maintaining business relationships between our Group and clients, and for business promotion events. The following table sets out a breakdown of our selling expenses for the periods indicated:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Staff costs and benefits	4,952	7,646	3,597	3,870
Entertainment and business promotion expenses	2,547	2,287	1,234	1,087
Total	7,499	9,933	4,831	4,957

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses comprised of auditors' remuneration, directors' emoluments, rent and rates and building management fee, depreciation and amortisation, administrative staff costs and benefits, office expenses, legal and professional fees, travelling expenses, impairment loss recognised on trade receivables, Listing expenses and other expenses. The following table sets out a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
			<i>(Unaudited)</i>	
Auditors' remuneration	48	108	54	54
Directors' emoluments	2,775	3,978	1,989	2,399
Rent and rates and building management fee	8,578	8,719	4,356	4,385
Depreciation and amortisation	3,287	1,586	828	795
Administrative staff costs and benefits	7,873	9,273	5,439	4,919
Office expenses	3,687	4,309	1,882	2,032
Legal and professional fees	565	797	454	134
Travelling expenses	403	1,326	837	372
Impairment loss recognised on trade receivables	–	230	–	–
Listing expenses	–	4,864	–	440
Others expenses	784	834	207	524
Total	<u>28,000</u>	<u>36,024</u>	<u>16,046</u>	<u>16,054</u>

FINANCIAL INFORMATION

Finance costs

Our finance costs comprised (i) interest expenses on bank overdrafts; (ii) interest expenses on bank borrowings; and (iii) finance leases charges for motor vehicles. The following table sets out a breakdown of our finance costs for the periods indicated:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Interest on bank overdrafts	84	1	–	–
Interest on bank borrowings	–	121	58	57
Finance leases charges	–	11	–	16
	<hr/>	<hr/>	<hr/>	<hr/>
Total	84	133	58	73
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Income tax expense

During the Track Record Period, our subsidiaries incorporated in Hong Kong are subjected to a Hong Kong profits tax rate of 16.5% on the estimated assessable profits arising in Hong Kong. Our income tax expense amounted to approximately HK\$1.8 million, HK\$4.0 million, HK\$2.6 million and HK\$2.2 million for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, respectively. Pursuant to the laws and regulations of the Cayman Islands and BVI, our Group is not subject to any income tax in the Cayman Islands and BVI.

FINANCIAL INFORMATION

The following table sets out a reconciliation of our tax expense to our profit before tax during the Track Record Period:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000
Profit before tax	<u>13,074</u>	<u>18,965</u>	<u>15,483</u>	<u>12,882</u>
Tax at the domestic income tax rate	2,157	3,129	2,555	2,126
Tax effect of expenses not deductible for tax purpose	825	1,471	390	168
Tax effect of income not taxable for tax purpose	(550)	(275)	(90)	(64)
Utilisation of tax losses previously not recognised	(601)	(298)	(204)	–
Over-provision in respect of prior year/period	<u>(40)</u>	<u>(60)</u>	<u>(60)</u>	<u>–</u>
Income tax expense for the year/period	<u>1,791</u>	<u>3,967</u>	<u>2,591</u>	<u>2,230</u>

As at 31 December 2014 and 2015 and 30 June 2016, we had estimated unused tax losses of approximately HK\$1.8 million, nil and nil, respectively that are available for offset against future taxable profits of the relevant subsidiary, HM Information. HM Information was in a profit position for the years ended 31 December 2014 and 2015. The estimated unused tax losses of HM Information as at 31 December 2014 was mainly attributable to the combined effects of (i) tax losses brought forward from previous years; and (ii) the additions of computer equipment and computer software which were allowed for full deduction in the year of additions in accordance with the Inland Revenue Ordinance. As HM Information principally engages in the provision of IT services to our Group, HM Information recorded minimal revenue from external parties and hence it recorded net loss for the year ended 31 December 2013 and tax loss for the year of assessment 2013/14. Save for HM Information which recorded tax loss for the year of assessment 2013/14, our Directors confirm that none of the subsidiaries of our Company incurred tax loss during the Track Record Period.

Our Directors confirm that we had made all required tax filings in all relevant jurisdictions and paid all tax liabilities that had become due. We are not subject to any dispute or potential dispute with any tax authorities.

FINANCIAL INFORMATION

Non-current assets

Our non-current assets mainly consisted of plant and machinery, furniture and fixtures, computer equipment, motor vehicles, leasehold improvements and computer software. The carrying amount of our non-current assets amounted to approximately HK\$4.8 million, HK\$4.7 million and HK\$3.9 million as at 31 December 2014, 31 December 2015 and 30 June 2016, respectively.

Current assets

Our current assets comprised of amounts due from customers on service contracts, trade and other receivables, amounts due from directors, amounts due from related companies, pledged bank deposit and cash and bank balances. As at 31 December 2014, 31 December 2015 and 30 June 2016, our current assets amounted to approximately HK\$85.2 million, HK\$78.5 million and HK\$65.0 million, respectively.

Current liabilities

Our current liabilities comprised of trade and other payables, amounts due to related companies, bank borrowings, finance leases obligations, bank overdrafts and current tax liabilities. As at 31 December 2014, 31 December 2015 and 30 June 2016, our current liabilities amounted to approximately HK\$62.1 million, HK\$63.7 million and HK\$47.5 million, respectively.

Non-current liabilities

Our non-current liabilities comprised of finance leases obligations and deferred tax liabilities. The balance of our non-current liabilities amounted to approximately HK\$69,000, HK\$1.1 million and HK\$811,000 as at 31 December 2014, 31 December 2015 and 30 June 2016, respectively. The increase in balance as at 31 December 2015 was mainly due to the addition of finance leases obligations. For further details of our finance leases obligations, please refer to the paragraph headed “Finance leases obligations” in this section.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2016 compared to six months ended 30 June 2015

Revenue

Our revenue decreased slightly by approximately 2.0% from approximately HK\$83.9 million for the six months ended 30 June 2015 to approximately HK\$82.3 million for the six months ended 30 June 2016. Such decrease was mainly due to the decrease in revenue generated from projects for (i) IPO prospectuses by approximately HK\$4.5 million; and (ii) fund investment content outputs by approximately HK\$2.1 million, partially offset by the increase in revenue generated from projects for post-IPO announcements/circulars by approximately HK\$3.7 million. The period-on-period decrease in revenue generated from projects for IPO prospectuses was mainly due to the decrease in number of projects for IPO prospectuses taken up by our Group for the six months ended 30 June 2016 as compared with that for the six months ended 30 June 2015. The period-on-period decrease in revenue generated from projects for fund investment content outputs was mainly contributed by the decrease in revenue from Client group A from approximately

FINANCIAL INFORMATION

HK\$7.2 million for the six months ended 30 June 2015 to approximately HK\$4.1 million for the six months ended 30 June 2016. The period-on-period increase in revenue generated from projects for post-IPO announcements/circulars was mainly attributed to 5 clients which we newly secured after 30 June 2015 which together contributed revenue amounted to approximately HK\$4.5 million for the six months ended 30 June 2016.

Cost of sales

Our cost of sales increased slightly by approximately 1.2% from approximately HK\$47.8 million for the six months ended 30 June 2015 to approximately HK\$48.4 million for the six months ended 30 June 2016. Such increase was primarily due to the increase of subcontractor charges, partially offset by the decrease in our direct labour costs.

Our subcontractor charges increased from approximately HK\$35.0 million for the six months ended 30 June 2015 to approximately HK\$36.9 million for the six months ended 30 June 2016. Such increase was mainly attributable to the combined effects of (i) increase in subcontractor charges for translation works from approximately HK\$2.4 million for the six months ended 30 June 2015 to approximately HK\$5.9 million for the six months ended 30 June 2016 as the number of our in-house translation staff employed for the six months ended 30 June 2015 was more than that for the six months ended 30 June 2016, and (ii) decrease in subcontractor charges for printing and binding/packaging works (including related logistic arrangement) from approximately HK\$30.2 million for the six months ended 30 June 2015 to approximately HK\$28.1 million for the six months ended 30 June 2016 which was in line with the decrease in our revenue during the corresponding period.

Our direct labour costs decreased from approximately HK\$11.0 million for the six months ended 30 June 2015 to approximately HK\$9.9 million for the six months ended 30 June 2016 as the number of our in-house translation staff employed for the six months ended 30 June 2015 was more than that for the six months ended 30 June 2016.

Our material costs and other direct costs in aggregate accounted for less than 5% of our total cost of sales for the six months ended 30 June 2015 and 2016, and therefore, these costs did not have any material effects on our cost of sales.

Gross profit and gross profit margin

Our gross profit decreased from approximately HK\$36.1 million for the six months ended 30 June 2015 to approximately HK\$33.9 million for the six months ended 30 June 2016. Such decrease was mainly due to the decrease in our revenue during the corresponding period. Our Group's gross profit margin slightly decreased from approximately 43.1% for the six months ended 30 June 2015 to approximately 41.2% for the six months ended 30 June 2016. Such decrease was mainly due to increase in subcontractor charges for translation works as the number of our in-house translation staff employed for the six months ended 30 June 2015 was more than that for the six months ended 30 June 2016.

FINANCIAL INFORMATION

Other income and gains

Our other income and gains decreased by approximately 84.9% from approximately HK\$278,000 for the six months ended 30 June 2015 to approximately HK\$42,000 for the six months ended 30 June 2016. Such decrease was mainly due to the fact that management fee income amounted to approximately HK\$167,000 was recorded for the six months ended 30 June 2015 for the provision of administrative services to Easy Language for the first two months in 2015. Such arrangement had ceased thereafter and hence no management fee income was recorded for the six months ended 30 June 2016.

Selling expenses

Our selling expenses slightly increased from approximately HK\$4.8 million for the six months ended 30 June 2015 to approximately HK\$5.0 million for the six months ended 30 June 2016. Such increase was mainly due to the increase in the amount of salaries and commission payable to our sales and marketing staff.

Our entertainment and business promotion expenses decreased from approximately HK\$1.2 million for the six months ended 30 June 2015 to approximately HK\$1.1 million for the six months ended 30 June 2016. Such decrease was in line with the decrease in revenue for the respective period.

Administrative expenses

Our administrative expenses remained relatively stable at approximately HK\$16.0 million for the six months ended 30 June 2015 and 2016, with combined effects of components.

Administrative staff costs and benefits represented the largest component of our administrative expenses for the six months ended 30 June 2015 and 2016. Such amount decreased from approximately HK\$5.4 million for the six months ended 30 June 2015 to approximately HK\$4.9 million for the six months ended 30 June 2016, which was mainly attributable to decrease in provision of staff bonus.

The one-off Listing expenses increased from nil for the six months ended 30 June 2015 to approximately HK\$0.4 million for the six months ended 30 June 2016.

Travelling expenses decreased from approximately HK\$0.8 million for the six months ended 30 June 2015 to approximately HK\$0.4 million for the six months ended 30 June 2016, which was mainly attributable to the decrease in the number of business trips in the first half of 2016.

Finance costs

Our finance costs increased from approximately HK\$58,000 for the six months ended 30 June 2015 to approximately HK\$73,000 for the six months ended 30 June 2016. Such increase was mainly due to financial leases charges for two motor vehicles purchased in late 2015.

FINANCIAL INFORMATION

Income tax expense

Our effective tax rate for the six months ended 30 June 2015 and 2016 were approximately 16.7% and 17.3%, respectively. Our effective tax rate for the six months ended 30 June 2016 was slightly higher than that for the six months ended 30 June 2015, mainly due to (i) HM Information had utilised tax losses brought forward from previous years for the six months ended 30 June 2015 while no tax losses was utilised for the six months ended 30 June 2016; and (ii) expenses in relation to the Listing, which are non-deductible for taxation purpose, of approximately HK\$0.4 million was recorded for the six months ended 30 June 2016 while no such expenses was recorded for the six months ended 30 June 2015. For further details about tax losses of HM Information, please refer to the paragraph headed “Income tax expense” in this section.

Profit for the period

Our profit for the period decreased by approximately 17.4% from approximately HK\$12.9 million for the six months ended 30 June 2015 to approximately HK\$10.7 million for the six months ended 30 June 2016. Such decrease was mainly attributable to the decrease in our gross profit by approximately HK\$2.2 million during the corresponding period.

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our revenue increased by approximately 27.9% from approximately HK\$125.3 million for the year ended 31 December 2014 to approximately HK\$160.4 million for the year ended 31 December 2015. Such increase was mainly due to increase in revenue generated from projects for (i) post-IPO announcements/circulars by approximately HK\$6.8 million; (ii) fund investment content outputs by approximately HK\$10.6 million; and (iii) marketing collaterals by approximately HK\$18.2 million. The year-on-year increase in revenue generated from projects for post-IPO announcements/circulars for the year ended 31 December 2015 was mainly attributed to (a) the increase in revenue contributed by 4 listed corporate clients from approximately HK\$1.9 million for the year ended 31 December 2014 to approximately HK\$5.4 million for the year ended 31 December 2015; and (b) the revenue contributed by a new client which amounted to approximately HK\$1.6 million for the year ended 31 December 2015 as compared with nil for the year ended 31 December 2014 as such client was listed on the Stock Exchange in late 2014. The year-on-year increase in revenue generated from projects for fund investment content outputs for the year ended 31 December 2015 was mainly attributed to the increase in revenue contributed by 9 fund houses clients from approximately HK\$28.6 million for the year ended 31 December 2014 to approximately HK\$39.2 million for the year ended 31 December 2015. The year-on-year increase in revenue generated from projects for marketing collaterals for the year ended 31 December 2015 was mainly contributed by the increase in revenue from Client B from approximately HK\$9.4 million for the year ended 31 December 2014 to approximately HK\$30.8 million for the year ended 31 December 2015.

Cost of sales

Our cost of sales increased by approximately 22.8% from approximately HK\$78.1 million for the year ended 31 December 2014 to approximately HK\$95.9 million for the year ended 31 December 2015. Such increase was primarily due to the increase in revenue for the year ended 31 December 2015.

FINANCIAL INFORMATION

Our subcontractor charges increased from approximately HK\$55.2 million for the year ended 31 December 2014 to approximately HK\$68.2 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase in subcontractor charges for printing and binding/packaging works (including related logistic arrangement) from approximately HK\$47.3 million for the year ended 31 December 2014 to approximately HK\$58.5 million for the year ended 31 December 2015 which was in line with the increase in the revenue.

Our direct labour costs increased from approximately HK\$19.8 million for the year ended 31 December 2014 to approximately HK\$24.5 million for the year ended 31 December 2015, mainly due to salary increment and provision of performance bonus.

Our material costs and other direct costs in aggregate accounted for less than 5% of our total cost of sales for the years ended 31 December 2014 and 2015, and therefore, these costs did not have any material effect on our cost of sales.

Gross profit and gross profit margin

Our gross profit margin increased from approximately 37.7% for the year ended 31 December 2014 to approximately 40.2% for the year ended 31 December 2015, and our Group's gross profit increased from approximately HK\$47.2 million for the year ended 31 December 2014 to approximately HK\$64.5 million for the year ended 31 December 2015. The aforesaid increase in our gross profit was mainly attributable to the increase in revenue generated from our financial printing projects and marking collateral printing projects. The aforesaid increase in our gross profit margin was mainly attributable to the increase in the proportion of number of projects for listing related content outputs, which is a type of project generally with higher gross profit margin when compared to the other types of project, to our total number of projects from approximately 46.3% for the year ended 31 December 2014 to approximately 49.1% for the year ended 31 December 2015.

Other income and gains

Our other income and gains dropped from approximately HK\$1.4 million for the year ended 31 December 2014 to approximately HK\$585,000 for the year ended 31 December 2015. Such decrease was mainly due to the fact that management fee income amounted to approximately HK\$1.2 million was recorded for the year ended 31 December 2014 for our provision of administrative services to Sunland had ceased after August 2014. Therefore no management fee income from Sunland was recorded for the year ended 31 December 2015.

Selling expenses

Our selling expenses increased from approximately HK\$7.5 million for the year ended 31 December 2014 to approximately HK\$9.9 million for the year ended 31 December 2015. Such increase was mainly due to the increase in salaries by approximately HK\$0.3 million and commission by approximately HK\$1.1 million that were payable to our sales and marketing staff, and the increase in performance bonus for our sales and marketing staff by approximately HK\$1.3 million as a reward for their efforts and performance.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses increased from approximately HK\$28.0 million for the year ended 31 December 2014 to approximately HK\$36.0 million for the year ended 31 December 2015. Such increase was mainly due to mixed effects of (i) the increase of administrative staff costs and benefits from approximately HK\$7.9 million for the year ended 31 December 2014 to approximately HK\$9.3 million for the year ended 31 December 2015; and (ii) expenses in relation to the Listing of approximately HK\$4.9 million was recorded for the year ended 31 December 2015 while no such expenses was recorded for the year ended 31 December 2014.

Finance costs

Our finance costs increased from approximately HK\$84,000 for the year ended 31 December 2014 to approximately HK\$133,000 for the year ended 31 December 2015. Such increase was mainly due to the increase in interest payment for bank borrowings and bank overdrafts of approximately HK\$38,000 and the finance leases charges of approximately HK\$11,000 recorded for the year ended 31 December 2015 relating to two motor vehicles purchased in late 2015.

Income tax expense

Our effective tax rates for the years ended 31 December 2014 and 2015 were approximately 13.7% and 20.9%, respectively. Our effective tax rate for the year ended 31 December 2015 was higher than that for the year ended 31 December 2014, mainly due to (i) HM Information had utilised tax losses of approximately HK\$601,000 for the year ended 31 December 2014 as compared with tax losses of approximately HK\$298,000 was utilised for the year ended 31 December 2015; and (ii) expenses in relation to the Listing, which are non-deductible for tax purpose, of approximately HK\$4.9 million was recorded for the year ended 31 December 2015 while no such expenses was recorded for the year ended 31 December 2014. For further details about tax losses of HM Information, please refer to the paragraph headed “Income tax expense” in this section.

Profit for the year

As a result of the foregoing, our Group’s profit for the year ended 31 December 2015 was approximately HK\$15.0 million, indicating a growth of approximately 32.9% on a year-on-year basis as compared to that for the year ended 31 December 2014 of approximately HK\$11.3 million, mainly due to the increase in our gross profit by approximately HK\$17.2 million, partially offset by (i) the increase in our administrative expenses by approximately HK\$8.0 million; (ii) the increase in our selling expenses by approximately HK\$2.4 million; (iii) the decrease in other income and gains by approximately HK\$824,000; and (iv) the increase in our income tax expenses by approximately HK\$2.2 million during the corresponding period.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 December 2014, 31 December 2015, 30 June 2016 and 31 October 2016:

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>	As at 31 October 2016 <i>HK\$'000</i> <i>(Unaudited)</i>
Current assets				
Amounts due from customers on service contracts	3,791	3,339	2,039	2,298
Trade and other receivables	47,643	52,538	42,459	38,542
Amounts due from directors	17,387	–	–	–
Amounts due from related companies	812	–	–	–
Pledged bank deposit	6,000	6,000	6,000	6,000
Cash and bank balances	<u>9,571</u>	<u>16,574</u>	<u>14,534</u>	<u>7,666</u>
Total current assets	<u>85,204</u>	<u>78,451</u>	<u>65,032</u>	<u>54,506</u>
Current liabilities				
Trade and other payables	55,560	35,021	38,021	31,975
Amounts due to related companies	5,432	19,642	–	–
Bank borrowings	–	4,083	4,001	–
Finance leases obligations	–	528	537	544
Bank overdrafts	–	1,972	298	–
Current tax liabilities	<u>1,150</u>	<u>2,407</u>	<u>4,637</u>	<u>2,901</u>
Total current liabilities	<u>62,142</u>	<u>63,653</u>	<u>47,494</u>	<u>35,420</u>
Net current assets	<u>23,062</u>	<u>14,798</u>	<u>17,538</u>	<u>19,086</u>

Our net current assets decreased from approximately HK\$23.1 million as at 31 December 2014 to approximately HK\$14.8 million as at 31 December 2015 primarily due to (i) increase in amount of bank borrowings and bank overdrafts; and (ii) increase in amounts due to HMG from nil as at 31 December 2014 to approximately HK\$15.8 million as at 31 December 2015. Our net current assets then increased to approximately HK\$17.5 million as at 30 June 2016 mainly due to full settlement of amounts due to related companies. As at 31 October 2016, our net current assets increased to HK\$19.1 million mainly due to the settlement of bank borrowings.

