QP Group
雋思集團

Q P Group Holdings Limited
雋思集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1412

Global Offering

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Sole Global Coordinator and Sole Bookrunner

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Joint Lead Managers

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

第一上海
First Shanghai Group

CROSBY

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**133,000,000 Shares (subject to the exercise of the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**13,300,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**119,700,000 Shares (subject to adjustment and the exercise of the Over-allotment Option)**
Offer Price	:	**Not more than HK$1.45 per Offer Share and expected to be not less than HK$1.05 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**1412**

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Sole Global Coordinator and Sole Bookrunner

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Joint Lead Managers

國泰君安國際 GUOTAI JUNAN INTERNATIONAL   第一上海 FIRST SHANGHAI GROUP   CROSBY

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

The final Offer Price is currently expected to be fixed by an agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is scheduled on or about 9 January 2020, or such later date as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and, in any event, not later than 10 January 2020. The Offer Price will not be more than HK$1.45 and is currently expected to be not less than HK$1.05 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.45 for each Offer Share together with a brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK$1.45.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, extend or reduce the indicative Offer Price range stated in this prospectus (which is HK$1.05 to HK$1.45 per Offer Share) at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the extension or reduction in the indicative Offer Price range will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.qpp.com** not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before 10 January 2020, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse. See "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

Prospective investors of the Global Offering should note that the Sole Global Coordinator is entitled to terminate their obligations under the Hong Kong Underwriting Agreement by notice in writing to our Company given by the Sole Global Coordinator upon the occurrence of any of the events set out under "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offer – Hong Kong Underwriting Agreement – Grounds for Termination", at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Global Coordinator terminates its obligations under the Public Offer Underwriting Agreement in accordance with the terms of the Hong Kong Underwriting Agreement, the Global Offering will not proceed and will lapse.

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

31 December 2019

If there is any change in the following expected timetable of the Hong Kong Public Offer, we will issue an announcement in Hong Kong to be published on the websites of the Hong Kong Stock Exchange at ***www.hkexnews.hk*** *and our Company at* ***www.qpp.com****.*

	Date(1)
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**(2)	11:30 a.m. on Thursday, 9 January 2020
Application lists of the Hong Kong Public Offer open(3)	11:45 a.m. on Thursday, 9 January 2020
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, 9 January 2020
Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 9 January 2020
Latest time to give **electronic application instructions** to HKSCC(4)	12:00 noon on Thursday, 9 January 2020
Application lists of the Hong Kong Public Offer close	12:00 noon on Thursday, 9 January 2020
Expected Price Determination Date(5)	Thursday, 9 January 2020
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.qpp.com** on or before	Wednesday, 15 January 2020
Announcement of results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Hong Kong Stock Exchange at **www.hkex.com.hk** and our Company at **www.qpp.com** (for further details, please see "How to Apply for Hong Kong Offer Shares – 11. Publication of results") from	Wednesday, 15 January 2020

Results of allocations in the Hong Kong Public Offer will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID Number/Business Registration Number" function . . . . .Wednesday, 15 January 2020

Despatch/Collection of **White Form** e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before *(Notes 6 to 8)* . . . . .Wednesday, 15 January 2020

Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before . . . . .Wednesday, 15 January 2020

Dealings in the Shares on the Stock Exchange expected to commence on. . . . . Thursday, 16 January 2020

The application for the Hong Kong Offer Shares will commence on Tuesday, 31 December 2019 through Thursday, 9 January 2020, being longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, 15 January 2020. Investors should be aware that dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 16 January 2020.

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated.

2. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 9 January 2020, the application lists will not open on that day. For further details, please see "How to Apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists".

4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying by giving **Electronic Application Instructions** to HKSCC via CCASS".

5. The Price Determination Date is expected to be on or around Thursday, 9 January 2020 and, in any event, not later than Friday, 10 January 2020. If, for any reason, the Offer Price is not agreed on Friday, 10 January 2020 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

6. Share certificates for the Offer Shares are expected to be issued on or before Wednesday, 15 January 2020 but will only become valid certificates of title at 8:00 a.m. on Thursday, 16 January 2020 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

7. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms who have provided all information required by your Application Form may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre , 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 January 2020 or any other day that we publish in the newspaper as the date of despatch of Share certificates/e-Refund payment instructions/refund cheques.