FINANCIAL INFORMATION

Amounts due from customers on service contracts

The following table sets out the breakdown of our amounts due from customers on service contracts as at 31 December 2014 and 2015 and 30 June 2016:

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>
Contract costs incurred plus attributable profit	3,791	3,339	2,039
Less: progress billings to date	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>3,791</u></u>	<u><u>3,339</u></u>	<u><u>2,039</u></u>

The overall decrease in the amounts due from customers on service contracts, from approximately HK\$3.8 million as at 31 December 2014 to approximately HK\$3.3 million as at 31 December 2015, and to approximately HK\$2.0 million as at 30 June 2016 was mainly due to the decrease in number of projects in progress as at the respective period end.

As at 31 December 2014 and 2015 and 30 June 2016, no retention was held by customers on service contracts. Advance received from customers on service contracts amounted to approximately HK\$6.2 million, HK\$6.3 million and HK\$6.2 million as at 31 December 2014 and 2015 and 30 June 2016, respectively.

Trade and other receivables

Our trade receivables represented amount receivables from clients for services we performed in the ordinary course of our business.

The credit terms granted to our clients vary and are generally the result of negotiations between individual clients and us. The credit period granted to our clients ranged from 30 days to 90 days during the Track Record Period.

FINANCIAL INFORMATION

The following table sets out the breakdown of our trade and other receivables during the Track Record Period:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
Trade receivables	42,139	48,261	36,830
Other receivables and prepayments	<u>5,504</u>	<u>4,277</u>	<u>5,629</u>
	<u><u>47,643</u></u>	<u><u>52,538</u></u>	<u><u>42,459</u></u>

The balances of our trade receivables increased from approximately HK\$42.1 million as at 31 December 2014 to approximately HK\$48.3 million as at 31 December 2015. Such increase was generally in line with the increase in our revenue. Trade receivables from Xuanda Beijing, a company jointly held by the Controlling Parties through their respective shareholding interests in HMG until August 2016, amounted to approximately HK\$20.8 million and HK\$24.3 million as at 31 December 2014 and 2015, respectively, which represented approximately 49.3% and 50.4% of our total trade receivables as at the respective period end.

Trade receivables decreased to approximately HK\$36.8 million as at 30 June 2016, mainly because Xuanda Beijing settled all previously outstanding trade receivables balances payable to us in the first half of 2016. For our trade receivables of approximately HK\$36.8 million as at 30 June 2016, approximately HK\$35.2 million, or 95.4% had been subsequently settled as at 31 October 2016.

Other receivables and prepayments as at 31 December 2014 and 2015 and 30 June 2016 mainly represented rental deposits and utilities deposits for our office premises and prepaid expenses of insurance.

The ageing analysis of the trade receivables balance and based on the invoice date is as follows:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
0 – 30 days	13,966	8,606	15,013
31 – 60 days	4,838	6,610	4,706
61 – 90 days	3,371	4,640	11,450
91 – 365 days	4,726	7,670	5,661
Over 365 days (<i>Note</i>)	<u>15,238</u>	<u>20,735</u>	<u>–</u>
	<u><u>42,139</u></u>	<u><u>48,261</u></u>	<u><u>36,830</u></u>

Note: The trade receivables with age over 365 days as at 31 December 2014 and 2015 amounted to approximately HK\$15.2 million and HK\$20.7 million, respectively, were from Xuanda Beijing.

FINANCIAL INFORMATION

Set out below is the movement in allowance for doubtful debts of our Group during the Track Record Period:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Six months ended 30 June 2016 HK\$'000
Balance at beginning of the year/period	–	–	–
Impairment loss recognised on receivables	–	230	–
Amounts written off during the year/period as uncollectible	–	(230)	–
	<u>–</u>	<u>(230)</u>	<u>–</u>
Balance at end of the year/period	<u>–</u>	<u>–</u>	<u>–</u>

Impairment loss recognised on receivables for the year ended 31 December 2015 amounted to approximately HK\$230,000 was on trade receivables of a client which was in liquidation.

The ageing of trade receivables based on past due but not impaired is as follow:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
Past due but not impaired:			
1 – 30 days	3,754	5,191	7,531
31 – 60 days	905	1,937	9,380
61 – 90 days	457	2,275	1,861
91 – 365 days	4,361	5,139	590
Over 365 days (<i>Note</i>)	14,520	19,885	–
	<u>23,997</u>	<u>34,427</u>	<u>19,362</u>

Note: The trade receivables past due but not impaired with age over 365 days as at 31 December 2014 and 2015 amounted to approximately HK\$14.5 million and HK\$19.9 million, respectively, were from Xuanda Beijing.

We closely monitor the credit quality of trade receivables and consider the trade receivables that are neither past due nor impaired to be of a good credit quality. As at 31 December 2014, 31 December 2015 and 30 June 2016, approximately 43.1%, 28.7% and 47.4% of the trade receivables which were neither past due nor impaired, respectively, were related to a number of independent clients with good settlement history and no default on settlement had been noted. Trade receivables included amounts which are past due at the end of each of financial year/period during the Track Record Period for which we had not recognised an

FINANCIAL INFORMATION

allowance for doubtful debts because there were subsequent settlement or no historical default of payments by the respective clients and the amounts were still considered recoverable. We do not hold any collateral over these balances.

Trade and other payables

Set out below is the breakdown of the trade and other payables of our Group as at the respective dates indicated:

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>
Trade payables	35,225	18,841	21,930
Other payables and accruals	5,669	9,835	9,904
Receipts in advance	6,153	6,345	6,187
Dividend payables	8,513	—	—
	<u>55,560</u>	<u>35,021</u>	<u>38,021</u>

Our trade payables decreased from approximately HK\$35.2 million as at 31 December 2014 to approximately HK\$18.8 million as at 31 December 2015, mainly due to the fact that we settled all previously outstanding trade payable balances payable to Sunland in the second half of 2015. The balance of trade payables maintained at similar level at approximately HK\$21.9 million as at 30 June 2016.

Other payables and accruals mainly represented accrued bonus and commission. Other payables and accruals increased from approximately HK\$5.7 million to approximately HK\$9.8 million mainly due to the increase in sales commission and staff bonus as a result of the increase in revenue from approximately HK\$125.3 million for the year ended 31 December 2014 to approximately HK\$160.4 million for the year ended 31 December 2015. The balance of other payable and accrual as at 30 June 2016 mainly represented the accrual of general office expenses.

Receipts in advance represented clients' deposits and remained relatively stable at approximately HK\$6.2 million as at 31 December 2014, approximately HK\$6.3 million as at 31 December 2015 and approximately HK\$6.2 million as at 30 June 2016.

FINANCIAL INFORMATION

The following is an ageing analysis of trade payables based on the invoice date:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
0 – 30 days	9,023	9,371	9,039
31 – 60 days	4,049	3,906	6,942
61 – 90 days	5,089	5,086	5,783
91 – 365 days	17,064	478	166
	<u>35,225</u>	<u>18,841</u>	<u>21,930</u>

The credit period granted by our suppliers ranged from 30 days to 90 days during the Track Record Period. Such credit period was generally in line with the ageing analysis of our trade payable after we settled all previously outstanding trade payable balances payable to Sunland in the second half of 2015. As at 30 June 2016, we had trade payables of approximately HK\$21.9 million, of which, approximately HK\$21.9 million, or 100% had been subsequently settled as at 31 October 2016.

ANALYSIS OF KEY FINANCIAL RATIOS

	As at/Year ended 31 December 2014	As at/Six months ended 30 June 2015	As at/Six months ended 30 June 2016
Current ratio ⁽¹⁾	1.4 times	1.2 times	1.4 times
Gearing ratio ⁽²⁾	Nil	40.1%	26.1%
Debt to equity ratio ⁽³⁾	Net cash position	Net cash position	Net cash position
Interest coverage ⁽⁴⁾	156.6 times	143.6 times	177.5 times
Return on assets ⁽⁵⁾	12.5%	18.0%	15.5%
Return on equity ⁽⁶⁾	40.6%	81.3%	51.7%
Net profit margin ⁽⁷⁾	9.0%	9.4%	12.9%
Trade receivables turnover ⁽⁸⁾	102 days	103 days	94 days
Trade payables turnover ⁽⁹⁾	141 days	103 days	77 days

Notes:

- Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective period end.
- Gearing ratio is calculated based on debts including payables incurred not in the ordinary course of business divided by the total equity as at the respective period end and multiplied by 100%.
- Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective period end and multiplied by 100%.

FINANCIAL INFORMATION

4. Interest coverage is calculated by the profit before interest and tax for the period divided by the interest expenses for the respective period.
5. Return on assets is calculated by the net profit for the period divided by the total assets as at the respective period end and multiplied by 100%.
6. Return on equity is calculated by the net profit for the period divided by the total equity as at the respective period end and multiplied by 100%.
7. Net profit margin is calculated by the net profit divided by the revenue for the respective period and multiplied by 100%.
8. Trade receivables turnover is calculated by dividing the average of the opening and ending trade receivables balance by the revenue for the period and multiply by 365/182 days.
9. Trade payables turnover is calculated by dividing the average of the opening and ending trade payables, by the total cost of sales for the period and multiply by 365/182 days.

Current ratio

Our current ratio decreased from approximately 1.4 times as at 31 December 2014 to approximately 1.2 times as at 31 December 2015, as a result of combined effects of (i) the decrease in our total current assets from approximately HK\$85.2 million as at 31 December 2014 to approximately HK\$78.5 million as at 31 December 2015, mainly due to the decrease in outstanding amounts due from Directors by approximately HK\$17.4 million, partially offset by the increase in trade receivables by approximately HK\$6.1 million and the increase in cash and bank balances of approximately HK\$7.0 million; and (ii) the increase in our total current liabilities from approximately HK\$62.1 million as at 31 December 2014 to approximately HK\$63.7 million as at 31 December 2015, mainly due to the increase in outstanding balances of amounts due to related companies by approximately HK\$14.2 million and the increase in bank borrowings and bank overdrafts by approximately HK\$6.1 million, partially offset by the decrease in trade and other payables by approximately HK\$20.5 million. The current ratio as at 30 June 2016 increased to approximately 1.4 times mainly due to the decrease in outstanding balances of amounts due to related companies from approximately HK\$19.6 million as at 31 December 2015 to nil as at 30 June 2016.

Gearing ratio

Our gearing ratio increased from nil as at 31 December 2014 to approximately 40.1% as at 31 December 2015. The increase was mainly due to (i) the increase in our bank borrowings, bank overdrafts and finance leases obligations from nil as at 31 December 2014 to an aggregate of approximately HK\$7.4 million as at 31 December 2015; and (ii) the decrease in our total equity by approximately HK\$9.3 million, mainly due to the distribution of dividend of an aggregate amount of approximately HK\$24.4 million to the then equity holders of HM Services and HM Too, partially offset by the profit and total comprehensive income for the year of approximately HK\$15.0 million. The gearing ratio as at 30 June 2016 decreased to approximately 26.1% mainly due to (i) the decrease in our bank overdrafts by approximately HK\$1.7 million; and (ii) the increase in our total equity by approximately HK\$2.2 million, mainly due to the profit and total comprehensive income for the period of approximately HK\$10.7 million, partially offset by the distribution of dividend of an aggregate amount of approximately HK\$8.5 million to the then equity holders of HM Language.

FINANCIAL INFORMATION

Debt to equity ratio

We recorded net cash position as at 31 December 2014 and 2015 and 30 June 2016.

Interest coverage

Our interest coverage decreased from approximately 156.6 times for the year ended 31 December 2014 to approximately 143.6 times for the year ended 31 December 2015, mainly due to the increase of our interest expenses from approximately HK\$84,000 for the year ended 31 December 2014 to approximately HK\$133,000 for the year ended 31 December 2015. Our interest coverage for the six months ended 30 June 2016 increased to approximately 177.5 times mainly as a result of the decrease in our interest expenses to approximately HK\$73,000 for the six months ended 30 June 2016.

Return on assets

Our return on assets increased from approximately 12.5% for the year ended 31 December 2014 to approximately 18.0% for the year ended 31 December 2015. The increase was mainly due to (i) the increase in our net profits from approximately HK\$11.3 million for the year ended 31 December 2014 to approximately HK\$15.0 million for the year ended 31 December 2015; and (ii) the decrease in our total assets from approximately HK\$90.0 million as at 31 December 2014 to approximately HK\$83.2 million as at 31 December 2015. Our return on assets decreased to approximately 15.5% for the six months ended 30 June 2016 mainly because only six months' profit was recorded.

Return on equity

Our return on equity increased from approximately 40.6% for the year ended 31 December 2014 to approximately 81.3% for the year ended 31 December 2015. The increase was mainly due to the increase in our net profits from approximately HK\$11.3 million for the year ended 31 December 2014 to approximately HK\$15.0 million for the year ended 31 December 2015. Moreover, it was caused by the decrease in equity as a result of payment of dividend. Our return on equity decreased to approximately 51.7% for the six months ended 30 June 2016 mainly because only six months' profit was recorded.

Net profit margin

Our net profit margin increased from approximately 9.0% for the year ended 31 December 2014 to approximately 9.4% for the year ended 31 December 2015. The increase was mainly due to the increase in our gross profit margin from approximately 37.7% for the year ended 31 December 2014 to approximately 40.2% for the year ended 31 December 2015 resulted from the increase in the proportion of number of projects for listing related content outputs, which is a type of project generally with higher gross profit margin when compared to the other types of project, to our total number of projects from approximately 46.3% for the year ended 31 December 2014 to approximately 49.1% for the year ended 31 December 2015. Our net project margin for the six months ended 30 June 2016 further increased to approximately 12.9%, mainly due to expenses in relation to the Listing of approximately HK\$4.9 million was recorded for the year ended 31 December 2015 while only approximately HK\$0.4 million was recorded for the six months ended 30 June 2016.

FINANCIAL INFORMATION

Trade receivables turnover

Our trade receivables turnover days for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 were approximately 102 days, 103 days and 94 days, respectively. Our trade receivables turnover days during the Track Record Period was higher than the credit period that we normally granted to our clients, mainly due to late payment from one of our clients, namely Xuanda Beijing, which was a company jointly held by the Controlling Parties through their respective shareholding interests in HMG until August 2016. The decrease in our trade receivables turnover days for the six months ended 30 June 2016 was mainly due to the fact that Xuanda Beijing settled all previously outstanding trade receivables balances payable to us in the first half of 2016. For illustrative purpose only, if the trade receivables and turnover from Xuanda Beijing are excluded, our trade receivables turnover days for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 would have been approximately 48 days, 53 days and 69 days, respectively. For further details of our credit management policies, please refer to the paragraph headed “Business – Clients – Credit policy” in this prospectus.

Trade payables turnover

Our trade payables turnover days for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 were approximately 141 days, 103 days and 77 days, respectively. Our trade payables turnover days for each of the years ended 31 December 2014 and 2015 was higher than the credit period that normally granted by our suppliers, mainly due to late payment to one of suppliers, namely Sunland, which was a company controlled by the Controlling Parties through their respective interests in HMG until August 2014. The decrease in our trade payables turnover days for the six months ended 30 June 2016 was mainly due to the fact that we settled all previously outstanding trade payable balances payable to Sunland in the second half of 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met the liquidity requirements principally through a combination of internal resources, bank borrowings and finance leases during the Track Record Period. Our Group’s principal uses of cash have been, and are expected to continue to be, operational costs and investing activities.

FINANCIAL INFORMATION

Cash flows

The following table presents selected cash flow data from our combined statements of cash flows for the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Net cash generated from operating activities	18,026	3,056	1,705	28,661
Net cash used in investing activities	(3,034)	(1,254)	(400)	(464)
Net cash (used in)/generated from financing activities	<u>(5,762)</u>	<u>3,229</u>	<u>7,937</u>	<u>(28,563)</u>
Net increase/(decrease) in cash and cash equivalents	9,230	5,031	9,242	(366)
Cash and cash equivalents at the beginning of year/period	<u>341</u>	<u>9,571</u>	<u>9,571</u>	<u>14,602</u>
Cash and cash equivalents at the end of year/period	<u><u>9,571</u></u>	<u><u>14,602</u></u>	<u><u>18,813</u></u>	<u><u>14,236</u></u>

Cash flows from operating activities

Year ended 31 December 2014

For the year ended 31 December 2014, we recorded net cash generated from operating activities of approximately HK\$18.0 million as a result of the combined effect of (i) the operating profit before income tax of approximately HK\$13.1 million made by our Group during the year; (ii) adjustments for depreciation of property, plant and equipment, amortisation of intangible assets, net losses on disposals of property, plant and equipment, interest income and finance costs recognised in profit or loss of approximately HK\$2.3 million, HK\$2.0 million, HK\$594,000, HK\$16,000 and HK\$84,000, respectively; (iii) increase in trade and other receivables, increase in amounts due from customers on service contracts and increase in trade and other payables of approximately HK\$8.8 million, HK\$3.0 million and HK\$13.2 million, respectively; and (iv) interest paid on bank overdrafts and income tax paid of approximately HK\$84,000 and HK\$1.4 million, respectively.

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash generated from operating activities of approximately HK\$3.1 million as a result of the combined effect of (i) the operating profit before income tax of approximately HK\$19.0 million made by our Group during the year; (ii) adjustments for depreciation

FINANCIAL INFORMATION

of property, plant and equipment, amortisation of intangible assets, net gains on disposals of property, plant and equipment, interest income and finance costs recognised in profit or loss of approximately HK\$1.6 million, HK\$1.7 million, HK\$295,000, HK\$13,000 and HK\$133,000, respectively; (iii) increase in trade and other receivables, decrease in amounts due from customers on service contracts and decrease in trade and other payables of approximately HK\$4.9 million, HK\$452,000 and HK\$12.0 million, respectively; and (iv) interest paid on bank overdrafts and income tax paid of approximately HK\$1,000 and HK\$2.5 million, respectively.