   Individuals who is eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which is eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

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

   Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and refund monies".

8. Refund cheques/e-Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$1.45 per Offer Share.

You should read carefully "Underwriting", "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund monies and share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, affiliates or agents or any other person or party involved in the Global Offering. Information contained in our website **www.qpp.com** does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. Because 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 our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used herein are defined in "Definitions" and "Glossary of Technical Terms".

OVERVIEW

We are a long-established paper product manufacturing and printing services provider with the capability to offer value-adding and customised product engineering services and printing solutions to our customers for a wide spectrum of products. We are headquartered in Hong Kong and as at the Latest Practicable Date, we operated two key production sites in the PRC, namely our Dongguan Factory and Heshan Factory. Our products can be categorised into five principal product categories: (i) tabletop games (including board games, card games and puzzles), (ii) greeting cards (including everyday cards and seasonal cards), (iii) educational items (including classroom learning kits and activities books), (iv) premium packaging, and (v) other products. According to the CIC Report, we ranked first in the paper-based tabletop game products and related products manufacturing market in the PRC with a market share of 2.7%, and second in the paper-based greeting cards manufacturing market in the PRC with a market share of 8.1%, both in terms of export value in 2018. According to the CIC Report, in 2018, the total sales value of paper-based tabletop games and greeting cards manufacturing market in the PRC in terms of ex-factory price amounted to USD1,941.9 million, 58.3% of which was exported overseas. For FY2016, FY2017, FY2018 and 6M2019, the sales of tabletop games and greeting cards in aggregate accounted for 82.0%, 82.3%, 81.3% and 85.0% of our revenue, respectively. The following table sets out the breakdown of our revenue, gross profit and gross profit margin by product categories during the Track Record Period:

	FY2016				FY2017				FY2018				6M2018				6M2019			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Tabletop games	399,871	45.2	158,249	39.6	400,753	37.1	134,346	33.5	503,278	43.3	178,194	35.4	201,903	39.7	69,613	34.5	222,928	39.5	98,463	44.2
Greeting cards	326,240	36.8	58,445	17.9	488,127	45.2	62,419	12.8	442,681	38.0	42,057	9.5	204,174	40.1	18,466	9.0	256,968	45.5	30,654	11.9
Educational items	73,778	8.3	30,018	40.7	95,343	8.8	42,655	44.7	122,989	10.6	43,450	35.3	55,483	10.9	15,222	27.4	41,989	7.4	17,274	41.1
Premium packaging	35,526	4.0	8,810	24.8	48,085	4.5	18,444	38.4	44,420	3.8	8,666	19.5	23,529	4.6	4,137	17.6	18,292	3.2	7,003	38.3
Others	50,928	5.7	15,499	30.4	47,322	4.4	17,799	37.6	49,611	4.3	9,700	19.6	24,017	4.7	2,011	8.4	24,681	4.4	7,346	29.8
Total	886,343	100.0	271,021	30.6	1,079,630	100.0	275,663	25.5	1,162,979	100.0	282,067	24.3	509,106	100.0	109,449	21.5	564,858	100.0	160,740	28.5

OUR BUSINESS MODEL

Our products are sold either on an OEM basis or through our self-operated websites. Sales orders on an OEM basis are generally in mass quantities that have longer print run and turnaround time generally ranging from three to 10 weeks, while the sales orders through our websites are generally in small quantities that have shorter print run and quick turnaround time generally ranging from two to seven days from payment to delivery.

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

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
OEM sales	817,081	92.2	998,679	92.5	1,073,956	92.3	468,976	92.1	519,764	92.0
Self-operated websites	69,262	7.8	80,951	7.5	89,023	7.7	40,130	7.9	45,094	8.0
Total	886,343	100.0	1,079,630	100.0	1,162,979	100.0	509,106	100.0	564,858	100.0

We generate a majority of our revenue from overseas sales, and our sales are primarily denominated in USD and HKD while our cost of sales are primarily denominated in RMB. For our overseas OEM sales, our sales function is primarily located in Hong Kong. We source major raw materials from the PRC, the U.S. and Taiwan and produce the products in our production facilities located in the PRC. We deliver our products to the designated warehouses or departure ports in the PRC and our customers arrange the overseas delivery to the countries including the U.S. and countries in Europe. For OEM sales in the PRC, we primarily receive orders, produce and deliver our products to our customers' warehouses in the PRC. We also outsource some of our production processes to our approved subcontractors in the PRC, Hong Kong and Vietnam, including printing, die-cutting and assembly, for cost-effectiveness or supplement our production capacity during peak seasons.

We also generate a small part of our revenue from our self-operated websites. As at the Latest Practicable Date, we had five major websites offering a wide range of products, including but not limited to playing cards, board games, puzzles, greeting cards, baby gifts, photo books, apparel, bags, phone cases and boxes.

OUR SALES AND CUSTOMERS

Our five largest customers are international brand names, including Hallmark, Mattel, and three children educational products and toys companies, two of whom purchased mainly tabletop games from us and one of whom purchased mainly educational items from us. For FY2016, FY2017, FY2018 and 6M2019, our five largest customers in aggregate accounted for 69.2%, 71.2%, 70.0% and 72.9% of our total revenue, respectively, and sales to our largest customer accounted for 36.9%, 44.4%, 37.6% and 45.1% of our total revenue, respectively, for the corresponding period. We have established business relationship with our five largest customers from approximately eight to 18 years as at the Latest Practicable Date. For details, see "Business – Sales and marketing – Customers". The following table sets out our revenue breakdown based on the destination of delivery during the Track Record Period:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
U.S.	636,325	71.8	788,828	73.1	823,934	70.8	358,252	70.4	424,297	75.1
Europe *(Note 1)*	112,766	12.7	102,877	9.5	148,470	12.8	56,128	11.0	63,436	11.2
Hong Kong	66,095	7.5	84,723	7.8	82,627	7.1	46,571	9.1	32,539	5.8
PRC	14,242	1.6	23,610	2.2	31,921	2.7	17,075	3.4	15,739	2.8
Others *(Note 2)*	56,915	6.4	79,592	7.4	76,027	6.6	31,080	6.1	28,847	5.1
Total	886,343	100.0	1,079,630	100.0	1,162,979	100.0	509,106	100.0	564,858	100.0

Notes:

(1) The countries in Europe that contributed to our Group's revenue mainly comprise France, Czech Republic, the United Kingdom, Germany, Netherlands, Switzerland, Belgium, Italy, Spain and Greece.

(2) Others mainly comprise Australia and Canada. Revenue derived from these countries was mainly through our websites.

Our revenue derived from Hong Kong decreased by HK$14.0 million, or 30.1% from HK$46.6 million for 6M2018 to HK$32.5 million for 6M2019, which was primarily due to the decrease in sales of Mattel designated to Hong Kong, while their sales designated to U.S. increased for the corresponding period.

PRODUCTION

We manufacture our products mainly in our production facilities located in the PRC. Our production sites are equipped with automated production machines, comprising offset and digital printing presses, slitting and collating machines, digital enhancement and glittering machines and digital cutting and creasing machines. During the Track Record Period, the estimated maximum printing capacity of our Dongguan Factory was over 100 million sheets per year, and our utilisation rate exceeded 100%. We outsourced some of our production processes, including printing, die-cutting and assembling, to the subcontractors approved by us if such outsourcing will give us cost-saving, or when such outsourcing is needed because our production capacity has reached its peak. For details, see "Business – Production".

OUR PROCUREMENT AND SUPPLIERS

For FY2016, FY2017, FY2018 and 6M2019, purchases of raw materials for production of our products constituted our largest direct manufacturing costs, which accounted for 48.2%, 48.1%, 48.3% and 47.1% of our total cost of sales, respectively. Our principal raw materials include paper and auxiliary accessories, which are semi-finished goods purchased from suppliers to incorporate mainly in our products. We purchase paper mainly from the PRC, the U.S. and Taiwan. Among our principal raw materials, purchase cost of paper represented 20.1%, 21.1%, 22.6% and 22.0% of our total cost of sales, respectively, for FY2016, FY2017, FY2018 and 6M2019. We do not enter into any long-term contract with supply obligations with our suppliers, including suppliers of paper.

For FY2016, FY2017, FY2018 and 6M2019, purchases from our five largest suppliers accounted for 24.6%, 23.5%, 31.8% and 35.5% of our total purchases, respectively, and purchases from our largest supplier accounted for 6.5%, 7.7%, 9.7% and 11.3% of our total purchases, respectively, for the corresponding period. We have maintained business relationships with our five largest suppliers from approximately two to 10 years as at the Latest Practicable Date. For details, see "Business – Suppliers".