Six months ended 30 June 2015

For the six months ended 30 June 2015, we recorded net cash generated from operating activities of approximately HK\$1.7 million as a result of the combined effect of (i) the operating profit before income tax of approximately HK\$15.5 million made by our Group during the period; (ii) adjustments for depreciation of property, plant and equipment, amortisation of intangible assets, interest income and finance costs recognised in profit or loss of approximately HK\$828,000, HK\$904,000, HK\$8,000 and HK\$58,000, respectively; (iii) increase in trade and other receivables, decrease in amounts due from customers on service contracts and increase in trade and other payables of approximately HK\$18.8 million, HK\$1.2 million and HK\$2.1 million, respectively; and (iv) income tax paid of approximately HK\$104,000.

Six months ended 30 June 2016

For the six months ended 30 June 2016, we recorded net cash generated from operating activities of approximately HK\$28.7 million as a result of the combined effect of (i) the operating profit before income tax of approximately HK\$12.9 million made by our Group during the period; (ii) adjustments for depreciation of property, plant and equipment, amortisation of intangible assets, interest income and finance costs recognised in profit or loss of approximately HK\$795,000, HK\$540,000, HK\$8,000 and HK\$73,000, respectively; and (iii) decrease in trade and other receivables, decrease in amounts due from customers on service contracts and increase in trade and other payables of approximately HK\$10.1 million, HK\$1.3 million and HK\$3.0 million, respectively.

Cash flow from investing activities

Year ended 31 December 2014

For the year ended 31 December 2014, we recorded net cash used in investing activities of approximately HK\$3.0 million as a result of the combined effect of (i) the purchase of intangible assets and property, plant and equipment of approximately HK\$2.2 million and HK\$828,000, respectively; and (ii) the interest received of approximately HK\$16,000.

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash used in investing activities of approximately HK\$1.3 million as a result of the combined effect of (i) the purchase of intangible assets and property, plant and equipment of approximately HK\$533,000 and HK\$1.2 million, respectively; (ii) proceeds on disposal of property, plant and equipment of approximately HK\$434,000; and (iii) the interest received of approximately HK\$13,000.

FINANCIAL INFORMATION

Six months ended 30 June 2015

For the six months ended 30 June 2015, we recorded net cash used in investing activities of approximately HK\$400,000 as a result of the combined effect of (i) the purchase of intangible assets and property, plant and equipment of approximately HK\$137,000 and HK\$271,000, respectively; and (ii) the interest received of approximately HK\$8,000.

Six months ended 30 June 2016

For the six months ended 30 June 2016, we recorded net cash used in investing activities of approximately HK\$464,000 as a result of the combined effect of (i) the purchase of intangible assets and property, plant and equipment of approximately HK\$77,000 and HK\$395,000, respectively; and (ii) the interest received of approximately HK\$8,000.

Cash flow from financing activities

Year ended 31 December 2014

For the year ended 31 December 2014, we recorded net cash used in financing activities of approximately HK\$5.8 million as a result of the advance to Directors and repayment from related companies of approximately HK\$10.0 million and HK\$4.3 million, respectively.

Year ended 31 December 2015

For the year ended 31 December 2015, we recorded net cash generated from financing activities of approximately HK\$3.2 million as a result of the repayment from Directors, repayment from related companies, proceeds from issue of share capital upon incorporation of subsidiaries and proceeds from bank borrowings of approximately HK\$17.4 million, HK\$15.0 million, HK\$18,000 and HK\$5.0 million, respectively, which are partially offset by interest paid, dividends paid to owners of the Company, repayment of bank borrowings and repayment on obligations under finance leases of approximately HK\$132,000, HK\$32.9 million, HK\$917,000 and HK\$286,000, respectively.

Six months ended 30 June 2015

For the six months ended 30 June 2015, we recorded net cash generated from financing activities of approximately HK\$7.9 million as a result of the repayment from Directors, repayment from related companies, proceeds from issue of share capital upon incorporation of subsidiaries and proceeds from bank borrowings of approximately HK\$1.7 million, HK\$1.7 million, HK\$10,000 and HK\$5.0 million, respectively, which are partially offset by interest paid and repayment of bank borrowings of approximately HK\$58,000 and HK\$417,000, respectively.

Six months ended 30 June 2016

For the six months ended 30 June 2016, we recorded net cash used in financing activities of approximately HK\$28.6 million as a result of the advance to related companies of approximately HK\$19.6 million and interest paid, dividends paid to owners of the Company, repayment of bank borrowings and

FINANCIAL INFORMATION

repayment on obligations under finance leases of approximately HK\$73,000, HK\$8.5 million, HK\$500,000 and HK\$266,000, respectively, which are partially offset by proceeds from bank borrowings of approximately HK\$418,000.

INDEBTEDNESS

As at the close of business on 31 October 2016, being the latest practicable date on which such information was available to us, our Group had unutilised banking facilities amounted to approximately HK\$14.0 million and outstanding indebtedness comprising finance lease liabilities of approximately HK\$0.9 million.

As at 31 October 2016, our banking facilities were secured by (i) personal guarantees from Mr. Yu, Mr. Tse and Mr. Chan; (ii) corporate guarantees from the subsidiaries of our Company, namely, HM Services and HM Too; and (iii) pledged bank deposit amounted to HK\$6.0 million. As at 31 October 2016, our Group's obligations under finance leases were secured by (i) the lessors' titles to the leased assets, being motor vehicles; and (ii) personal guarantees from Mr. Yu and Mr. Tse. The personal guarantees from Mr. Yu, Mr. Tse and Mr. Chan will be released/replaced by a corporate guarantee to be provided by our Company upon Listing.

The table below sets out the indebtedness of our Group as at the respective dates indicated.

	As at 31 December		As at 30 June	As at 31 October
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
Current liabilities				
– Amounts due to related companies	5,432	19,642	–	–
– Bank borrowings	–	4,083	4,001	–
– Finance leases obligations	–	528	537	544
– Bank overdrafts	–	1,972	298	–
	<u>5,432</u>	<u>26,225</u>	<u>4,836</u>	<u>544</u>
Non-current liabilities				
– Finance leases obligations	–	814	539	354
	<u>5,432</u>	<u>27,039</u>	<u>5,375</u>	<u>898</u>

As at 31 October 2016, our Group did not have any bank borrowings which was subject to any material covenant (which would adversely affect our ability to undertake additional debt or equity financing).

FINANCIAL INFORMATION

During the Track Record Period, our Group settled our debt obligations in a timely manner and did not breach any financial bank covenant. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulty in obtaining banking and finance lease facilities. As at the Latest Practicable Date, our Directors confirmed our Group had no plan for material external financing.

Bank borrowings

Set out below is the maturity profile of our bank borrowings as at the respective dates indicated.

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>	As at 31 October 2016 <i>HK\$'000</i> <i>(Unaudited)</i>
Bank borrowings – secured:				
Variable rate	–	4,083	4,001	–
Carrying amounts of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayable on demand clause	–	1,000	1,418	–
Carrying amounts of bank borrowings that are repayable beyond one year but not exceeding two years from the end of the reporting period but contain a repayable on demand clause	–	1,000	1,000	–
Carrying amounts of bank borrowings that are repayable beyond two years but not exceeding five years from the end of the reporting period but contain a repayable on demand clause	–	2,083	1,583	–
Amounts due within twelve months shown under current liabilities	–	4,083	4,001	–

As at 31 December 2015, the variable rate bank borrowings are subject to Hong Kong Interbank Offer Rate over 2.65% per annum. As at 30 June 2016, the variable rate bank borrowings are subject to the range between the higher of (i) the banker's prime rate minus 0.5% per annum; and (ii) the banker's cost of fund

FINANCIAL INFORMATION

and Hong Kong Interbank Offer Rate over 2.65% per annum. The weighted average effective interest rate of the above variable-rate bank borrowings as at 31 December 2014 and 2015, 30 June 2016 and 31 October 2016 were nil, 2.87%, 3.38% and nil per annum, respectively.

Finance leases obligations

Set out below is the maturity profile of our finance leases as at the respective dates indicated and ignoring the effect of any repayment on demand clauses.

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000	As at 31 October 2016 HK\$'000 (Unaudited)
Minimum lease payments				
Amounts payable under leases:				
Within one year	–	565	565	565
In more than one year and not more than five years	–	835	548	359
	–	1,400	1,113	924
Less: future finance charges	–	(58)	(37)	(26)
Present value of lease obligations	–	1,342	1,076	898
Present value of minimum lease payments				
More than one year, but not exceeding two years	–	546	487	354
More than two years, but not exceeding five years	–	268	52	–
Amount due for settlement after a year (shown under non-current liabilities)	–	814	539	354
Amount due for settlement within a year (shown under current liabilities)	–	528	537	544
Total present value of lease obligations	–	1,342	1,076	898

FINANCIAL INFORMATION

The carrying amounts of all finance lease liabilities were denominated in HK\$. The lease terms of our finance leases were nil for the year ended 31 December 2014 and three years for the year ended 31 December 2015, the six months ended 30 June 2016 and the ten months ended 31 October 2016. Interest rates underlying all obligations under our finance leases were nil for the year ended 31 December 2014 and ranged from 1.18% to 4% for the year ended 31 December 2015, the six months ended 30 June 2016 and the ten months ended 31 October 2016.

As at 31 October 2016, our Group had no significant contingent liabilities.

Save as disclosed above, we did not have, as at the close of business on 31 October 2016, any debt securities or loan capital issued and outstanding and authorised or otherwise created but unissued, term loans, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guaranteed, unguaranteed, secured (whether the security is provided by our Group or by third parties) or unsecured borrowings and debt, mortgages, charges, guarantees or other material contingent liabilities. Save as disclosed, our Directors confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 October 2016 and up to the Latest Practicable Date.

WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including bank borrowings and other internal resources, and the estimated net proceeds of the Placing, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

CONTRACTUAL AND CAPITAL COMMITMENTS

As at the close of business on 30 June 2016, we had no significant contractual and capital commitments.

FINANCIAL INFORMATION

OPERATING LEASE COMMITMENTS

The following table sets out our outstanding commitments in respect of future minimum lease payments under non-cancellable operating leases at the end of each reporting period.

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>	As at 31 October 2016 <i>HK\$'000</i> <i>(Unaudited)</i>
Within one year	7,433	4,852	1,135	9,444
In the second to fifth years inclusive	<u>4,252</u>	<u>1,200</u>	<u>900</u>	<u>14,943</u>
	<u><u>11,685</u></u>	<u><u>6,052</u></u>	<u><u>2,035</u></u>	<u><u>24,387</u></u>

For the years ended 31 December 2014 and 2015, the six months ended 30 June 2016 and the ten months ended 31 October 2016, our operating leases were related to office premises with lease terms of between one year to three years. We do not have an option to purchase the leased assets at the expiry of the lease periods.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

The following table sets out our capital expenditures for the periods indicated. Our capital expenditures were funded out of the cash generated from operations.

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Property, plant and equipment			
Furniture and fixtures	64	17	–
Computer equipment	458	440	395
Motor vehicles	–	698	–
Leasehold improvements	306	13	–
	828	1,168	395
Intangible assets			
Computer software	2,222	533	77
Total	3,050	1,701	472

We plan to finance future capital expenditures primarily through the net proceeds of the Placing, bank borrowings as well as from cash flows generated from operations. As our Group continues to expand, we may incur additional capital expenditures. We expect to set up the New Office and improve the facilities in the Infinitus Plaza Office and additional capital expenditures are expected to be incurred primarily for purchases of plant and machinery, furniture and fixtures, computer equipment and renovation. For more details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the debt-to-equity ratio.

FINANCIAL INFORMATION

Financial risk management

Our Group is exposed to foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management objectives and policies are set out in Note 30 to the accountants' report as set out in Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the operating lease commitments set forth above, as at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with paragraph 7.31 of the GEM Listing Rules are set out below to illustrate the effect of the Placing on the combined net tangible assets of the Group attributable to the owners of the Company as of 30 June 2016 as if the Placing had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the combined net tangible assets of our Group had the Placing been completed as of 30 June 2016 or of any future dates. The unaudited pro forma adjusted combined net tangible assets are prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company as of 30 June 2016 as set out in the accountants' report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016	Add: Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Placing Price of HK\$0.50 per Placing Share	<u>19,673</u>	<u>36,239</u>	<u>55,912</u>	<u>0.14</u>
Based on the Placing Price of HK\$0.60 per Placing Share	<u>19,673</u>	<u>45,789</u>	<u>65,462</u>	<u>0.16</u>

FINANCIAL INFORMATION

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 are based on audited combined net assets of the Group attributable to owners of the Company as at 30 June 2016 of approximately HK\$20,607,000 less intangible assets of approximately HK\$934,000, as shown in the accountants' report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing of Placing Shares are based on the lowest and highest Placing Price of HK\$0.50 and HK\$0.60 per Placing Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses to be borne by the Group (excluding Listing related expenses of approximately HK\$5,304,000 which have been accounted for prior to 30 June 2016).
3. The unaudited pro forma adjusted combined net tangible assets per Share is determined after the adjustments as described in Notes 1 and 2 above and on the basis that 400,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus.
4. The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2016).

LISTING EXPENSES

Based on the Placing Price of HK\$0.55 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.5 to HK\$0.6 per Placing Share, our Directors estimate that the total amount of expenses in relation to the Listing payable by our Company (including underwriting commission) is approximately HK\$19.3 million. Of such amount, approximately HK\$6.7 million is directly attributable to the issue of the Placing Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$12.6 million, which cannot be so deducted, will be charged to profit and loss account. Of the approximately HK\$12.6 million that will be charged to profit and loss account, nil, approximately HK\$4.9 million and approximately HK\$0.4 million have been charged for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively, and approximately HK\$5.5 million and approximately HK\$2.2 million is expected to be charged to profit and loss account for the years ending 31 December 2016 and 2017, respectively. Expenses in relation to the Listing are non-recurring in nature.

DIVIDEND

No dividend has been paid or declared by our Company since incorporation. For the years ended 31 December 2014 and 2015 and six months ended 30 June 2016, dividends of an aggregate amount of approximately HK\$8.5 million, HK\$24.4 million and HK\$8.5 million had been declared and paid to the then equity holders of HM Services, HM Language and HM Too.

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. Subject to the Companies Law and our Articles of Association, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles of Association, from time to time, pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to

FINANCIAL INFORMATION

time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio and currently have no dividend policy.

DISTRIBUTABLE RESERVES

As at 30 June 2016, our aggregate amount of distributable reserves was approximately HK\$20.5 million.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions included (i) amounts due from Mr. Yu, Mr. Tse, Mr. Chan, HMG and Unique Concept; (ii) amounts due to HMG and Xuanda Beijing; (iii) guarantees given by Mr. Yu, Mr. Tse, Mr. Chan and HMG on our Group's bank borrowings, bank overdrafts, banking facilities and/or finance leases; (iv) transactions with Unique Concept, Sunland, Xuanda Beijing and Easy Language; and (v) compensation of key management personnel of our Group.

The amounts due from Mr. Yu, Mr. Tse and Mr. Chan, each being our executive Director, were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment. The amounts due from HMG, a company jointly held by the Controlling Parties until August 2016, and Unique Concept, a company wholly owned by Mr. Yu, were non-trade in nature, unsecured, non-interest bearing and repayable on demand. All outstanding balances of the aforesaid amounts due from related parties had been settled as at 30 June 2016.

The amounts due to HMG and Xuanda Beijing, a company jointly held by the Controlling Parties through their respective shareholding interests in HMG until August 2016, were non-trade in nature, unsecured, non-interest bearing and repayable on demand. All outstanding balances of the aforesaid amounts due to related parties had been settled as at 30 June 2016.

Guarantees given by HMG were released by September 2016. Guarantees given by Mr. Yu, Mr. Tse and Mr. Chan will be released/replaced by a corporate guarantee to be provided by our Company upon Listing.

FINANCIAL INFORMATION

Our Directors are of the view, and our Sponsor concurs, that our Group's related-party transactions with Unique Concept, Sunland, Xuanda Beijing and Easy Language during the Track Record Period were conducted on an arm's length basis. Set out below is a summary of the details of our Group's transactions with these related parties during the Track Record Period:

Name of related party	Nature of transaction	Year ended	Year ended	Six months	Six months
		31 December 2014	31 December 2015	ended 30 June 2015	ended 30 June 2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(Unaudited)</i>					
Unique Concept	Rental expenses for director's quarter	504	504	252	300
Sunland	Management fee income	1,152	-	-	-
	Printing charges	24,222	-	-	-
Xuanda Beijing	Integrated printing services income	5,848	3,902	2,735	2,688
	Printing charges	-	301	-	-
Easy Language	Integrated printing services income	74	-	-	-
	Management fee income	-	167	167	-

As at 31 December 2014 and 2015 and 30 June 2016, the following amounts due from related companies were included in our trade receivables:

	As at 31 December 2014	As at 31 December 2015	As at 30 June 2016
	HK\$'000	HK\$'000	HK\$'000
Xuanda Beijing	20,775	24,300	-
Sunland	29	-	-
	20,804	24,300	-

Unique Concept is principally engaged in property investment. Rental expenses have been paid to Unique Concept for leasing a property from Unique Concept for our director's quarters since 2000. Our Directors are of the view, and our Sponsor concurs, that such related-party transaction with Unique Concept in connection with rental of premises was conducted on normal commercial terms during the Track Record Period. Such transaction is expected to continue after the Listing. For further details, please refer to the section headed "Connected Transactions" in this prospectus.

FINANCIAL INFORMATION

Sunland was principally engaged in the provision of printing services through its printing factory in Hong Kong and was a company jointly held by the Controlling Parties through their respective interests in HMG until August 2014. We have been engaging Sunland as our subcontractor for printing and binding/packaging works (including related logistic arrangement) for over 16 years. During the Track Record Period, most of our printing and binding/packaging works (including related logistic arrangement) were outsourced to Sunland. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, Sunland was our largest supplier and accounted for approximately 70.2%, 51.2% and 34.6%, respectively, of our total purchase. Our Directors are of the view, and our Sponsor concurs, that such related-party transactions with Sunland in connection with its provision of printing services were conducted on normal commercial terms during the Track Record Period. Up to August 2014, we had also been receiving management fee income from Sunland for provision of administrative services and similar transaction is not expected to occur in the foreseeable future. For further details on our transactions with Sunland, please refer to the paragraph headed “Business – Suppliers – Engagement of Sunland” in this prospectus.

Our transactions with Xuanda Beijing mainly included income received from Xuanda Beijing for our provision of integrated printing services. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our revenue from Xuanda Beijing attributed to approximately 4.7%, 2.4%, 3.3% and 3.3%, respectively, of our total revenue, and our gross profit derived from the sales to Xuanda Beijing was approximately HK\$1.2 million, HK\$0.8 million, HK\$0.5 million and HK\$0.4 million, respectively. For illustrative purpose only, if the revenue from Xuanda Beijing is excluded, for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, our adjusted revenue would have been approximately HK\$119.5 million, HK\$156.5 million, HK\$81.2 million and HK\$79.6 million, respectively, and our adjusted gross profit would have been approximately HK\$46.0 million, HK\$63.7 million, HK\$35.6 million and HK\$33.6 million, respectively. Our Directors are of the view, and our Sponsor concurs, that such related-party transactions with Xuanda Beijing in connection with our provision of integrated printing services were conducted on normal commercial terms during the Track Record Period. In addition, for the year ended 31 December 2015, at the request of our client, we engaged Xuanda Beijing as our subcontractor for printing services. Xuanda Beijing had further sub-contracted the relevant printing works to another third party. Our Directors consider that the engagement of Xuanda Beijing as our subcontractor for printing services was an one-off transaction and similar transaction is not expected to occur in the foreseeable future as Xuanda Beijing does not operate any printing factory. For further details on our transactions with Xuanda Beijing, please refer to the paragraph headed “Business – Clients” in this prospectus.