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths which differentiate us from our competitors: (i) we are a long-established paper product manufacturing and services provider; (ii) we have stable and long-term business relationships with our major customers, which comprise leading players in their respective market segments; (iii) we have solid manufacturing and printing experience with comprehensive production capability; (iv) we are committed to technological development and the adoption of management tools to strengthen our competitiveness; (v) we have a comprehensive quality management system; and (vi) we have an experienced and dedicated management team with proven track record of leadership and execution.

OUR BUSINESS STRATEGIES

Our principal business objective is to strengthen our market position and increase our market penetration in the paper-based products industry. We intend to achieve our objective by implementing the following strategies: (i) enhancing our production capacity and operational flexibility by (a) developing our production support in Southeast Asia through subcontracting arrangement; and subsequently (b) setting up our own production site in Vietnam; (ii) optimising our product mix and production specialisation by (a) reallocating our production capacity to Heshan and enhancing our operational efficiency and (b) enlarging customer base in the tabletop games and educational items segments; and (iii) leveraging our technological capability to capture more business opportunities in Internet retailing and upgrade our IT infrastructure.

RISK FACTORS

Our business is subject to numerous risks and there are risks relating to an investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us: (i) we experienced a decrease in our profitability for FY2016 to FY2018 primarily due to the incurrence of the non-recurring Listing expenses, costs in relation to relocation of our Hong Kong office, our undertaking of orders with lower profit margin, the appreciation of RMB, and the increase in paper cost, whereas the cost impacts of which we were not able to pass on the effect to our customers entirely and timely, and we recently acquired Taunus Printing; (ii) our sales are geographically concentrated in the U.S. which are subject to higher tariff rates under the trade war between the U.S. and the PRC; (iii) we rely on sales to our top five customers which accounted for a significant portion of our revenue and the demand forecasts provided by such customers may change; (iv) our largest customer accounted for over 30% of our total revenue during the Track Record Period; (v) we are subject to the risk of foreign currency fluctuations; (vi) we may be subject to inventory obsolescence risk; (vii) our goodwill is subject to impairment review and any goodwill impairment may negatively affect our reported results of operation; (viii) we generated a portion of our net profit from non-recurring nature of the sales of scrap materials, government grants, insurance claims and rental income during the Track Record Period; (ix) our results of operations may fluctuate significantly from period to period due to fair value changes in derivative financial instruments; (x) our ability to optimise our product mix to produce products with higher profit margin is affected by the orders placed by our OEM customers; and (xi) we rely on international markets, in particular the U.S..

SUMMARY OF CONSOLIDATED KEY FINANCIAL INFORMATION

The following is a summary of our consolidated financial information set forth in the Accountant's Report in Appendix I to this prospectus. The following summary should be read together with the information set out in "Financial Information" and consolidated financial information including the accompanying notes in Appendix I to this prospectus.

Selected items of consolidated statements of profit or loss

	FY2016	**FY2017**	**FY2018**	**6M2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Revenue	886,343	1,079,630	1,162,979	509,106	564,858
Cost of sales	(615,322)	(803,967)	(880,912)	(399,657)	(404,118)
Gross profit	**271,021**	**275,663**	**282,067**	**109,449**	**160,740**
Other gains/(losses), net	3,121	4,917	4,303	(4,915)	1,122
Other income, net	6,903	10,054	33,318	16,710	5,712
Selling and distribution expenses	(72,131)	(89,053)	(99,619)	(45,249)	(47,253)
Administrative expenses	(97,831)	(104,691)	(155,047)	(73,832)	(90,271)
Operating profit	**111,083**	**96,890**	**65,022**	**2,163**	**30,050**
Finance income/(costs), net	403	(631)	(5,870)	(2,095)	(3,691)
Profit before income tax	**111,486**	**96,259**	**59,152**	**68**	**26,359**
Income tax expense	(21,651)	(17,370)	(8,161)	(566)	(5,347)
Profit/(loss) for the year/period	**89,835**	**78,889**	**50,991**	**(498)**	**21,012**
Non-HKFRS Financial Measures (unaudited):					
Adjusted net profit for the year/period[1]	**89,835**	**78,889**	**71,544**	**9,146**	**24,343**

Note:

(1) We define adjusted net profit as profit for the year/period adjusted for the Listing expenses which is considered non-recurring and not related to our ordinary course of business. For a reconciliation of profit for the year/period to adjusted net profit for the year/period as we define, see "– Non-HKFRS financial measures" in this section and "Financial Information – Non-HKFRS financial measures".