Easy Language was a company jointly held by the Controlling Parties through their respective shareholding interests in HMG until August 2016. For the year ended 31 December 2014, the income we received from Easy Language for the provision of translation services amounted to approximately HK\$74,000. Our Directors are of the view, and our Sponsor concurs, that such related-party transactions with Easy Language in connection with our provision of integrated printing services were conducted on normal commercial terms during the Track Record Period. Up to February 2015, we had also been receiving management fee income from Easy Language for provision of administrative services and similar transaction is not expected to occur in the foreseeable future.

Our Directors are of the view that these related party transactions would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

FINANCIAL INFORMATION

Please refer to Notes 17, 18, 19, 22 and 34 to the accountants' report as set out in Appendix I to this prospectus and the paragraph headed "Indebtedness" in this section for more information.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had they been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Save for the non-recurring expenses related to the Listing, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position of our Group since 30 June 2016, being the end of the period reported on in the accountants' report set forth in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed “Business – Business strategies” in this prospectus for our Group’s business objectives and strategies.

IMPLEMENTATION PLAN

Our Group’s implementation plans are set forth below for each of the six-month periods until 31 December 2018. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this prospectus. Our Group’s actual course of business may vary from the business objective set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all.

The net proceeds from the Placing are estimated to amount to approximately HK\$35.7 million, assuming a Placing Price of HK\$0.55 per Placing Share, being the mid-point of the indicative Placing Price range of HK\$0.5 to HK\$0.6 per Placing Share. Our Group intends to apply such net proceeds from the Placing as follows:

For the six months ending 30 June 2017

Business strategy

Implementation plan

Set up the New Office and improve the facilities in the Infinitus Plaza Office

We plan to utilise approximately HK\$7.4 million of the net proceeds from the Placing (i) for improving the facilities in the Infinitus Plaza Office by carrying out some renovation projects and acquiring new office facilities; and (ii) as the rental deposit and renovation costs for the New Office.

Enhance our IT systems and infrastructures

We plan to utilise approximately HK\$4.1 million of the net proceeds from the Placing for

- (i) enhancing our data server including:
 - rental of racks in cage to place our data servers and private cloud space;
 - installation of private point-to-point networks from the New Office to our servers; and
 - implementation of an information security management system;
- (ii) implementation of a secured mobile office system;

FUTURE PLANS AND USE OF PROCEEDS

(iii) upgrading our hardware equipment; and

(iv) implementation of a human resources and administration system.

Enhance our workforce We plan to utilise approximately HK\$0.3 million of the net proceeds from the Placing to recruit 5 additional employees in the customer service, operations and translation functions.

General working capital We plan to utilise approximately HK\$3.3 million for general working capital for our operations.

For the six months ending 31 December 2017

Business strategy

Implementation plan

Set up the New Office and improve the facilities in the Infinitus Plaza Office We plan to utilise approximately HK\$5.4 million of the net proceeds from the Placing (i) for improving the facilities in the Infinitus Plaza Office by carrying out some renovation projects and acquiring new office facilities; and (ii) as the rental expenses, management fees and renovation costs for the New Office.

Enhance our IT systems and infrastructures We plan to utilise approximately HK\$4.5 million of the net proceeds from the Placing for

(i) enhancing our data server including:

- rental of racks in cage to place our data servers and private cloud space;
- installation of private point-to-point networks from the New Office to our servers; and
- implementation of an information security management system;

(ii) implementation of a secured mobile office system;

(iii) enhancing our software systems;

(iv) upgrading our hardware equipment; and

(v) implementation of a human resources administration system.

FUTURE PLANS AND USE OF PROCEEDS

Enhance our workforce We plan to utilise approximately HK\$0.9 million to recruit 5 additional employees in the customer service, operations and translation functions and retain the 5 additional employees recruited during the six months ending 30 June 2017.

For the six months ending 30 June 2018

Business strategy

Implementation plan

Set up the New Office and improve the facilities in the Infinitus Plaza Office We plan to utilise approximately HK\$1.7 million of the net proceeds from the Placing (i) for improving the facilities in the Infinitus Plaza Office by acquiring new office facilities; and (ii) as the rental expenses and management fees for the New Office.

Enhance our IT systems and infrastructures We plan to utilise approximately HK\$2.3 million of the net proceeds from the Placing for

(i) enhancing our data server including:

- rental of racks in cage to place our data servers and private cloud space;
- installation of private point-to-point networks from the New Office to our servers;
- implementation of an information security management system; and

(ii) implementation of a secured mobile office system.

Enhance our workforce We plan to utilise approximately HK\$1.0 million to recruit 1 additional employee in the translation function and to retain the 10 additional employees recruited during the year ending 31 December 2017.

For the six months ending 31 December 2018

Business strategy

Implementation plan

Set up the New Office We plan to utilise approximately HK\$1.1 million of the net proceeds from the Placing as the rental expenses and management fees for the New Office to be set up in a prime location in Central, Hong Kong.

Enhance our IT systems and infrastructures We plan to utilise approximately HK\$2.5 million of the net proceeds from the Placing for

FUTURE PLANS AND USE OF PROCEEDS

- (i) enhancing our data server including:
 - rental of racks in cage to place our data servers and private cloud space;
 - installation of private point-to-point networks from the New Office to our servers; and
 - implementation of an information security management system;
- (ii) implementation of a secured mobile office system;
- (iii) enhancing our software systems; and
- (iv) implementation of a human resources and administration system.

Enhance our workforce We plan to utilise approximately HK\$1.2 million to retain the 11 additional employees recruited.

Our Directors believe that the following factors justify our business strategies implementation plans:

Office improvement and establishment

Our Group currently intends to use approximately 43.7% of our total estimated net proceeds from the Placing, being approximately HK\$15.6 million to set up the New Office and improve the facilities in the Infinitus Plaza Office. Details of our intended use of the amount of approximately HK\$15.6 million are as follows:

- approximately 41.9% for renovation work of the Infinitus Plaza Office;
- approximately 26.2% for the rental deposit, rental expenses and management fees for the New Office;
- approximately 12.9% for acquiring new office facilities for the Infinitus Plaza Office, which mainly comprises (i) conference room facilities including conference tables and leather chairs; (ii) workstations facilities including bench tables, desktop panels and mesh chairs; and (iii) cabinets for filing;
- approximately 12.5% for renovation work of the New Office; and
- approximately 6.5% for acquiring new office facilities for the New Office, which include mainly comprises (i) conference room facilities including conference tables and leather chairs; and (ii) workstations facilities including L-shape workstations, desktop panels and mesh chairs.

FUTURE PLANS AND USE OF PROCEEDS

Enhancement of IT systems and infrastructures

Our Group currently intends to use approximately 37.5% of our total estimated net proceeds from the Placing, being approximately HK\$13.4 million to finance the enhancement of our IT systems and infrastructures. Details of our intended use of the amount of approximately HK\$13.4 million are as follows:

- approximately 35.8% for enhancing our data server, among which, (i) approximately 32.8% for rental of racks in cage to place our data servers and private cloud space; (ii) approximately 1.5% for installation of private point-to-point networks from the New Office to our servers; and (iii) approximately 1.5% for implementation of an information security management system;
- approximately 29.9% for implementation of a secured mobile office system;
- approximately 14.9% for enhancing our software systems;
- approximately 12.7% for upgrading our hardware equipment; and
- approximately 6.7% for implementation of a human resources administration system.

Room for increase in our market share

In terms of the total revenue contributed by financial printing services, although our Group ranked 6th among financial printing companies in Hong Kong, our Group only accounted for approximately 7.1% of the market share of the financial printing services industry in Hong Kong in terms of revenue for the year ended 31 December 2015. Therefore, there is still room for us to increase our market share in the industry. By (i) setting up the New Office and improving the facilities in the Infinitus Plaza Office; (ii) enhancing our IT systems and infrastructures; and (iii) enhancing our workforce, we believe that we can capture more market share in the industry.

Solid market demand for the financial printing services

According to the IPSOS Report, the total revenue of the financial printing services industry in Hong Kong has increased from approximately HK\$1.3 billion in 2010 to approximately HK\$1.7 billion in 2015 and is expected to further increase from approximately HK\$1.7 billion in 2016 to approximately HK\$2.0 billion in 2020. Taking into account the abovementioned industry information and the fact that most of our revenue was contributed by financial printing projects during the Track Record Period, our Directors are of the view that there would be sufficient market demand to support our business strategies and implementation plans.

FUTURE PLANS AND USE OF PROCEEDS

Improvement of client experience

The setting up of the New Office and improving the facilities in the Infinitus Plaza Office allow us to offer a better client experience by providing a more equipped and comfortable office environment to our clients. Together with the close proximity of the New Office to the Stock Exchange and offices of prospective clients and their intermediaries such as law firms, our Directors believe that our competitiveness in the industry can be further strengthened.

Our Directors further believe that the enhancement of our IT systems and infrastructures increases our chances of receiving engagements as the enhancement would (i) allow us to have a more secure and stable environment for safekeeping important, confidential and price-sensitive information of our clients; (ii) minimise service outages of our operations; (iii) improve our overall operational performance due to faster processing time; and (iv) further strengthen our protection of confidential information.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

REASONS FOR THE LISTING AND USE OF PROCEEDS

For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, dividends of an aggregate amount of approximately HK\$8.5 million, HK\$24.4 million and HK\$8.5 million had been declared and paid to the then shareholders of our Company's subsidiaries, respectively. Moreover, as at 30 June 2016, we had cash and bank balances of approximately HK\$14.5 million and net current assets of approximately HK\$17.5 million. We also had unutilised banking facilities amounted to approximately HK\$14.0 million as at 31 October 2016. This demonstrated that our Group was in a healthy financial and working capital position.

FUTURE PLANS AND USE OF PROCEEDS

Notwithstanding to the above, our Directors believe that the listing of our Shares on GEM is essential to our Group for the implementation of our business strategies. The net proceeds from the Placing will provide additional financial resources to our Group to achieve such business strategies which will further strengthen our position as a prominent integrated printing service provider in the financial and capital markets in Hong Kong and further increase our market share in Hong Kong with the following reasons:

- The dividends declared and paid during the Track Record Period demonstrated that our Group was in a continuous profit making position which allowed us to have sufficient financial resources to distribute to our Shareholders as investment returns. The high dividend declared for the year ended 31 December 2015 was mainly for facilitating the settlement of amounts due from our executive Directors who were the then shareholders of our Company's subsidiaries as well during the preparation of the Listing. Our Board may consider declaring and paying dividends to Shareholders after the Listing, having regard to various factors including but not limited to our operational and financial performance, profitability, business development, prospects, capital requirements, and economic outlook.
- As at 31 December 2015, our net cash and bank balances amounted to approximately HK\$14.6 million, comprising cash and bank balances of approximately HK\$16.6 million net of bank overdrafts of approximately HK\$2.0 million. The monthly average of cash payments we made in relation to our operating activities for the year ended 31 December 2015 was approximately HK\$11.1 million. Based on the aforesaid, our Directors estimate that a cash and bank balances safety level of approximately HK\$11.1 million is required at all material time in order to maintain the current level of our business operations. Thus, the estimated free cash and bank balances available to fund our future plans as at 31 December 2015 would be approximately HK\$3.5 million. As such, our Directors are of the view that the remaining internal financial resources available would not be sufficient to finance our future plans, including (i) setting up the New Office and improving the facilities in the Infinitus Plaza Office; (ii) enhancing our IT systems and infrastructures; and (iii) enhancing our workforce, in full which require approximately HK\$32.4 million, as a result, our Group is pursuing the Placing to obtain the external funding for our future plans.
- Our banking facilities are obtained from the banks as our standby facilities and, having considered the finance costs to be incurred, are used for precautionary purposes. Moreover, the banking facilities are subject to an annual review process and the bank has a discretionary power to withdraw the banking facilities. Therefore, our Directors consider that our banking facilities are short-term in nature. Our future plans, including the (i) setting up the New Office and improving the facilities in the Infinitus Plaza Office; and (ii) enhancing our IT systems and infrastructures, are almost long term in nature. Our Directors attempt to match the long-term or short-term financing mix to our future plans being financed as closely as possible, in terms of both risk and cash flows. We currently do not own any properties which can be used as collateral for obtaining long-term banking facilities of size similar to the amount of the net proceeds from the Placing. Moreover, assuming that we have obtained an additional bank borrowings of approximately HK\$32.4 million, being the amount required to finance our future plans, and other items of our financial statements remain unchanged, our gearing ratio as at 30 June 2016 would have been increased from approximately 26.1% to approximately 183.3%.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors consider that such substantial increase in gearing ratio is not in line with the financial objectives of our Group. In view of the above, our Directors do not consider the utilisation of banking facilities an appropriate mean to finance our future plans.

Our Directors further believe that the Listing would:

- enhance our competitiveness in the market. According to the IPSOS Report, amongst the top 7 players in the financial printing services industry in Hong Kong, 5 are companies listed under their own name or under a parent company on the Stock Exchange or elsewhere. Our Directors believe that having a listing status will not only strengthen our financial position, but also uplift our corporate image and credibility with public and potential business partners, thus enhance our market competitiveness among other market players;
- enable us to provide better services to our clients. Corporations listed on the Stock Exchange have been our core target clients which contributed over 30% of our revenue during the Track Record Period. Our Directors believe that upon the Listing and in the capacity of a listed corporations in Hong Kong, we will have better knowledge of the needs and requirements of our clients and be able offer and tailor better services to them;
- provide a platform for our Group to gain access to the capital markets for future secondary fund raising through the issuance of shares and for debt securities, which could involve lower financing cost as opposed to interest bearing bank loans, and which can also provide funding sources to cater for our Group's further expansion plans (other than those future plans stated in this prospectus) as and when necessary. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity;
- enhance our internal control and corporate governance practices, and increase the transparency in our operations and financial reporting. This could also increase our clients' and suppliers' confidence in us and attract potential clients;
- broaden our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the Listing; and
- enable our Company to offer an equity-based incentive programme (such as a share option scheme) to our employees that more directly correlates to their performance in our Group's business. Our Company would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for our Shareholders.

Although the amount of the expenses for the Listing is substantial, these are non-recurring costs that we would not have to pay following completion of the Listing. For the reasons stated above, our Directors hence believe that the Listing is beneficial to us in the long run.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

The net proceeds from the Placing based on the Placing Price of HK\$0.55 per Share (being the mid-point of the stated range of the Placing Price) are estimated to be approximately HK\$35.7 million. We intend to apply such net proceeds from the Placing as follows:

	From the Latest Practicable Date to 31 December 2016 <i>HK\$ million</i>	For the six months ending 30 June 2017 <i>HK\$ million</i>	For the six months ending 31 December 2017 <i>HK\$ million</i>	For the six months ending 30 June 2018 <i>HK\$ million</i>	For the six months ending 31 December 2018 <i>HK\$ million</i>	Total <i>HK\$ million</i>	Approximate % of net proceeds %
Set up the New Office and improve the facilities in the Infinitus Plaza Office	-	7.4	5.4	1.7	1.1	15.6	43.7
Enhance our IT systems and infrastructures	-	4.1	4.5	2.3	2.5	13.4	37.5
Enhance our workforce	-	0.3	0.9	1.0	1.2	3.4	9.5
General working capital	-	3.3	-	-	-	3.3	9.3
Total	-	15.1	10.8	5.0	4.8	35.7	100

The following table sets out a further breakdown of the net proceeds from the Placing to be applied for setting up the New Office and improving the facilities in the Infinitus Plaza Office:

	From the Latest Practicable Date to 31 December 2016 <i>HK\$'000</i>	For the six months ending 30 June 2017 <i>HK\$'000</i>	For the six months ending 31 December 2017 <i>HK\$'000</i>	For the six months ending 30 June 2018 <i>HK\$'000</i>	For the six months ending 31 December 2018 <i>HK\$'000</i>	Total <i>HK\$'000</i>	Approximate % of net proceeds %
Infinitus Plaza Office:							
Renovation work	-	3,921	2,613	-	-	6,534	41.9
Acquiring new office facilities	-	1,500	516	-	-	2,016	12.9
New Office:							
Rental expenses	-	320	960	960	960	3,200	20.5
Renovation work	-	1,050	900	-	-	1,950	12.5
Acquiring new office facilities	-	-	340	678	-	1,018	6.5
Rental deposit	-	534	-	-	-	534	3.4
Management fees	-	36	108	108	108	360	2.3
Total	-	7,361	5,437	1,746	1,068	15,612	100

FUTURE PLANS AND USE OF PROCEEDS

If the final Placing Price is set at the high end or the low end point of the indicative Placing Price range, the net proceeds of the Placing will increase or decrease by approximately HK\$4.8 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Placing Price is determined at the highest or lowest point of the indicative Placing Price range.

To the extent that the net proceeds from the issue of the Placing Shares are not immediately required for the purposes above, it is the present intention of our Directors that such net proceeds will be placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules. In the event that the net proceeds from the Placing are insufficient to finance the expenditure as mentioned above, the shortfall will be financed by the internal resources of our Group and/or external borrowings.

UNDERWRITING

UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Astrum Capital Management Limited
Gransing Securities Co., Limited

Co-Managers

Aristo Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Innovax Capital Limited
Sinolink Securities (Hong Kong) Company Limited
Sorrento Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with professional, institutional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have agreed to subscribe for or procure subscribers for the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

Grounds for termination

The Joint Lead Managers (for themselves and on behalf of the other Underwriters) shall have the absolute right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (a) any new law or regulation or any material 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, the Cayman Islands, the BVI or any relevant jurisdiction;
- (b) any adverse change (whether or not permanent) in local, national or international stock market conditions;
- (c) 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;

UNDERWRITING

- (d) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (e) any change in the business or in the financial or trading position of our Group or otherwise;
- (f) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (g) a general moratorium on commercial banking business activities in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction declared by the relevant authorities; or
- (h) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the other Underwriters):

- (i) might be materially adverse to the business, financial condition or prospects of our Group taken as a whole;
- (ii) might have a material adverse effect on the success of the Placing or might have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (iii) makes it inadvisable or inexpedient to proceed with the Placing.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Joint Lead Managers (for themselves and on behalf of the other Underwriters):

- (a) any breach of any of the warranties or any other provisions of the Underwriting Agreement which is considered, in the opinion of the Sponsor or the Joint Lead Managers (for themselves and on behalf of the other Underwriters), to be material in the context of the Placing;
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus and the placing letter, would have constituted a material omission in the opinion of the Joint Lead Managers (for themselves and on behalf of the other Underwriters) in the context of the Placing;

UNDERWRITING

- (c) any statement contained in this prospectus and the placing letter considered to be material by the Joint Lead Managers (for themselves and on behalf of the other Underwriters) which is discovered to be or becomes untrue, incorrect or misleading and in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the other Underwriters) to be material in the context of the Placing; or
- (d) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement,

the Joint Lead Managers (for themselves and on behalf of the other Underwriters) shall be entitled (but not bound) by notice in writing to our Company (for itself and on behalf of the other parties to the Underwriting Agreement (other than the Sponsor, the Joint Lead Managers and the other Underwriters)) on or prior to such time to terminate the Underwriting Agreement.