For FY2016 and FY2017, our revenue was HK$886.3 million and HK$1,079.6 million, respectively, representing a year-on-year growth of 21.8%. The increase was primarily due to (i) increase in revenue from greeting cards of HK$161.9 million, or 49.6% from HK$326.2 million for FY2016 to HK$488.1 million for FY2017; and (ii) increase in revenue from educational items of HK$21.6 million, or 29.2% from HK$73.8 million for FY2016 to HK$95.3 million for FY2017. Our net profits for these years were HK$89.8 million and HK$78.9 million, respectively, representing a year-on-year decline of 12.2%.

For FY2017 and FY2018, our revenue was HK$1,079.6 million and HK$1,163.0 million, respectively, representing a year-on-year growth of 7.7%. The increase was primarily due to (i) increase in revenue from tabletop games of HK$102.5 million, or 25.6% from HK$400.8 million for FY2017 to HK$503.3 million for FY2018; (ii) increase in revenue from educational items of HK$27.6 million, or 29.0% from HK$95.3 million for FY2017 to HK$123.0 million for FY2018, which were partially offset by the decrease in revenue from greeting cards of HK$45.4 million, or 9.3% from HK$488.1 million for FY2017 to HK$442.7 million for FY2018. Our net profits for FY2017 and FY2018 were HK$78.9 million and HK$51.0 million, respectively, representing a year-on-year decline of 35.4%. Excluding non-recurring Listing expenses of HK$20.6 million, our net profit for FY2018 would be HK$71.5 million, representing a year-on-year decline of 9.3%.

For 6M2018 and 6M2019, our revenue was HK$509.1 million and HK$564.9 million, respectively, representing a period-on-period growth of 11.0%. The increase was primarily due to (i) increase in revenue from greeting cards of HK$52.8 million, or 25.9% from HK$204.2 million for 6M2018 to HK$257.0 million for 6M2019; and (ii) increase in revenue from tabletop games of HK$21.0 million, or 10.4% from HK$201.9 million for 6M2018 to HK$222.9 million for 6M2019, which was partially offset by decrease in revenue from educational items by HK$13.5 million, or 24.3% from HK$55.5 million for 6M2018 to HK$42.0 million for 6M2019. We recorded a loss for the period of HK$0.5 million for 6M2018 while a profit for the period of HK$21.0 million for 6M2019. Excluding non-recurring Listing expenses of HK$9.6 million and HK$3.3 million incurred for 6M2018 and 6M2019, our net profits for 6M2018 and 6M2019 would be HK$9.1 million and HK$24.3 million, respectively, representing a period-on-period increase of 166.2%.

For FY2016 and FY2017, our other income, net was HK$6.9 million and HK$10.1 million, respectively. The increase was primarily due to (i) insurance claims in relation to fire incident of HK$13.5 million for FY2017; (ii) increase of government grants of HK$4.7 million; (iii) increase of sales of scrap materials HK$3.3 million, which was partially offset by (i) inventories written-off related to factory fire incident of HK$14.9 million for FY2017; and (ii) provision for fire incident loss of HK$4.1 million for FY2017. During FY2017, a fire incident occurred in a warehouse of our Dongguan Factory, as a result of this event, we recognised the items which are one-off in nature, including insurance claims, inventories written-off related to factory fire incident and provision for factory fire incident loss in FY2017 which in aggregate had a negative impact in our profits for FY2017. For details, see "Business – Occupational health and work safety – Fire incident during the Track Record Period" and "Financial Information – Other income, net".

For FY2017 and FY2018, our other income, net was HK$10.1 million and HK$33.3 million, respectively. The increase was primarily due to (i) increase in scrap materials of HK$5.4 million from FY2017 to FY2018; (ii) increase of government grants of HK$4.7 million from FY2017 to FY2018; (iii) the absence of inventories written-off related to factory fire incident of HK$14.9 million recognised for FY2017; and (iv) the absence of provision for factory fire incident loss of HK$4.1 million recognised for FY2017. Excluding the one-off provisions, written-off in relation to fire incident and insurance claims, our other income would be HK$15.6 million for FY2017.

For 6M2018 and 6M2019, our other income, net was HK$16.7 million and HK$5.7 million, respectively. The decrease was primarily due to (i) the absence of insurance claims of HK$6.8 million recognised during 6M2018 in relation to the fire incident; and (ii) decrease in government grants of HK$3.4 million from 6M2018 to 6M2019.

Non-HKFRS financial measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profit, adjusted net profit before interest and tax and adjusted net profit margin as non-HKFRS financial measures which are not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS financial measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impact of item that do not affect our ongoing operating performance. Such non-HKFRS financial measures allow investors to consider matrices used by our management in evaluating our performance. The use of the non-HKFRS financial measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies.

We adjusted for certain items as our non-HKFRS financial measures, which is non-recurring in nature and not considered by us as normal in the ordinary course of our business nor indicative of our ongoing core operating performance, in order to provide the potential investors with a complete and fair understanding of our core operating results and financial performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance. For further details on our presentation and clarification of the non-HKFRS financial measures, see “Financial Information – Non-HKFRS financial measures”.

The table below sets forth the adjusted net profit, adjusted net profit before interest and tax and adjusted net profit margin in each respective year/period during the Track Record Period:

	FY2016	FY2017	FY2018	6M2018	6M2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Profit(loss) for the year/period	**89,835**	**78,889**	**50,991**	**(498)**	**21,012**
Add: Listing expenses	–	–	20,553	9,644	3,331
Adjusted net profit for the year/period (unaudited)	**89,835**	**78,889**	**71,544**	**9,146**	**24,343**
Adjusted net profit margin$^{(1)}$	10.1%	7.3%	6.2%	1.8%	4.3%
Profit before income tax	**111,486**	**96,259**	**59,152**	**68**	**26,359**
Add: Interest expenses	643	1,002	5,995	2,178	3,750
Net profit before interest and tax (unaudited)	**112,129**	**97,261**	**65,147**	**2,246**	**30,109**
Add: Listing expenses	–	–	20,553	9,644	3,331
Adjusted net profit before interest and tax (unaudited)	**112,129**	**97,261**	**85,700**	**11,890**	**33,440**
Adjusted net profit margin before interest and tax$^{(2)}$	12.7%	9.0%	7.4%	2.3%	5.9%

Notes:

(1) Adjusted net profit margin is calculated by profit (loss) for the year/period adding back the Listing expenses divided by revenue for the respective year/period and multiplied by 100%. It is not defined under HKFRS and thus a non-HKFRS financial measure. For details, see "Financial Information – Non-HKFRS financial measures".

(2) Adjusted net profit margin before interest and tax is calculated by profit before income tax adding back the interest expenses and the Listing expenses divided by revenue for the respective year/period and multiplied by 100%. It is not defined under HKFRS and thus a non-HKFRS financial measure. For details, see "Financial Information – Non-HKFRS financial measures".

Our net profit and net profit margin deteriorated in FY2018 as compared to FY2017 mainly because of the inclusion of the listing expense of approximately HK$20.6 million. If excluding such non-recurring Listing expenses, our adjusted net profit for the year would be HK$71.5 million in FY2018, while our adjusted net profit margin for the year would be 6.2% which was primarily due to the additional administrative expenses incurred from Heshan

Factory upon completion of acquisition. Our adjusted net profit for the period increased to HK$24.3 million in 6M2019 as compared to 6M2018, which was primarily attributable to the increase in gross profit by HK$51.3 million. Our adjusted net profit margin increased from 1.8% in 6M2018 to 4.3% in 6M2019 which was primarily attributable to the increase in gross profit, as mentioned before.

Our adjusted net profit before interest and tax increased in 6M2019 as compared to 6M2018, from HK$11.9 million to HK$33.4 million, excluding non-recurring Listing expense HK$3.3 million in 6M2019, which was primarily attributable to the increase in gross profit by HK$51.3 million, as mentioned before. Our adjusted net profit margin before interest and tax further increased from 2.3% in 6M2018 to 5.9% in 6M2019.