Undertakings pursuant to the Underwriting Agreement

Pursuant to the Underwriting Agreement,

- (a) (i) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sponsor, the Joint Lead Managers and the other Underwriters that, he/it shall not and shall procure that the relevant registered holders shall not:
 - (A) in the First Six-Month Period (as defined in the paragraph headed “Relationship with our Controlling Shareholders – Non-disposal undertakings” in this prospectus), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner; and
 - (B) in the Second Six-Month Period (as defined in the paragraph headed “Relationship with our Controlling Shareholders – Non-disposal undertakings” in this prospectus), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder; and
 - (C) in the period of 12 months commencing on the date on which the Second Six-Months Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/it would cease to be a Controlling Shareholder,

provided that the restrictions in this paragraph (i) shall not apply to any Shares which our Controlling Shareholders or any of his/its respective close associates may acquire or become interested in following the Listing Date;

UNDERWRITING

- (ii) each of our Controlling Shareholders further undertakes to and covenants with our Company, the Sponsor, the Joint Lead Managers and the other Underwriters that:
 - (A) in the event that he/it pledges or charges any of his/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (i) above, he/it must inform our Company, the Sponsor and the Joint Lead Managers immediately thereafter, disclosing the details as specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
 - (B) having pledged or charged any of his/its interests in the Shares under paragraph (A) above, he/it must inform our Company, the Sponsor and the Joint Lead Managers immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected; and
- (b) our Company undertakes to and covenants with the Sponsor, the Joint Lead Managers and the other Underwriters, and each of our Controlling Shareholders jointly and severally undertakes to and covenants with the Sponsor, the Joint Lead Managers and the other Underwriters to procure that, save with the prior written consent of the Sponsor and the Joint Lead Managers (for themselves and on behalf of the other Underwriters), or save pursuant to the Placing, the Capitalisation Issue, the grant of options under the Share Option Scheme or the exercise of the options which may be granted under the Share Option Scheme, our Company shall not, within the period of six months from the Listing Date:
 - (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed));
 - (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
 - (iii) purchase any securities of our Company; or
 - (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that, save as permitted under the GEM Listing Rules and pursuant to the Placing, he/it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in 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 those securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; or
- (b) in 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 securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has also undertaken to our Company and the Stock Exchange to comply with the following requirements:

- (c) in the event that he/it pledges or charges any direct or indirect interest in relevant securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the relevant periods specified in Rule 13.16A of the GEM Listing Rules under paragraphs (a) and (b) above, he/it must inform our Company immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any interest in securities under paragraph (c) above, he/it must inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred to above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the GEM Listing Rules as soon as possible.

Pursuant to Rule 17.29 of the GEM 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 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 for those permitted under Rule 17.29(1) to (5) of the GEM Listing Rules.

UNDERWRITING

Total commission, fee and expenses

In connection with the Placing, the Underwriters will receive an underwriting commission of 4.5% of the aggregate Placing Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions and selling concessions.

In connection with the Listing, the Sponsor will receive a sponsorship and documentation fee.

In connection with the Listing and the Placing, the total expenses are estimated to be approximately HK\$19.3 million (including the underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing costs and other expenses relating to the Placing).

Our Company and our executive Directors have agreed to indemnify the Joint Lead Managers and the other Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by our Company of the Underwriting Agreement.

Independence of the Sponsor

The Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

Sponsor's, Joint Lead Managers' and Underwriters' interests in our Company

Messis Capital Limited has been appointed as the compliance adviser of our Company for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date. Our Company will pay to the Sponsor an agreed fee for its provision of services within the scope required under the GEM Listing Rules.

Save for its interests and obligations under the Underwriting Agreement, the sponsorship and documentation fee payable to the Sponsor in respect of the Placing, and the fee payable to the Sponsor for its acting as our compliance adviser, none of the Sponsor, the Joint Lead Managers and the other Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$0.6 per Share and not less than HK\$0.5 per Share. Subscribers, when subscribing for the Shares, shall pay the Placing Price plus 1.0% brokerage fee, 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy make up total price payable on subscription. The Shares will be traded in board lots of 5,000 Shares each.

The Placing Price will be fixed by an agreement expected to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters) on the Price Determination Date which is expected to be on or around Friday, 30 December 2016. If our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters), the Placing will not become unconditional and will lapse. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

If the Joint Lead Managers (for themselves and on behalf of the other Underwriters) with the consent of our Company considers it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, publish an announcement on the reduction of the indicative Placing Price range on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.hetermedia.com.

The final placing price, the level of indication of interests in the Placing and basis of allocation of the Placing Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.hetermedia.com on or before Tuesday, 10 January 2017.

THE PLACING

Placing

The Placing of 100,000,000 Placing Shares are conditionally offered by our Company by way of private placements to professional, institutional and other investors. The Placing Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue. The Placing is fully underwritten by the Underwriters.

Pursuant to the Placing, it is expected that the Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Placing Price (plus 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy) with selected professional, institutional and other investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary businesses involve dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE PLACING

Basis of allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid shareholder base for the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be beneficially owned by the three largest public Shareholders. No allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any person.

The Placing is subject to the conditions as stated in the paragraph headed “Conditions of the Placing” in this section.

CONDITIONS OF THE PLACING

Acceptance of your applications is conditional upon, among other things:

- (i) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon the exercise of any options that may be granted under the Share Option Scheme; and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Lead Managers) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. (Hong Kong time) on the Listing Date). Details of the Underwriting Agreement, their conditions and grounds for termination, are set out under the section headed “Underwriting” in this prospectus,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.hetermedia.com on the next business day following such lapse.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Wednesday, 11 January 2017. Shares will be traded in board lots of 5,000 Shares each. The stock code for the Shares is 8416.

STRUCTURE AND CONDITIONS OF THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. 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, under contingent situation, 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 necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

The following is the text of a report, prepared for the sole purpose of incorporation in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

29 December 2016

The Directors
HM International Holdings Limited
Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) regarding HM International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 (the “**Relevant Periods**”) for inclusion in the prospectus of the Company dated 29 December 2016 (the “**Prospectus**”) in connection with the proposed listing of the Company’s shares on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 13 January 2016. Through a corporate reorganisation as more fully explained in the paragraph headed “History, Reorganisation and Development – Reorganisation” in the Prospectus (the “**Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 15 December 2016.

As at the date of this report, the Company has the following subsidiaries, all of which are private limited liability companies, particulars of which are set out as below:

Name of company	Date and place of incorporation	Issued and fully paid share capital	Percentage of equity attributable to the Company	Principal activities
HM Immediate Holdings Limited ("HM Immediate")	19 November 2015, the British Virgin Islands ("BVI")	1,000 shares of US\$1 each	100% (direct)	Investment holding
HeterMedia Services Limited ("HM Services")	13 March 2000, Hong Kong	HK\$10,000	100% (indirect)	Provision of integrated printing services
HM Information Services Limited ("HM Information")	11 January 2007, Hong Kong	HK\$10,000	100% (indirect)	Provision of IT services to the Group
HM Too Limited ("HM Too")	21 November 2012, Hong Kong	HK\$1	100% (indirect)	Provision of commercial printing services
HM Too (Asia) Limited ("HM Asia")	23 January 2015, Hong Kong	HK\$10,000	100% (indirect)	Provision of procurement services to the Group
HM Language Services Limited ("HM Language")	12 March 2005, Hong Kong	HK\$100,000	100% (indirect)	Provision of translation services

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Company has not carried on any business other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for HM Immediate since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

The statutory financial statements of HM Services, HM Information, HM Too and HM Language for the year ended 31 December 2014 were prepared in accordance with the Hong Kong Financial Reporting Standards for Private Entities issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and audited by Eric H. L. Chung & Co., Certified Public Accountants, Hong Kong.

The statutory financial statements of HM Services, HM Information, HM Too and HM Language for the year ended 31 December 2015 were prepared in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA and audited by us.

The statutory financial statements of HM Asia from the date of incorporation to 31 December 2015 was prepared in accordance with the HKFRSs issued by the HKICPA and audited by us.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “**Underlying Financial Statements**”) in accordance with the HKFRSs issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section A below and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section A, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2014 and 2015 and 30 June 2016 and of the Company as at 30 June 2016, and of the combined financial performance and combined cash flows of the Group for the Relevant Periods.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 30 June 2015 together with the notes thereon have been extracted from the Group’s unaudited combined financial information for the same period (the “**30 June 2015 Financial Information**”), which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2015 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review consists principally of making enquiries of the Group’s management and applying analytical and other review procedures to the 30 June 2015 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

The following is the Financial Information of the Group prepared by the directors of the Company as at 31 December 2014 and 2015 and 30 June 2016, and for each of the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, presented on the basis set out in Note 1 to the Financial Information below:

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2015	Six months ended 30 June 2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	5	125,343	160,369	83,943	82,302
Cost of sales		<u>(78,095)</u>	<u>(95,899)</u>	<u>(47,803)</u>	<u>(48,378)</u>
Gross profit		47,248	64,470	36,140	33,924
Other income and gains	6	1,409	585	278	42
Selling expenses		(7,499)	(9,933)	(4,831)	(4,957)
Administrative expenses		(28,000)	(36,024)	(16,046)	(16,054)
Finance costs	7	<u>(84)</u>	<u>(133)</u>	<u>(58)</u>	<u>(73)</u>
Profit before tax		13,074	18,965	15,483	12,882
Income tax expense	8	<u>(1,791)</u>	<u>(3,967)</u>	<u>(2,591)</u>	<u>(2,230)</u>
Profit and total comprehensive income for the year/period	9	<u>11,283</u>	<u>14,998</u>	<u>12,892</u>	<u>10,652</u>
Profit and total comprehensive income for the year/period attributable to:					
Owners of the Company		10,868	13,873	12,121	10,652
Non-controlling interests		<u>415</u>	<u>1,125</u>	<u>771</u>	<u>–</u>
		<u>11,283</u>	<u>14,998</u>	<u>12,892</u>	<u>10,652</u>
		HK cents	HK cents	HK cents	HK cents
Earnings per share					
– Basic and diluted	13	<u>3.62</u>	<u>4.62</u>	<u>4.04</u>	<u>3.55</u>

STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	The Group			The
		As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>	Company As at 30 June 2016 <i>HK\$'000</i>
Non-current assets					
Property, plant and equipment	14	2,275	3,346	2,946	–
Intangible assets	15	2,521	1,397	934	–
		4,796	4,743	3,880	–
Current assets					
Amounts due from customers on service contracts	16	3,791	3,339	2,039	–
Trade and other receivables	17	47,643	52,538	42,459	–
Amounts due from directors	18	17,387	–	–	–
Amounts due from related companies	19	812	–	–	–
Pledged bank deposit	20	6,000	6,000	6,000	–
Cash and bank balances	20	9,571	16,574	14,534	–
		85,204	78,451	65,032	–
Total assets		90,000	83,194	68,912	–
Current liabilities					
Trade and other payables	21	55,560	35,021	38,021	–
Amounts due to related companies	22	5,432	19,642	–	–
Bank borrowings	23	–	4,083	4,001	–
Finance leases obligations	24	–	528	537	–
Bank overdrafts	20	–	1,972	298	–
Current tax liabilities		1,150	2,407	4,637	–
		62,142	63,653	47,494	–
Net current assets		23,062	14,798	17,538	–
Total assets less current liabilities		27,858	19,541	21,418	–

	<i>Notes</i>	The Group			The
		As at 31 December 2014	As at 31 December 2015	As at 30 June 2016	Company As at 30 June 2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Finance leases obligations	24	–	814	539	–
Deferred tax liabilities	25	69	272	272	–
		69	1,086	811	–
Net assets		27,789	18,455	20,607	–
Capital and reserves					
Share capital	26	100	138	138	–
Reserves	27	25,658	18,317	20,469	–
Equity attributable to owners of the Company					
		25,758	18,455	20,607	–
Non-controlling interests		2,031	–	–	–
Total equity		27,789	18,455	20,607	–

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			Attributable to non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 26)	Retained earnings HK\$'000	Subtotal HK\$'000		
Balance at 1 January 2014	100	22,800	22,900	2,119	25,019
Profit and total comprehensive income for the year	–	10,868	10,868	415	11,283
Payments of dividends	–	(8,010)	(8,010)	(503)	(8,513)
Balance at 31 December 2014 and at 1 January 2015	100	25,658	25,758	2,031	27,789
Profit and total comprehensive income for the year	–	13,873	13,873	1,125	14,998
Increase of share capital upon incorporation of subsidiaries	18	–	18	–	18
Acquisition of additional interests in a subsidiary (Note 27(b))	20	3,136	3,156	(3,156)	–
Payments of dividends	–	(24,350)	(24,350)	–	(24,350)
Balance at 31 December 2015 and 1 January 2016	138	18,317	18,455	–	18,455
Profit and total comprehensive income for the period	–	10,652	10,652	–	10,652
Payments of dividends	–	(8,500)	(8,500)	–	(8,500)
Balance at 30 June 2016	138	20,469	20,607	–	20,607

(Unaudited)

	Attributable to owners of the Company			Attributable to non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 26)	Retained earnings HK\$'000	Subtotal HK\$'000		
Balance at 1 January 2015	100	25,658	25,758	2,031	27,789
Profit and total comprehensive income for the period	–	12,121	12,121	771	12,892
Increase of share capital upon incorporation of a subsidiary	10	–	10	–	10
Balance at 30 June 2015	110	37,779	37,889	2,802	40,691

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2015	Six months ended 30 June 2016
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i>
Cash flows from operating activities				
Profit before tax	13,074	18,965	15,483	12,882
Adjustments for:				
Amortisation of intangible assets	2,007	1,657	904	540
Depreciation of property, plant and equipment	2,335	1,586	828	795
Net losses/(gains) on disposals of property, plant and equipment	594	(295)	–	–
Interest income	(16)	(13)	(8)	(8)
Finance costs recognised in profit or loss	84	133	58	73
	<u>18,078</u>	<u>22,033</u>	<u>17,265</u>	<u>14,282</u>
Movements in working capital				
(Increase)/decrease in amounts due from customers on service contracts	(2,980)	452	1,230	1,300
(Increase)/decrease in trade and other receivables	(8,801)	(4,895)	(18,816)	10,079
Increase/(decrease) in trade and other payables	13,232	(12,026)	2,130	3,000
	<u>19,529</u>	<u>5,564</u>	<u>1,809</u>	<u>28,661</u>
Cash generated from operations	19,529	5,564	1,809	28,661
Interest paid on bank overdrafts	(84)	(1)	–	–
Income tax paid	(1,419)	(2,507)	(104)	–
	<u>18,026</u>	<u>3,056</u>	<u>1,705</u>	<u>28,661</u>
Net cash generated from operating activities	<u>18,026</u>	<u>3,056</u>	<u>1,705</u>	<u>28,661</u>
Cash flows from investing activities				
Proceeds on disposal of property, plant and equipment	–	434	–	–
Payments for intangible assets	(2,222)	(533)	(137)	(77)
Payments for property, plant and equipment	(828)	(1,168)	(271)	(395)
Interest received	16	13	8	8
	<u>(3,034)</u>	<u>(1,254)</u>	<u>(400)</u>	<u>(464)</u>
Net cash used in investing activities	<u>(3,034)</u>	<u>(1,254)</u>	<u>(400)</u>	<u>(464)</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2015	Six months ended 30 June 2016
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from financing activities				
Interest paid	–	(132)	(58)	(73)
(Advance to)/repayment from directors	(10,013)	17,387	1,704	–
Repayment from/(advance to) related companies	4,251	15,022	1,698	(19,642)
Dividends paid to owners of the Company	–	(32,863)	–	(8,500)
Proceeds from issue of share capital upon incorporation of subsidiaries	–	18	10	–
Proceeds from bank borrowings	–	5,000	5,000	418
Repayment of bank borrowings	–	(917)	(417)	(500)
Repayment on finance leases obligations	–	(286)	–	(266)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash (used in)/generated from financing activities	<u>(5,762)</u>	<u>3,229</u>	<u>7,937</u>	<u>(28,563)</u>
Net increase/(decrease) in cash and cash equivalents	9,230	5,031	9,242	(366)
Cash and cash equivalents at the beginning of year/period	<u>341</u>	<u>9,571</u>	<u>9,571</u>	<u>14,602</u>
Cash and cash equivalents at the end of year/period	<u><u>9,571</u></u>	<u><u>14,602</u></u>	<u><u>18,813</u></u>	<u><u>14,236</u></u>
Analysis of balances of cash and cash equivalents				
Cash and bank balances	20	9,571	16,574	14,534
Bank overdrafts	20	–	(1,972)	(298)
		<u>–</u>	<u>(241)</u>	<u>(298)</u>
		<u><u>9,571</u></u>	<u><u>14,602</u></u>	<u><u>14,236</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability. Its parent and ultimate holding company is HM Ultimate Holdings Limited, a company incorporated in the BVI and owned by Mr. Yu Chi Ming (“**Mr. Yu**”), Mr. Tse Kam Wing Walter (“**Mr. Tse**”) and Mr. Chan Wai Lin (“**Mr. Chan**”) (collectively referred to as the “**Controlling Parties**”).

The addresses of the registered office and principal place of business of the Company are set out in the section headed “Corporate Information” in the Prospectus. The Company is an investment holding company. The Group is principally engaged in the provision of integrated printing services.

Throughout the Relevant Periods, the group entities were under the control of the Controlling Parties. Through the Reorganisation as more fully explained in the paragraph headed “History, Reorganisation and Development – Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 15 December 2016. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Relevant Periods.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Relevant Periods in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

Items included in the financial statements of each of the Group’s subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the “**functional currency**”). The functional currency of the Group’s operating subsidiaries is Hong Kong dollars (“**HK\$**”). Accordingly, the Financial Information is presented in HK\$, rounded to the nearest thousand.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations issued by the HKICPA that are effective for the Group’s financial year beginning 1 January 2016 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretations which are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²

- ¹ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ³ Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “Control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group’s Financial Information. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 31, total operating lease commitments of the Group in respect of rental premises as at 31 December 2014 and 2015 and 30 June 2016 amounted to approximately HK\$11,685,000, HK\$6,052,000 and HK\$2,035,000 respectively. The directors of the Company do not expect the adoption of HKFRS 16 as compared with

the current accounting policy would result in a significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the statements of financial position as right-of-use assets and lease liabilities.

Management of the Group anticipates that the application of the other new standards, amendments and interpretation will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for common control combinations

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Parties.

The net assets of the combining entities or businesses are combined using the existing book values from the Controlling Parties' perspectives. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Parties' interests.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue from provision of integrated printing services is recognised when (i) the services are provided and the transactions can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the Group; and (iii) the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from service contract is recognised based on the stage of completion of the contracts as described in the accounting policy for service contracts below. The recognition of revenue on this basis provides information on the extent of service activities and performance at the end of the reporting period as considerable portion of integrated printing services are spanned for months and sometimes across different reporting periods.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Service contracts

Where the outcome of a service contract can be estimated reliably and it is probable that the contract will be profitable, service revenue is recognised over the period of the contract by reference to the stage of completion of service contract activity at the end of each of the Relevant Periods.

When the outcome of a service contract cannot be estimated reliably, service revenue is recognised only to the extent of service costs incurred that are likely to be recoverable.

The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total estimated service cost of the contract.

The Group presents as an asset the gross amounts due from customers on service contracts for all service contracts in progress for which service costs incurred plus recognised profits exceed progress billings. The Group presents as a liability the gross amounts due to customers on service contracts in progress for which the progress billings exceed the service costs incurred plus recognised profits. Progress billings not yet paid by customers are included within trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each of the Relevant Periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each of the Relevant Periods. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each of the Relevant Periods, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each of the Relevant Periods, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment of tangible and intangible assets other than goodwill

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from directors, amounts due from related companies, pledged bank deposit and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities (including trade and other payables, amounts due to related companies, bank borrowings, finance leases obligations and bank overdrafts) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to

the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods.

Revenue recognition

The Group recognises contract revenue and profit of a service contract in relation to provision of integrated printing services according to the management's estimation of the total outcome of the contract as well as the percentage of completion of the service contract. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the service contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of each of the Relevant Periods.

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8 *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of integrated printing services.

In addition, all of the Group's revenue is generated in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, the Group does not present separately segment information.

Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group during the Relevant Periods are as follows:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000
Customer A	N/A ¹	30,826	14,439	15,350

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group during the respective year.

6. OTHER INCOME AND GAINS

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000
Bank interest income	16	13	8	8
Management fee income	1,152	167	167	–
IT services charge income	200	50	50	–
Sundry income	636	51	41	12
Net (losses)/gains on disposal of property, plant and equipment	(594)	295	–	–
Net foreign exchange (losses)/gains	(1)	9	12	22
	<u>1,409</u>	<u>585</u>	<u>278</u>	<u>42</u>

7. FINANCE COSTS

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000
Interest on bank overdrafts	84	1	–	–
Interest on bank borrowings	–	121	58	57
Finance leases charges	–	11	–	16
	<u>84</u>	<u>133</u>	<u>58</u>	<u>73</u>

8. INCOME TAX EXPENSE

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Hong Kong Profits Tax				
Current tax				
– Current year/period	1,770	3,824	2,588	2,230
Over-provision in prior year/period				
– Current year/period	(40)	(60)	(60)	–
Deferred tax (Note 25)				
– Current year/period	61	203	63	–
Total income tax recognised in profit or loss	<u>1,791</u>	<u>3,967</u>	<u>2,591</u>	<u>2,230</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Profit before tax	<u>13,074</u>	<u>18,965</u>	<u>15,483</u>	<u>12,882</u>
Tax at the domestic income tax rate	2,157	3,129	2,555	2,126
Tax effect of expenses not deductible for tax purpose	825	1,471	390	168
Tax effect of income not taxable for tax purpose	(550)	(275)	(90)	(64)
Utilisation of tax losses previously not recognised	(601)	(298)	(204)	–
Over-provision in respect of prior year/period	<u>(40)</u>	<u>(60)</u>	<u>(60)</u>	<u>–</u>
Income tax expense for the year/period	<u>1,791</u>	<u>3,967</u>	<u>2,591</u>	<u>2,230</u>

9. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended 31 December 2014 <i>HK\$'000</i>	Year ended 31 December 2015 <i>HK\$'000</i>	Six months ended 30 June 2015 <i>HK\$'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2016 <i>HK\$'000</i>
Employee benefits expense (including directors' emoluments (<i>Note 10</i>)):				
Salaries, allowances and other benefits in kind	33,911	43,635	21,200	20,276
Contributions to retirement benefits schemes	<u>1,318</u>	<u>1,558</u>	<u>759</u>	<u>740</u>
Total employee benefits expense	<u><u>35,229</u></u>	<u><u>45,193</u></u>	<u><u>21,959</u></u>	<u><u>21,016</u></u>
Auditors' remuneration	48	108	54	54
Amortisation of intangible assets (included in cost of sales on the combined statements of profit or loss and other comprehensive income)	2,007	1,657	904	540
Depreciation of property, plant and equipment	2,335	1,586	828	795
Impairment loss recognised on trade receivables	–	230	–	–
Listing expenses	–	4,864	–	440
Operating lease rentals in respect of:				
– rental premises	7,673	7,799	3,896	3,910
– equipment	<u>201</u>	<u>35</u>	<u>20</u>	<u>15</u>

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company for the Relevant Periods were as follows:

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to retirement benefits schemes HK\$'000	
Year ended 31 December 2014					
<i>Executive directors</i>					
Mr. Yu (<i>Note (i)</i>)	–	1,104	–	17	1,121
Mr. Tse (<i>Note (ii)</i>)	–	660	–	17	677
Mr. Chan (<i>Note (iii)</i>)	–	960	–	17	977
	–	2,724	–	51	2,775
Year ended 31 December 2015					
<i>Executive directors</i>					
Mr. Yu (<i>Note (i)</i>)	–	1,104	–	18	1,122
Mr. Tse (<i>Note (ii)</i>)	–	660	–	18	678
Mr. Chan (<i>Note (iii)</i>)	–	960	1,200	18	2,178
	–	2,724	1,200	54	3,978
Six months ended 30 June 2015 (Unaudited)					
<i>Executive directors</i>					
Mr. Yu (<i>Note (i)</i>)	–	552	–	9	561
Mr. Tse (<i>Note (ii)</i>)	–	330	–	9	339
Mr. Chan (<i>Note (iii)</i>)	–	480	600	9	1,089
	–	1,362	600	27	1,989
Six months ended 30 June 2016					
<i>Executive directors</i>					
Mr. Yu (<i>Note (i)</i>)	–	600	212	9	821
Mr. Tse (<i>Note (ii)</i>)	–	480	300	9	789
Mr. Chan (<i>Note (iii)</i>)	–	480	300	9	789
	–	1,560	812	27	2,399

Notes:

- (i) Mr. Yu was appointed as director of the Company on 13 January 2016. He was also a director of certain subsidiaries of the Company during the Relevant Periods and the Group paid emoluments to him in his capacity as director of the subsidiary before his appointment as an executive director of the Company on 15 December 2016.
- (ii) Mr. Tse was appointed as director of the Company on 13 January 2016. He was also a director of certain subsidiaries of the Company during the Relevant Periods and the Group paid emoluments to him in his capacity as director of the subsidiary before his appointment as an executive director of the Company on 15 December 2016.
- (iii) Mr. Chan was appointed as director of the Company on 13 January 2016. He was also a director of certain subsidiaries of the Company during the Relevant Periods and the Group paid emoluments to him in his capacity as director of the subsidiary before his appointment as an executive director of the Company on 15 December 2016.

Mr. Ng Jack Ho Wan, Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony were appointed as independent non-executive directors of the Company on 15 December 2016. During the Relevant Periods, the directors including both executive directors and independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

None of the directors waived any emoluments during the Relevant Periods. In addition, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two, two, two and three were directors of the Company for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining three, three, three and two individuals for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively were as follows:

	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000
Salaries, allowances and other benefits in kind	2,047	2,268	1,022	763
Discretionary bonuses	164	1,370	725	–
Contributions to retirement benefits schemes	51	54	27	18
	<u>2,262</u>	<u>3,692</u>	<u>1,774</u>	<u>781</u>

The emoluments of the highest paid employees who are not the directors of the Company whose emoluments are within the following band:

	Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2015	Six months ended 30 June 2016
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals (Unaudited)</i>	<i>Number of individuals</i>
Nil to HK\$1,000,000	3	1	3	2
HK\$1,000,001 to HK\$1,500,000	—	2	—	—
	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

12. DIVIDENDS

	Year ended 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2015	Six months ended 30 June 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000 (Unaudited)</i>	<i>HK\$'000</i>
Dividends paid in respect of the following companies:				
HM Services	6,000	20,850	—	—
HM Language	2,513	—	—	8,500
HM Too	—	3,500	—	—
	<u>8,513</u>	<u>24,350</u>	<u>—</u>	<u>8,500</u>

No dividend has been paid or declared by the Company since its incorporation. The amounts represented the dividends paid by respective companies to their then equity holders prior to the Reorganisation.

The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

For the purpose of this report, the calculation of basic earnings per share attributable owners of the Company was based on (i) the profit attributable to owners of the Company for the Relevant Periods and (ii) the weighted average number of 300,000,000 shares (comprising 1,000 shares in issue at the date of the Prospectus and 299,999,000 shares to be issued under the capitalisation issue as described in Appendix IV to the Prospectus) as if these 300,000,000 shares were outstanding throughout the Relevant Periods.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
Balance at 1 January 2014	2,543	2,850	16,031	783	3,325	25,532
Additions	–	64	458	–	306	828
Disposals	–	(8)	–	–	(768)	(776)
Balance at 31 December 2014 and 1 January 2015	2,543	2,906	16,489	783	2,863	25,584
Additions	–	17	440	2,326	13	2,796
Disposals	–	(4)	(1,381)	(783)	(47)	(2,215)
Balance at 31 December 2015 and 1 January 2016	2,543	2,919	15,548	2,326	2,829	26,165
Additions	–	–	395	–	–	395
Balance at 30 June 2016	<u>2,543</u>	<u>2,919</u>	<u>15,943</u>	<u>2,326</u>	<u>2,829</u>	<u>26,560</u>
Accumulated depreciation						
Balance at 1 January 2014	2,543	2,350	13,785	313	2,165	21,156
Depreciation expense	–	269	1,218	235	613	2,335
Eliminated on disposals of assets	–	(6)	–	–	(176)	(182)
Balance at 31 December 2014 and 1 January 2015	2,543	2,613	15,003	548	2,602	23,309
Depreciation expense	–	203	964	342	77	1,586
Eliminated on disposals of assets	–	(4)	(1,359)	(666)	(47)	(2,076)
Balance at 31 December 2015 and 1 January 2016	2,543	2,812	14,608	224	2,632	22,819
Depreciation expense	–	19	387	349	40	795
Balance at 30 June 2016	<u>2,543</u>	<u>2,831</u>	<u>14,995</u>	<u>573</u>	<u>2,672</u>	<u>23,614</u>
Carrying amounts						
Balance at 31 December 2014	<u>–</u>	<u>293</u>	<u>1,486</u>	<u>235</u>	<u>261</u>	<u>2,275</u>
Balance at 31 December 2015	<u>–</u>	<u>107</u>	<u>940</u>	<u>2,102</u>	<u>197</u>	<u>3,346</u>
Balance at 30 June 2016	<u>–</u>	<u>88</u>	<u>948</u>	<u>1,753</u>	<u>157</u>	<u>2,946</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	20%
Furniture and fixtures	20%
Computer equipment	33 ¹ / ₃ %
Motor vehicles	30%
Leasehold improvements	25%

As at 31 December 2014 and 2015 and 30 June 2016, certain of the Group's property, plant and equipment with an aggregate carrying amounts of nil and approximately HK\$1,592,000 and HK\$1,333,000 respectively have been pledged to secure finance leases obligations granted to the Group (Note 24).

15. INTANGIBLE ASSETS

The Group

	Computer software <i>HK\$'000</i>
Cost	
Balance at 1 January 2014	4,029
Additions	<u>2,222</u>
Balance at 31 December 2014 and 1 January 2015	6,251
Additions	<u>533</u>
Balance at 31 December 2015 and 1 January 2016	6,784
Additions	<u>77</u>
Balance at 30 June 2016	<u><u>6,861</u></u>
Accumulated amortisation	
Balance at 1 January 2014	1,723
Amortisation expense	<u>2,007</u>
Balance at 31 December 2014 and 1 January 2015	3,730
Amortisation expense	<u>1,657</u>
Balance at 31 December 2015 and 1 January 2016	5,387
Amortisation expense	<u>540</u>
Balance at 30 June 2016	<u><u>5,927</u></u>
Carrying amounts	
Balance at 31 December 2014	<u><u>2,521</u></u>
Balance at 31 December 2015	<u><u>1,397</u></u>
Balance at 30 June 2016	<u><u>934</u></u>

The above items of intangible assets are amortised on a straight-line basis at the following rate per annum:

Computer software 33¹/₃%

16. AMOUNTS DUE FROM CUSTOMERS ON SERVICE CONTRACTS

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus attributable profit	3,791	3,339	2,039
Less: progress billings to date	—	—	—
	<u>3,791</u>	<u>3,339</u>	<u>2,039</u>

As at 31 December 2014 and 2015 and 30 June 2016, no retention held by customers on service contracts. Advance received from customers on service contracts amounted to approximately HK\$6,153,000, HK\$6,345,000 and HK\$6,187,000 as at 31 December 2014 and 2015 and 30 June 2016, respectively.

17. TRADE AND OTHER RECEIVABLES

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	42,139	48,261	36,830
Other receivables and prepayments	5,504	4,277	5,629
	<u>47,643</u>	<u>52,538</u>	<u>42,459</u>

The following is an analysis of trade receivables by age, presented based on the invoice date:

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	13,966	8,606	15,013
31 – 60 days	4,838	6,610	4,706
61 – 90 days	3,371	4,640	11,450
91 – 365 days	4,726	7,670	5,661
Over 365 days	15,238	20,735	—
	<u>42,139</u>	<u>48,261</u>	<u>36,830</u>

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period was ranging from 30 days to 90 days for the Relevant Periods. No interest is charged on overdue receivables.

The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. As at 31 December 2014 and 2015 and 30 June 2016, respectively 43%, 29% and 47% of the trade receivables are neither past due nor impaired relate to a number of independent customers with good settlement history and no default on settlement had been noted.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of each of the Relevant Periods for which the Group has not recognised an allowance for doubtful debts because there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Age of trade receivables that are past due but not impaired

	The Group		
	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
Overdue by:			
1 – 30 days	3,754	5,191	7,531
31 – 60 days	905	1,937	9,380
61 – 90 days	457	2,275	1,861
91 – 365 days	4,361	5,139	590
Over 365 days	14,520	19,885	–
	<u>23,997</u>	<u>34,427</u>	<u>19,362</u>

Movement in allowance for doubtful debts

	The Group		
	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Six months ended 30 June 2016 HK\$'000
Balance at beginning of the year/period	–	–	–
Impairment loss recognised on receivables	–	230	–
Amounts written off during the year/period as uncollectible	–	(230)	–
Balance at end of the year/period	<u>–</u>	<u>–</u>	<u>–</u>

As at 31 December 2014 and 2015 and 30 June 2016, included in the Group's trade receivables which due from related companies are as follows:

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
神州軒達財經信息顧問(北京)有限公司 (Shenzhou Xuanda Financial Information Consultancy (Beijing) Limited*) ("Xuanda Beijing")	20,775	24,300	–
Sunland Printing Limited ("Sunland")	29	–	–
	<u>20,804</u>	<u>24,300</u>	<u>–</u>

* English translation of the name of a Chinese company is provided for identification purpose only.

Xuanda Beijing was controlled by the Controlling Parties until August 2016. Sunland was controlled by the Controlling Parties until August 2014.

18. AMOUNTS DUE FROM DIRECTORS

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from directors			
Mr. Yu	7,066	–	–
Mr. Tse	4,381	–	–
Mr. Chan	5,940	–	–
	<u>17,387</u>	<u>–</u>	<u>–</u>
	Year ended	Year ended	Six months
	31 December	31 December	ended 30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maximum amount outstanding during the respective year/period			
Mr. Yu	7,066	7,066	–
Mr. Tse	4,384	5,034	–
Mr. Chan	5,940	5,940	–

The amounts due from directors are non-trade in nature, unsecured, non-interest bearing and have no fixed terms of repayment.

19. AMOUNTS DUE FROM RELATED COMPANIES

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Name of companies			
HeterMedia Group Limited (formerly known as HeterMedia Holdings Limited) ("HMG")	808	–	–
Unique Concept Development Limited	4	–	–
	<u>812</u>	<u>–</u>	<u>–</u>
	Year ended	Year ended	Six months
	31 December	31 December	ended 30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maximum amount outstanding during the respective year/period			
HMG	<u>4,924</u>	<u>808</u>	<u>–</u>
Unique Concept Development Limited	<u>4</u>	<u>4</u>	<u>–</u>

As at 31 December 2014, 31 December 2015 and 30 June 2016, the amounts due from the related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

HMG were controlled by the Controlling Parties until August 2016.

Unique Concept Development Limited was controlled by Mr. Yu.

20. CASH AND BANK BALANCES/PLEDGED BANK DEPOSIT/BANK OVERDRAFTS

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances earn interest at floating rates based on daily bank deposit rates.

Pledged bank deposit represents deposit pledged with bank to secure the banking facilities granted to the Group. As at 31 December 2014 and 2015 and 30 June 2016, the deposit carry effective interest at 0.25%, 0.24% and 0.24% per annum respectively. The pledged bank deposit will be released upon expiry of the relevant banking facility.

As at 31 December 2014 and 2015 and 30 June 2016, the weighted average effective interest rate of the bank overdrafts were nil, 6.50% per annum and 4.75% per annum respectively.

As at 31 December 2015, bank overdrafts were secured by (i) the personal guarantees from the Controlling Parties; (ii) corporate guarantees by HM Language, HM Information and HMG; and (iii) guarantee issued by the Hong Kong Mortgage Corporation Limited under SME Finance Guarantee Scheme (the "SME Finance Guarantee Scheme"). The aforesaid guarantees were released in September 2016.

As at 30 June 2016, bank overdrafts were secured by (i) pledged bank deposit; (ii) personal guarantees from the Controlling Parties; and (iii) corporate guarantees by HM Services, HM Too and HMG. The corporate guarantee by HMG was released in August 2016 and the personal guarantees from the Controlling Parties will be released/replaced by a corporate guarantee to be provided by the Company upon Listing.

21. TRADE AND OTHER PAYABLES

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	35,225	18,841	21,930
Other payables and accruals	5,669	9,835	9,904
Receipts in advance	6,153	6,345	6,187
Dividend payables	8,513	–	–
	<u>55,560</u>	<u>35,021</u>	<u>38,021</u>

The following is an aged analysis of trade payables based on the invoice date:

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	9,023	9,371	9,039
31 – 60 days	4,049	3,906	6,942
61 – 90 days	5,089	5,086	5,783
91 – 365 days	17,064	478	166
	<u>35,225</u>	<u>18,841</u>	<u>21,930</u>

The trade payables are non-interest bearing. The credit period was ranging from 30 days to 90 days for the Relevant Periods.

22. AMOUNTS DUE TO RELATED COMPANIES

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Name of companies			
Xuanda Beijing	5,432	3,853	–
HMG	–	15,789	–
	<u>5,432</u>	<u>19,642</u>	<u>–</u>

As at 31 December 2014 and 2015 and 30 June 2016, the amounts due to related companies are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Xuanda Beijing and HMG were controlled by the Controlling Parties until August 2016.

23. BANK BORROWINGS

	The Group		
	As at	As at	As at
	31 December	31 December	30 June
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings – secured:			
Variable rate	–	4,083	4,001
Carrying amounts of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayable on demand clause	–	1,000	1,418
Carrying amounts of bank borrowings that are repayable beyond one year but not exceeding two years from the end of the reporting period but contain a repayable on demand clause	–	1,000	1,000
Carrying amounts of bank borrowings that are repayable beyond two years but not exceeding five years from the end of the reporting period but contain a repayable on demand clause	–	2,083	1,583
Amounts due within twelve months shown under current liabilities	<u>–</u>	<u>4,083</u>	<u>4,001</u>

Bank borrowings were secured by (i) personal guarantees from the Controlling Parties; (ii) corporate guarantees by HM Information, HM Language, HM Services, HM Too and HMG; (iii) guarantee issued by the SME Finance Guarantee Scheme; and (iv) pledged bank deposit. Guarantees by HMG, HM Information, HM Language and the SME Guarantee Scheme were released by September 2016. The personal guarantees from the Controlling Parties will be released/replaced by a corporate guarantee to be provided by the Company upon listing.