Selected items of consolidated statements of financial position

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	237,252	404,303	547,907	552,338
Current assets	357,366	391,483	392,010	379,750
Total assets	594,618	795,786	939,917	932,088
Current liabilities	225,982	337,476	361,229	319,643
Non-current liabilities	3,452	5,438	109,222	122,843
Total liabilities	229,434	342,914	470,451	442,486
Net current assets	131,384	54,007	30,781	60,107
Total assets less current liabilities	368,636	458,310	578,688	612,445
Total equity	365,184	452,872	469,466	489,602

Our total assets as at 31 December 2017 increased from that of 31 December 2016 which was primarily due to (i) increase in property, plant and equipment as resulted from purchase of Hong Kong office and plant and machineries mainly for our Dongguan Factory; and (ii) increase in deposit for acquisition in relation to Taunus Printing. Our total assets increased as at 31 December 2018 primarily due to increase in property, plant and equipment and land use rights in relation to the completion of acquisition of Taunus Printing. Our total assets as at 30 June 2019 decreased from that of 31 December 2018 was primarily due to decrease in cash and cash equivalent as a result of the repayment of borrowings and settlement of liabilities and offset by the increase in retained profits for 6M2019.

Our total liabilities as at 31 December 2017 increased from that of 31 December 2016 which was primarily due to increase in borrowings to finance our purchase of property, plant and equipment and deposit for acquisition, which was partially offset by settlement of derivative financial instruments. Our total liabilities increased as at 31 December 2018 primarily due to (i) addition non-current borrowings; and (ii) increase in Listing expenses payable. Our total liabilities decreased as at 30 June 2019 primarily due to (i) decrease in borrowings; and (ii) decrease in trade payables.

Consolidated statements of cash flows

	FY2016	FY2017	FY2018	6M2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Operating cash flow before movements in working capital *(Note)*	157,062	161,086	120,754	56,212
Net cash generated from operating activities	116,843	58,781	114,275	41,512
Net cash used in investing activities	(54,659)	(210,152)	(130,805)	(27,181)
Net cash (used in)/generated from financing activities	(42,526)	94,222	14,935	(16,970)
Net increase/(decrease) in cash and cash equivalents	19,658	(57,149)	(1,595)	(2,639)
Cash and cash equivalents at beginning of the year/period	99,155	116,158	63,967	59,867
Effect of changes in foreign exchange rates	(2,655)	4,958	(2,505)	(843)
Cash and cash equivalents at end of the year/period	116,158	63,967	59,867	56,385

Note: For adjusted items before movements in working capital, see note 33 of the Accountant's Report of the Appendix I to this prospectus.

Our net cash used in investing activities primarily consist cash outflow in relation to purchase of property, plant and equipment, deposits for property, plant and equipment, acquisition of a subsidiary and settlement of derivative financial instruments.

Our cash (used in)/generated from financing activities primarily consist proceeds from borrowings, repayment of borrowings and payments for lease liabilities.

Key financial ratios

The following table sets forth our key financial ratios as at each of the dates indicated:

	FY2016	FY2017	FY2018	6M2019
Profitability ratios				
Gross profit margin (%)	30.6	25.5	24.3	28.5
Net profit margin before interest and tax (%)	12.7	9.0	5.6	5.3
Net profit margin (%)	10.1	7.3	4.4	3.7
Return on equity (%)	24.6	17.4	10.9	8.7
Return on total assets (%)	15.1	9.9	5.4	4.5
Non-HKFRS Financial Measures				
Net profit margin before interest and tax (excluding Listing expenses) (%)	12.7	9.0	7.4	5.9
Net profit margin (excluding Listing expenses) (%)	10.1	7.3	6.2	4.3

	As at 31 December			As at 30 June
	2016	2017	2018	2019
Liquidity ratios				
Current ratio (times)	1.6	1.2	1.1	1.2
Quick ratio (times)	1.3	0.9	0.9	0.9
Gearing ratio (%)	4.9	32.1	49.9	45.8
Capital adequacy ratios				
Interest coverage ratio (times)	174.4	97.1	10.9	8.0
Net debt to equity ratio (%)	Net cash	18.0	37.1	34.3