As at 31 December 2015, the variable rate bank borrowings are subject to Hong Kong Interbank Offer Rate over 2.65% per annum. As at 30 June 2016, the variable rate bank borrowings are subject to the range between the higher of (i) the banker's prime rate minus 0.5% per annum; and (ii) the banker's cost of fund and Hong Kong Interbank Offer Rate over 2.65% per annum. The weighted average effective interest rate of the above variable-rate bank borrowings as at 31 December 2014 and 2015 and 30 June 2016 were nil, 2.87% and 3.38% per annum respectively.

24. FINANCE LEASES OBLIGATIONS

The Group leased certain of its motor vehicles under finance leases. The lease terms are nil for the year ended 31 December 2014 and three years for the year ended 31 December 2015 and the six months ended 30 June 2016. Interest rates underlying all obligations under finance leases are nil for the year ended 31 December 2014 and ranged from 1.18% per annum to 4% per annum for the year ended 31 December 2015 and the six months ended 30 June 2016.

	The Group		
	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
Minimum lease payments			
Amounts payable under leases:			
Within one year	–	565	565
In more than one year and not more than five years	–	835	548
	–	1,400	1,113
Less: future finance charges	–	(58)	(37)
Present value of leases obligations	–	1,342	1,076
Present value of minimum lease payments			
More than one year, but not exceeding two years	–	546	487
More than two years, but not exceeding five years	–	268	52
Amount due for settlement after a year (shown under non-current liabilities)	–	814	539
Amount due for settlement within a year (shown under current liabilities)	–	528	537
Total present value of leases obligations	–	1,342	1,076

The Group's obligations under finance leases are secured by the lessors' titles to the leased assets (Note 14) and personal guarantees by Mr. Yu and Mr. Tse. Finance leases obligations are denominated in HK\$.

25. DEFERRED TAX LIABILITIES

The Group

The following is the deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation HK\$'000
Balance at 1 January 2014	8
Charge to profit or loss (<i>Note 8</i>)	<u>61</u>
Balance at 31 December 2014 and 1 January 2015	69
Charge to profit or loss (<i>Note 8</i>)	<u>203</u>
Balance at 31 December 2015 and 1 January 2016	272
Charge to profit or loss (<i>Note 8</i>)	<u>-</u>
Balance at 30 June 2016	<u><u>272</u></u>

As at 31 December 2014 and 2015 and 30 June 2016, a subsidiary of the Group have estimated unused tax losses of approximately HK\$1,804,000, nil and nil respectively available for offsetting against future profits of that subsidiary in which the losses arose that may be carried forward indefinitely.

26. SHARE CAPITAL

The Group

The share capital of the Group at 31 December 2014 and 2015 represents the combined share capital of the subsidiaries comprising the Group held by the Controlling Parties, prior to the Reorganisation.

The share capital of the Group at 30 June 2016 represents the combined share capital of the Company and the subsidiaries comprising the Group held by the Controlling Parties, prior to the Reorganisation.

The Company

	Number of shares	Amounts HK\$
Authorised		
Ordinary shares at HK\$0.01 each at the date of incorporation and at 30 June 2016	<u>38,000,000</u>	<u>380,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.01 each At the date of incorporation and at 30 June 2016	<u>1</u>	<u>0.01</u>

HK\$'000

Shown on the statement of financial position at 30 June 2016

—

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 13 January 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and 1 share was issued. On 15 December 2016, the Company allotted and issued 999 shares to HM Ultimate credited as fully paid as consideration for the acquisition of the entire issued share capital of HM Immediate from the Controlling Parties. Pursuant to the written resolutions passed by the sole shareholder of the Company on 15 December 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 new shares of HK\$0.01 each, ranking *pari passu* with the existing share in all respects.

27. RESERVES**(a) The Group**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity of the Financial Information.

(b) Acquisition of additional interests in a subsidiary

In November 2015, the Group acquired 20% equity interests of HM Language held by a third party at a consideration of approximately HK\$1,236,000 which was negotiated with reference to the net asset value of HM Language of approximately HK\$13,200,000 as at 31 October 2015. HM Language then became a wholly-owned subsidiary of the Group.

(c) The Company

	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the date of incorporation	—	—
Profit and total comprehensive income for the period	—	—
	<u>—</u>	<u>—</u>
Balance at 30 June 2016	<u>—</u>	<u>—</u>

28. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") for all qualifying employees in Hong Kong. The total expenses recognised in the combined statements of profit or loss and other comprehensive income amounted to approximately HK\$1,318,000, HK\$1,558,000, HK\$759,000 and HK\$740,000 for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 respectively, and represented contributions payable to these plans by the Group at rates specified in the rules of plans. Except for the voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of net debt (which includes net of cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital and reserves).

Adjusted debt-to-equity ratio

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the issuance of new shares, raise of borrowings or repayment of the existing borrowings.

The adjusted debt-to-equity ratios at the end of each of the Relevant Periods were as follows:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
Debts (<i>Note (i)</i>)	–	7,397	5,375
Less: cash and bank balances	<u>(9,571)</u>	<u>(16,574)</u>	<u>(14,534)</u>
Net debt	(9,571)	(9,177)	(9,159)
Equity (<i>Note (ii)</i>)	<u>25,758</u>	<u>18,455</u>	<u>20,607</u>
Adjusted debt-to-equity ratio	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes:

- (i) Debt comprises bank overdrafts, bank borrowings and finance leases obligations as detailed in Notes 20, 23 and 24 respectively.
- (ii) Equity includes all capital and reserves attributable to owners of the Company.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>
The Group			
Financial assets			
<i>Loans and receivables</i>			
Trade and other receivables	46,698	51,186	40,154
Amounts due from directors	17,387	–	–
Amounts due from related companies	812	–	–
Pledged bank deposit	6,000	6,000	6,000
Cash and bank balances	9,571	16,574	14,534
	<u>80,468</u>	<u>73,760</u>	<u>60,688</u>
Financial liabilities			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	49,407	28,676	31,833
Amounts due to related companies	5,432	19,642	–
Bank borrowings	–	4,083	4,001
Finance leases obligations	–	1,342	1,076
Bank overdrafts	–	1,972	298
	<u>54,839</u>	<u>55,715</u>	<u>37,208</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from directors, amounts due from related companies, pledged bank deposit, cash and bank balances, trade and other payables, amounts due to related companies, bank borrowings, finance leases obligations and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management has been monitoring these risk exposures to ensure appropriate measures are implemented on a timely and effective manner so as to mitigate or reduce such risks.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks throughout the Relevant Periods.

Foreign currency risk management

As the assets and liabilities of the Group are mainly denominated in HK\$ as at 31 December 2014 and 2015 and 30 June 2016, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK\$ and other currencies and the Group's income and operating cash flows are substantially independent of changes in foreign currency exchange.

Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and financial liabilities which are detailed in the liquidity risk management section of this note, mainly the interest bearing bank balances. The group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and borrowings where necessary.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each of the Relevant Periods. The analysis is prepared assuming the financial instruments outstanding at the end of each of the Relevant Periods were outstanding for the whole of each of the Relevant Periods. A 50 basis points increase or decrease in the market rates is used when reporting interest rate risk internally to key management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- post-tax profit for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would increase/decrease by nil, approximately HK\$25,000, HK\$24,000 and HK\$21,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate bank overdrafts; and
- other comprehensive income for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 would increase/decrease by nil, approximately HK\$24,000, HK\$24,000 and HK\$21,000, respectively. This is mainly as a result of the changes in the interest rates on its variable rate bank overdrafts.

Price risk management

As the Group did not have any financial assets classified as financial assets at fair value through profit or loss, or available-for-sale financial assets at the end of each of the Relevant Periods, the Group is not exposed to significant price risk.

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of each of the Relevant Periods.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determining of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. In addition, the Group reviews the recoverable amount of each individual trade debt by weekly basis

and debt instrument at the end of each of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. The Group is also subject to concentration of credit risk arising from its trade receivables as 82%, 32% and 40% of these receivables are due from the Group's largest five customers as at 31 December 2014 and 2015 and 30 June 2016 respectively.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables as disclosed above, the Group does not have any other significant concentration of credit risk.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

In addition, the Group had aggregate banking facilities of approximately HK\$29,950,000, HK\$19,033,000 and HK\$18,533,000 from several banks for certain banking facilities for the years ended 31 December 2014 and 2015 and six months ended 30 June 2016, respectively. Unused facilities as at 31 December 2014 and 2015 and 30 June 2016, amounted to approximately HK\$29,950,000, HK\$14,105,000 and HK\$14,234,000 respectively.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from applicable interest rate at the end of each of the Relevant Periods.

The Group

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total undiscounted amount HK\$'000	Total carrying amount HK\$'000
At 31 December 2014						
Trade and other payables	-	49,407	-	-	49,407	49,407
Amounts due to related companies	-	5,432	-	-	5,432	5,432
		<u>54,839</u>	<u>-</u>	<u>-</u>	<u>54,839</u>	<u>54,839</u>
At 31 December 2015						
Trade and other payables	-	28,676	-	-	28,676	28,676
Amounts due to related companies	-	19,642	-	-	19,642	19,642
Bank borrowings	2.87	4,327	-	-	4,327	4,083
Finance leases obligations	2.33	565	565	270	1,400	1,342
Bank overdrafts	6.50	1,982	-	-	1,982	1,972
		<u>55,192</u>	<u>565</u>	<u>270</u>	<u>56,027</u>	<u>55,715</u>
At 30 June 2016						
Trade and other payables	-	31,833	-	-	31,833	31,833
Bank borrowings	3.38	4,193	-	-	4,193	4,001
Finance leases obligations	2.29	565	497	51	1,113	1,076
Bank overdrafts	4.75	299	-	-	299	298
		<u>36,890</u>	<u>497</u>	<u>51</u>	<u>37,438</u>	<u>37,208</u>

(c) Fair value measurements of financial instruments

The Group and the Company have no financial instruments measured at fair value subsequent to initial recognition on a recurring basis throughout the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

31. COMMITMENTS

Operating lease commitments as lessee

At the end of each of the Relevant Periods, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group		
	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
Within one year	7,433	4,852	1,135
In the second to fifth years inclusive	4,252	1,200	900
	<u>11,685</u>	<u>6,052</u>	<u>2,035</u>

During the Relevant Periods, operating leases relate to office premises with lease terms of between two years to three years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Capital commitments

The Group had the following capital commitments not provided for in respect of property, plant and equipment at the end of each of the Relevant Periods as follows:

	The Group		
	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
Contracted but not provided for:			
– Property, plant and equipment	<u>–</u>	<u>–</u>	<u>–</u>

32. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group entered into finance leases arrangements in respect of items of property, plant and equipment with a total capital value at the inception of the lease of nil, approximately HK\$1,628,000, nil and nil respectively.

33. MATERIAL NON-CONTROLLING INTERESTS

The Group had no subsidiaries which have material non-controlling interests during the Relevant Periods.

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in Notes 17, 18, 19 and 22 to the Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods:

- (i) During the Relevant Periods, the bank borrowings (Note 23), bank overdrafts (Note 20) and the banking facilities are guaranteed by the Controlling Parties and HMG. Guarantees by HMG were released by September 2016 and guarantees by the Controlling Parties was released/replaced by a corporate guarantee to be provided by the Company upon Listing.
- (ii) During the Relevant Periods, the finance leases obligations are guaranteed by Mr. Yu and Mr. Tse.
- (iii) The Group also entered into the following significant related party transactions with related parties based on the terms mutually agreed by both parties during the Relevant Periods:

Name of related party	Nature of transaction	Year ended	Year ended	Six months	Six months
		31 December 2014 HK\$'000	31 December 2015 HK\$'000	ended 30 June 2015 HK\$'000 (Unaudited)	ended 30 June 2016 HK\$'000
Unique Concept Development Limited (Note (a))	Rental expenses for director's quarter	504	504	252	300
Sunland (Note (b))	Management fee income	1,152	-	-	-
	Printing charges	24,222	-	-	-
Xuanda Beijing (Note (c))	Integrated printing services income	5,848	3,902	2,735	2,688
	Printing charges	-	301	-	-
Easy Language and Content Management Limited ("Easy Language") (Note (c))	Integrated printing services income	74	-	-	-
	Management fee income	-	167	167	-

Notes:

- (a) Unique Concept Development Limited was controlled by Mr. Yu.
- (b) Sunland was controlled by the Controlling Parties until August 2014.
- (c) Xuanda Beijing and Easy Language were controlled by the Controlling Parties until August 2016.

(iv) Compensation of key management personnel

The directors are identified as the key management personnel of the Company, and the remuneration of key management during the Relevant Periods were as follows:

	The Group			
	Year ended 31 December 2014 HK\$'000	Year ended 31 December 2015 HK\$'000	Six months ended 30 June 2015 HK\$'000 (Unaudited)	Six months ended 30 June 2016 HK\$'000
Salaries, allowances and other benefits in kind	2,724	2,724	1,362	1,560
Discretionary bonuses	–	1,200	600	812
Contributions to retirement benefits schemes	51	54	27	27
	<u>2,775</u>	<u>3,978</u>	<u>1,989</u>	<u>2,399</u>

35. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities and the finance leases obligations:

	The Group		
	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 30 June 2016 HK\$'000
Pledged bank deposit	6,000	6,000	6,000
Property, plant and equipment	–	1,592	1,333
	<u>6,000</u>	<u>7,592</u>	<u>7,333</u>

B. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2016:

- (i) Pursuant to the written resolution of the shareholders of the Company passed on 15 December 2016, the Company has conditionally adopted a share option scheme, details of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to the Prospectus.
- (ii) Pursuant to the written resolution of the shareholders of the Company passed on 15 December 2016, the Company has conditionally approved the issue of shares pursuant to the capitalisation issue. Details of which are set out in Appendix IV to the Prospectus.

C. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2016 is expected to be approximately HK\$4,874,000.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2016.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Lo Kin Kei
Practising Certificate Number: P06413
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with paragraph 7.31 of the GEM Listing Rules are set out below to illustrate the effect of the Placing on the combined net tangible assets of the Group attributable to the owners of the Company as of 30 June 2016 as if the Placing had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the combined net tangible assets of the Group had the Placing been completed as of 30 June 2016 or of any future dates. The unaudited pro forma adjusted combined net tangible assets are prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company as of 30 June 2016 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016	Add: Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on the Placing Price of HK\$0.50 per Placing Share	<u>19,673</u>	<u>36,239</u>	<u>55,912</u>	<u>0.14</u>
Based on the Placing Price of HK\$0.60 per Placing Share	<u>19,673</u>	<u>45,789</u>	<u>65,462</u>	<u>0.16</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 are based on audited combined net assets of the Group attributable to owners of the Company as at 30 June 2016 of approximately HK\$20,607,000 less intangible assets of approximately HK\$934,000, as shown in the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing of Placing Shares are based on the lowest and highest Placing Price of HK\$0.50 and HK\$0.60 per Placing Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses to be borne by the Group (excluding Listing related expenses of approximately HK\$5,304,000 which have been accounted for prior to 30 June 2016).
3. The unaudited pro forma adjusted combined net tangible assets per Share is determined after the adjustments as described in Notes 1 and 2 above and on the basis that 400,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus.
4. The unaudited pro forma financial information presented above does not take account of any trading results or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2016).

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

29 December 2016

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF HM INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of HM International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 30 June 2016, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in section A of Appendix II to the prospectus issued by the Company dated 29 December 2016 (the “**Prospectus**”), in connection with the proposed placing of the shares of the Company (the “**Placing**”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Placing on the Group’s financial position as at 30 June 2016 as if the Placing had taken place at 30 June 2016. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the six months ended 30 June 2016, on which an accountants’ report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7, “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “*Code of Ethics for Professional Accountants*” issued by the HKICPA, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*”, issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Lo Kin Kei
Practising Certificate Number: P06413
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 January 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 15 December 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy

not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) *Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and

other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by

the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company 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 on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro-rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in

connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or

indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/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;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) *Alterations to the constitutional documents and the Company's name*

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;

- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong

which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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 seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro-rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) 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 to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine 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.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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 monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, 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, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 13 January 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 2 February 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member

would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "A. Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 January 2016. Our Company has established a principal place of business in Hong Kong at 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 12 April 2016. Our Company has appointed Mr. Yu and Mr. Chan as its authorised representatives for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles. A summary of various parts of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, its authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Following its incorporation, one Share was allotted and issued to the first subscriber, an Independent Third Party, which was subsequently transferred to HM Ultimate at par on 13 January 2016.

On 15 December 2016, our Company allotted and issued an aggregate of 999 Shares to HM Ultimate credited as fully paid as consideration for the acquisition of 530 shares, 245 shares and 225 shares in HM Immediate, being in aggregate its entire issued share capital, from Mr. Yu, Mr. Tse and Mr. Chan respectively.

Pursuant to the written resolutions of the sole Shareholder passed on 15 December 2016, the authorised share capital of our Company was increased from HK\$380,000 to HK\$50,000,000 divided into 5,000,000,000 Shares by the creation of further 4,962,000,000 Shares.

Immediately following completion of the Placing and the Capitalisation Issue, the authorised share capital of our Company will be HK\$50,000,000 divided into 5,000,000,000 Shares and the issued share capital of our Company will be HK\$4,000,000 divided into 400,000,000 Shares fully paid or credited as fully paid. Save as disclosed in this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder passed on 15 December 2016

On 15 December 2016, resolutions in writing were passed by the sole Shareholder pursuant to which, among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on (i) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise:
 - (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise an amount of HK\$2,999,990 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 299,999,000 Shares for allotment and issue to our Shareholder(s) whose name(s) appear on the register of members of our Company at close of business on the date this resolution was passed, and our Directors were authorised to give effect to such capitalisation and distribution, and the Capitalisation Issue was approved;
 - (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any shares allotted and issued in lieu of the whole or part of a dividend on shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or under the Placing or the Capitalisation Issue) Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate number of Shares not exceeding the sum of 20% of the total number of issued Shares immediately following completion of the Placing and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to exercise of

any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate number of Shares not exceeding 10% of the total number of issued Shares immediately following completion of the Placing and the Capitalisation Issue (excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands laws to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to such number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and
- (vii) the Underwriting Agreement, subject to such amendments thereto as may be approved by any one Director, was approved and that any one Director was authorised to sign the same for and on behalf of our Company, and where required, affix the seal of the Company thereon; and any one Director was authorised to approve, execute, ratify and arrange the issue of any documents in relation to or incidental to the Underwriting Agreement.

4. Corporate Reorganisation

In preparation of the Listing, the companies comprising our Group underwent the Reorganisation to rationalise our Group's corporate structure. Please refer to the section headed "History, Reorganisation and Development" in this prospectus for further details.

5. Changes in share capital of the subsidiaries of our Company

Our Company's subsidiaries are listed in the accountant's report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Development” in this prospectus, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

6. Particulars of our subsidiaries

Particulars of our subsidiaries are set forth in the accountant’s report, the text of which is set out in Appendix I to this prospectus.

7. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution the sole Shareholder passed on 15 December 2016, a general unconditional mandate was given to our Directors authorising any repurchase by our Company as described above in the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of the sole Shareholder passed on 15 December 2016” in this appendix.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

(b) Funding of purchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilised in this connection, including profits and share premium of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies

Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital of our Company.

Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the course of the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

(e) *General*

None of our Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective close associates, has any present intention, to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is approved by our Shareholders.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum, the Articles and all applicable laws and regulations of the Cayman Islands.

If, as a result of repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interests of our Shareholder(s), could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

No repurchase of Shares has been made since the incorporation of our Company.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the deed of novation dated 28 August 2015 entered into by HMG, HM Services, Mr. Nelson Mak Chiu Fung and Mr. Mui Tung Lai relating to the trade payable in the amount of HK\$16 million owed by HM Services to Sunland, which was assigned to Mr. Nelson Mak Chiu Fung and Mr. Mui Tung Lai pursuant to a deed of assignment entered into between Sunland, Mr. Nelson Mak Chiu Fung and Mr. Mui Tung Lai on the same date;
- (b) the supplemental agreement dated 31 August 2015 entered into between HMG and HM Services as vendors, Mr. Nelson Mak Chiu Fung and Mr. Mui Tung Lai as purchasers, and Sunland relating to the agreement dated 31 August 2014 entered into by the same parties involving the transfer of 1,056,000 shares in Sunland in consideration of HK\$22

million, pursuant to which the outstanding consideration in the amount of HK\$16 million due from Mr. Nelson Mak Chiu Fung and Mr. Mui Tung Lai for the acquisition of the 1,056,000 shares in Sunland was set off and fully settled against the corresponding amount of the printing costs payable by the vendors to the purchasers;





- (c) the bought and sold notes dated 30 November 2015 entered into between HMG and Ms. Cheung So Ha for the transfer of 20,000 shares in HM Language in consideration of HK\$1,236,200;
- (d) the instrument of transfer dated 30 November 2015 entered into between HMG and Ms. Cheung So Ha for the transfer of 20,000 shares in HM Language in consideration of HK\$1,236,200;
- (e) the bought and sold notes dated 7 December 2015 entered into between HMG and Mr. Yu for the transfer of one share in HM Information in consideration of HK\$84.30;
- (f) the instrument of transfer dated 7 December 2015 entered into between HMG and Mr. Yu for the transfer of one share in HM Information in consideration of HK\$84.30;
- (g) the instrument of transfer dated 2 February 2016 entered into between HMG and Mr. Tse for the transfer of 500 shares in HM Services as transfer from nominee to beneficiary;
- (h) the agreement dated 19 August 2016 entered into between HMG as vendor and HM Immediate as purchaser relating to the transfer of the entire issued share capital of HM Too to HM Immediate in consideration of the allotment and issue of 530 shares, 245 shares and 225 shares of HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan, respectively, all credited as fully paid;
- (i) the agreement dated 19 August 2016 entered into between HMG as vendor and HM Immediate as purchaser relating to the transfer of the entire issued share capital of HM Services to HM Immediate in consideration of the allotment and issue of 530 shares, 245 shares and 225 shares of HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan, respectively, all credited as fully paid;
- (j) the agreement dated 19 August 2016 entered into between HMG and HMC as vendors and HM Immediate as purchaser relating to the transfer of the entire issued share capital of HM Language to HM Immediate in consideration of the allotment and issue of 530 shares, 245 shares and 225 shares of HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan, respectively, all credited as fully paid;
- (k) the agreement dated 19 August 2016 entered into between HMG as vendor and HM Immediate as purchaser relating to the transfer of the entire issued share capital of HM Information to HM Immediate in consideration of the allotment and issue of 530 shares, 245 shares and 225 shares of HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan, respectively, all credited as fully paid;

- (l) the agreement dated 19 August 2016 entered into between HMG as vendor and HM Immediate as purchaser relating to the transfer of the entire issued share capital of HM Asia to HM Immediate in consideration of the allotment and issue of 530 shares, 245 shares and 225 shares of HM Immediate to Mr. Yu, Mr. Tse and Mr. Chan, respectively, all credited as fully paid;
- (m) the agreement dated 15 December 2016 entered into between our Company as purchaser and Mr. Yu, Mr. Tse and Mr. Chan as vendors relating to the transfer of the entire issued share capital of HM Immediate to our Company in consideration of the allotment and issue of 999 Shares to HM Ultimate, credited as fully paid;
- (n) the Deed of Indemnity dated 15 December 2016 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries) whereby our Controlling Shareholders agreed to give certain indemnities in relation to tax and other matters including indemnities set out in the paragraph headed “E. Other information – 1. Estate duty, tax and other indemnity” in this Appendix;
- (o) the Deed of Non-Competition dated 15 December 2016 entered into by our Controlling Shareholders as covenantors in favour of our Company (for itself and as trustee for each of our subsidiaries), details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders – Non-competition undertakings from our Controlling Shareholders” in this prospectus;
- (p) the Underwriting Agreement, the principal terms of which are summarised in the paragraph headed “Underwriting – Underwriting arrangements and expenses” in this prospectus;
- (q) the instrument of transfer dated 15 December 2016 entered into between Mr. Yu and our Company for the transfer of 530 shares in HM Immediate;
- (r) the instrument of transfer dated 15 December 2016 entered into between Mr. Tse and our Company for the transfer of 245 shares in HM Immediate; and
- (s) the instrument of transfer dated 15 December 2016 entered into between Mr. Chan and our Company for the transfer of 225 shares in HM Immediate.

2. Intellectual property of our Group

(a) Trade marks

As at the Latest Practicable Date, our Group was the registered owner of the following trade marks registered in Hong Kong:

Trade mark	Registration number	Name of registered proprietor	Class	Place of registration	Effective Period
 HeterMedia  HeterMedia	301256913	HM Services	16, 35, 41, 42	Hong Kong	15 December 2008 to 14 December 2018
 軒達資訊  軒達資訊	301256904	HM Services	16, 35, 41, 42	Hong Kong	15 December 2008 to 14 December 2018

(b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names:

Registrant	Domain name	Registration date	Expiry date
HM Services	www.hetermedia.com	7 March 2000	7 March 2021
HM Services	www.hetermedia.com.hk	20 April 2000	25 November 2020
HM Information	www.hmis.com.hk	3 September 2007	3 September 2020
HM Services	www.hmtoo.com	21 November 2012	21 November 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests and short positions of substantial shareholders in the share capital of our Company*

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the following person (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to

be kept under section 336 of the SFO, or will be, directly or indirectly, interested 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 our Group will be as follows:

Name of shareholder	Nature of interests	Number of Shares held after the Placing and Capitalisation Issue (L) <i>(Note 1)</i>	Percentage of shareholding
HM Ultimate <i>(Note 2)</i>	Beneficial owner	300,000,000 Shares	75%
Ms. Wong Mee Che Lilian	Interest of spouse <i>(Note 3)</i>	300,000,000 Shares	75%
Ms. Wong Yuk Sim Kathy	Interest of spouse <i>(Note 4)</i>	300,000,000 Shares	75%
Ms. Tang Wai Kwan May	Interest of spouse <i>(Note 5)</i>	300,000,000 Shares	75%

Note 1: The letter “L” denotes the long position in our Shares.

Note 2: HM Ultimate is beneficially owned as to 53% by Mr. Yu, 24.5% by Mr. Tse and 22.5% by Mr. Chan. Mr. Yu, Mr Tse and Mr. Chan together control all the Shares held by HM Ultimate.

Note 3: Ms. Wong Mee Che Lilian is the spouse of Mr. Yu. Ms. Wong Mee Che Lilian is deemed to be interested in the same number of Shares in which Mr. Yu is interested by virtue of the SFO.

Note 4: Ms. Wong Yuk Sim Kathy is the spouse of Mr. Tse. Ms. Wong Yuk Sim Kathy is deemed to be interested in the same number of Shares in which Mr. Tse is interested by virtue of the SFO.

Note 5: Ms. Tang Wai Kwan May is the spouse of Mr. Chan. Ms. Tang Wai Kwan May is deemed to be interested in the same number of Shares in which Mr. Chan is interested by virtue of the SFO.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a director or chief executive of our Company) who will immediately following completion of the Placing and the Capitalisation Issue have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will immediately following completion of the

Placing and the Capitalisation Issue be, directly or indirectly, interested 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 our Group.

2. Interests and short positions of directors and chief executive of our Company in the share capital, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Placing and Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the interests and short positions of each of our Directors and chief executive of our Company in the share capital, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required, to be notified to our Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules are set out as follows:

Interests in our Company

Name of director	Nature of interests	Number of Shares held after the Placing and Capitalisation Issue (L) <i>(Note 1)</i>	Percentage of shareholding
Mr. Yu	Interests held jointly with another person; interest in a controlled corporation <i>(Note 2)</i>	300,000,000 Shares	75%
Mr. Tse	Interest held jointly with another person; interest in a controlled corporation <i>(Note 2)</i>	300,000,000 Shares	75%
Mr. Chan	Interest held jointly with another person; interest in a controlled corporation <i>(Note 2)</i>	300,000,000 Shares	75%

Note 1: The letter “L” denotes the long position in the Shares.

Note 2: HM Ultimate is beneficially owned as to 53% by Mr. Yu, 24.5% by Mr. Tse and 22.5% by Mr. Chan. Mr. Yu, Mr. Tse and Mr. Chan together control all the Shares held by HM Ultimate.

Interests in associated corporation of our Company

Name of director	Name of associated corporation	Nature of interests	Number of shares held after the Placing and Capitalisation Issue (L) <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Yu	HM Ultimate	Beneficial owner	530 ordinary shares	53%
Mr. Tse	HM Ultimate	Beneficial owner	245 ordinary shares	24.5%
Mr. Chan	HM Ultimate	Beneficial owner	225 ordinary shares	22.5%

Note: The letter “L” denotes the long position in the relevant shares.

Save as disclosed above, immediately following completion of the Placing and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange once our Shares are listed.

3. Particulars of Directors’ service contracts and Directors’ remuneration

(a) Directors’ service contracts

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from 13 January 2016 and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other, which notice shall not expire until after the initial fixed term.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

(b) *Directors' remuneration*

The remuneration of our executive Directors are determined based on the relevant Director's experience, responsibility, workload and the time devoted to our Company.

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the aggregate amount paid to our Directors as remuneration (including fees, salaries, contribution to retirement benefit schemes, housing allowances and other allowances and benefits in kind and discretionary bonus) were approximately HK\$2.8 million, HK\$4.0 million and HK\$2.4 million respectively.

For the year ending 31 December 2016, the estimated total compensation payable to our Directors amounts to approximately HK\$3.2 million (excluding any discretionary bonus).

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years immediately preceding the issue of this prospectus.

The basic annual remuneration (subject to annual review and excluding any discretionary bonus) payable by our Group to each of our Directors is as follows:

	Annual remuneration (HK\$)
Executive Directors	
Mr. Yu	1,200,000
Mr. Tse	960,000
Mr. Chan	960,000
Independent non-executive Directors	
Mr. Ng Jack Ho Wan	200,000
Mr. Choi Hon Ting Derek	200,000
Mr. Wan Chi Wai Anthony	200,000

4. Related party transaction

During the two years preceding the date of this prospectus, our Group was engaged in related party transactions as described in Note 34 to the accountant's report set out in Appendix I to this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or the experts named in the paragraph headed “E. Other information – 7. Qualifications of experts” of this Appendix is interested in the promotion of, or in any assets which have been within the two years immediately preceding the issue of this prospectus acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “E. Other information – 7. Qualifications of experts” of 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 our Company taken as a whole;
- (c) save as disclosed in this prospectus, none of our Directors or their associates or existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any other interest in any of the five largest clients of our Company;
- (d) none of our Directors or their associates or the existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest suppliers of our Company; and
- (e) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. SHARE OPTION SCHEME**Summary of terms of the Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the Eligible Participants to subscribe for the Shares thereby linking their interest with that of our Group.

(b) Grant and acceptance of options

Subject to the terms of the Share Option Scheme, our Directors may, in their absolute discretion make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for

acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

(c) *Subscription price of Shares*

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

(d) *Maximum number of Shares*

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Group shall not exceed such number of Shares as equals 10% of the issued share capital of our Company at the Listing Date. On the basis of a total of 400,000,000 Shares in issue as at the Listing Date, the relevant limit will be 40,000,000 Shares which represent 10% of the issued Shares at the Listing Date. Our Company may seek approval by its Shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

- (ii) Our Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by our Company before such approval is sought. Our Company will send a circular to our Shareholders containing a generic description of the specified Eligible Participant 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 Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the GEM Listing Rules from time to time.

The limit on the 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 options granted and yet to be exercised under any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.

- (iii) Unless approved by our Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.
- (iv) The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

(e) *Exercise of options*

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances 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 so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 21 days after receipt of the notice and, where appropriate, receipt of the auditors' or the independent financial adviser's certificate, our Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

(f) Restrictions on the time of grant of options

Grant of options may not be made when inside information has come to the knowledge of our Company until such inside information has been announced in accordance with relevant the requirements of the GEM Listing Rules. 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 for the approval of our Company's interim or annual results and (ii) the deadline for our Company to publish its interim or annual results announcement, and ending on the date of such results announcement.

(g) Rights are personal to grantees

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.

(h) Rights on ceasing employment

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group into disrepute).

(i) Rights on death

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of our Group none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his

personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may determine.

(j) Cancellation of options

Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by our Shareholders as mentioned in paragraph (d) above.

(k) Effect of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever, then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors or an independent financial adviser to certify in writing:

(A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- i. the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
- ii. the subscription price; and/or
- iii. the maximum number of Shares referred to in paragraph d(i); and/or
- iv. the method of the exercise of the option(s).

and an adjustment as so certified by the independent financial adviser or the auditors shall be made, provided that:

- i. any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;
- ii. any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;

- iii. no such adjustment shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value;
- iv. the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- v. to the advantage in any respect of the grantee without specific prior approval of our Shareholders.

(B) in respect of any such adjustment, other than any made on a capitalisation issue, the independent financial adviser or the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(l) Rights on a general offer

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer).

(m) 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, our Company shall on the same date as it despatches such notice to each member of our Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his 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 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 referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(n) Rights on a compromise or arrangement

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, in the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or

amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his personal representative(s) may by notice in writing to our Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice.

(o) *Rights on a scheme of arrangement*

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

(p) *Ranking of Shares*

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the exercise date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the exercise date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

(q) *Duration and administration of the Share Option Scheme*

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

(r) *Alterations to the terms of the Share Option Scheme*

- (i) The provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Eligible Participants without the prior approval of our Shareholders in general meeting;
- (ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting; and
- (iv) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(s) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon:

- (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
- (ii) commencement of dealings of Shares on the Stock Exchange; and
- (iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by our Shareholder(s) in general meeting or by way of written resolution and to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.

(t) *Grant of options to connected persons or any of their associates*

Each grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial Shareholder or an independent non-executive Director, or any of their

respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled 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; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that such grantee, his associate, or core connected person of our Company may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and
- (iii) the information as may be required under the GEM Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial shareholder (as defined in the GEM Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates.

(u) *Lapse of option*

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);

- (iv) subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);
- (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 or engagement on one or more grounds specified in (vi) below;
- (vi) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (vii) the date of the commencement of the winding-up of our Company referred to in paragraph (m);
- (viii) the date on which the grantee commits a breach of paragraph (g); or
- (ix) the date on which the option is cancelled by the Board as set out in paragraph (j).

(v) ***Termination***

Our Company may by an ordinary resolution in general meeting at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) ***Miscellaneous***

Any dispute arising in connection with the number of Shares of an option, any of the matters referred to in paragraph (k) above shall be referred to the decision of the auditors of our Company or an independent financial adviser who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

(x) ***Present status of the Share Option Scheme***

Application has been made to the Listing Division of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, which shall represent 10% of the Shares in issue upon completion of the Placing and Capitalisation Issue.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(y) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

Our Board confirms that it will not approve the exercise of any option if as a result of which our Company will not be able to comply with the public float requirements under the GEM Listing Rule.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Indemnity on estate duty and taxation

Our Controlling Shareholders have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for ourselves and as trustee as our subsidiaries) in connection with, among others, any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the effective date, that is the date on which the Placing becomes unconditional.

Our Controlling Shareholders will however, not be liable under the Deed of Indemnity for taxation where:

- i. to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited combined accounts of our Company for the Track Record Period as set out in Appendix I to this prospectus;
- ii. to the extent such taxation liabilities and claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after the effective date would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or

transaction, whenever occurring) with the prior written consent or agreement or acquiescence of our Controlling Shareholders other than any such act, omission or transaction:

- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the effective date, or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the effective date or pursuant to any statement of intention made in this prospectus; or
- iii. to the extent of any provision, reserve or allowance made for such taxation liabilities in the accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case our Controlling Shareholders' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce our Controlling Shareholders' liability in respect of such taxation liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of our Controlling Shareholders under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay our Controlling Shareholders any such excess; or
- iv. to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong, the Cayman Islands and the BVI, or any other part of the world) coming into force after the effective date or to the extent that such taxation liabilities and claims arise or is increased by an increase in rates of such taxation liabilities after the effective date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, the BVI and Hong Kong, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

2. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against our Company.

3. Sponsor

The Sponsor is independent from our Company pursuant to Rule 6A.07 of the GEM Listing Rules. The fees to be paid to the Sponsor in relation to its role as sponsor in the Listing is HK\$5.5 million. The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue, the Placing Shares and any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Messis Capital Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with the GEM Listing Rules in respect of its financial results for the second full financial year ending 31 December 2018.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Preliminary expenses

The estimated preliminary expenses of our Company are approximately HK\$38,298 and are payable by our Company.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus, all of which are dated the date of this prospectus:

Name	Qualification
Messis Capital Limited	corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Ms. Queenie W. S. Ng	Barrister-at-law of Hong Kong

8. Consents of experts

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of its report and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous) Ordinance so far as applicable.

10. Agency fees or commissions

The Underwriters will receive an underwriting commission, and the Sponsor will receive a documentation fee, as referred to in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Total commission, fee and expenses” in this prospectus.

11. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

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, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share capital of our Company or any of its subsidiaries;
 - (iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save for the Listing expenses as set out in the paragraph headed “Financial Information – Listing expenses” in this prospectus, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.
- (c) None of Messis Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby and Ms. Queenie W. S. Ng:
- (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (d) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (e) our Company has no outstanding convertible debt securities;
- (f) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (g) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

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 (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) the written consents referred to in the paragraph headed “E. Other information – 8. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “B. Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Fairbairn Catley Low & Kong at 23/F, Shui On Centre, 6-8 Harbour Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report of our Group prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report from HLB Hodgson Impey Cheng Limited in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for each of the financial years ended 31 December 2014 and 2015 and the six months ended 30 June 2016;
- (e) the Companies Law;
- (f) the letter prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (g) the material contracts referred to in the paragraph headed “B. Further information about our business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the paragraph headed “E. Other information – 8. Consent of experts” in Appendix IV to this prospectus;
- (i) the service contracts with each of our Directors referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders – 3. Particulars of Directors’ service contracts and Directors’ remuneration” in Appendix IV to this prospectus;
- (j) the legal advice prepared by Ms. Queenie W. S. Ng dated the date of this prospectus; and
- (k) the rules of the Share Option Scheme.

HM INTERNATIONAL HOLDINGS LIMITED