Please see "Financial Information – Key financial ratios" and "Financial Information – Non-HKFRS financial measures" of this prospectus for the calculation basis of these key financial ratios.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK$1.25 per Offer Share (being the mid-point of the indicative Offer Price range) and that Over-allotment Option is not exercised, our total Listing expenses is estimated to be HK$45.4 million, of which (i) HK$16.3 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity consolidated; (ii) HK$20.6 million and HK$3.3 million had been charged to our profit and loss account for FY2018 and 6M2019, respectively; and (iii) the remaining amount of approximately HK$5.2 million is expected to be charged to our profit and loss account during the second half of FY2019. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

OUR PROFITABILITY DURING THE TRACK RECORD PERIOD AND SUSTAINABILITY OF OUR BUSINESS

For FY2016 to FY2018, we recorded a decrease in our net profit, gross profit margin and net profit margin. For FY2016, FY2017 and FY2018, (i) our net profit was HK$89.8 million, HK$78.9 million and HK$51.0 million; (ii) our gross profit margin was 30.6%, 25.5% and 24.3%; and (iii) our net profit margin was 10.1%, 7.3% and 4.4%, respectively. Excluding the non-recurring Listing expenses of HK$20.6 million, incurred for FY2018, our profit for FY2018 would have amounted to HK$71.5 million with net profit margin of 6.2% (FY2017: HK$78.9 million and 7.3%). For FY2016, FY2017 and FY2018, our gross profit was HK$271.0 million, HK$275.7 million and HK$282.1 million, respectively.

For 6M2018 and 6M2019, we recorded an increase in our gross profit, net profit, gross profit margin and net profit margin. For 6M2018 and 6M2019, (i) our gross profit was HK$109.4 million and HK$160.7 million; (ii) net loss of HK$0.5 million and net profit of HK$21.0 million, (iii) our gross profit margin was 21.5% and 28.5%; and (iv) our net profit margin was 3.7% for 6M2019, while we incurred a loss for the period during 6M2018. Excluding non-recurring Listing expenses of HK$9.6 million and HK$3.3 million incurred for 6M2018 and 6M2019, our net profit for 6M2018 and 6M2019 would have amounted to HK$9.1 million and HK$24.3 million, respectively, with net profit margin of 1.8% and 4.3%, respectively.

Our Directors believe that the decrease in our profitability from FY2016 to FY2018 was attributable to the following factors: (i) impact of the non-recurring Listing expenses; (ii) impact of other non-recurring expenses incurred during FY2018 including reinstatement cost and renovation expenses of our Hong Kong office, additional transportation expenses in relation to relocation of production facilities from our Dongguan Factory to Heshan Factory and severance payment to our employees as a result of discontinuance of our Tianjin Factory; (iii) undertaking of orders with lower profit margin in order to optimise production capacity utilisation after decrease in purchase orders for tabletop games from one of our major customers in FY2017; (iv) impact on increase in raw material costs especially paper cost used in production of greeting cards and tabletop games; (v) appreciation of RMB against USD and HKD; (vi) acquisition of Taunus Printing, which owns the Heshan Factory, in March 2018 for the primary purpose of acquiring its manpower and production facilities to implement our plan to optimise our product mix, resulting in additional administrative expenses being recorded, comprising mainly staff costs and depreciation charge; and (vii) saturated production utilisation which limited the plan for timely optimising our product mix.

According to the CIC Report, the total import value for paper-based greeting cards (being one of our principal products accounting for 36.8%, 45.2%, 38.0% and 45.5% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively) in the U.S. (being our principal sales market accounting for 71.8%, 73.1%, 70.8% and 75.1% of our total revenue for the corresponding period, respectively) had dropped at a CAGR of 0.4% from 2014 to 2018, and is expected to increase at a CAGR of 0.5% between 2018 and 2023. Wholesalers and distributors in the U.S. are increasingly inclined to import paper-based greeting cards from overseas countries, especially those in Southeast Asia, considering that raw materials and labour costs in those countries are much lower than the U.S., and the product quality is also quite satisfactory.

Despite the decrease in our profitability as described above and the relatively insignificant growth of the market of one of our principal products in the future, our Directors consider that our Group's business is sustainable in the long run due to the following reasons: (i) certain expenses which negatively impacted on our profitability for FY2018 were non-recurring in nature; (ii) growth in our other principal products, the tabletop games and educational items market in the U.S. which according to the CIC Report, is expected to be at a CAGR of 0.9% and 4.2%, respectively, between 2018 and 2023; (iii) our intention to optimise our product mix with an aim to yield higher profit margins; (iv) increase in operational efficiency for products with higher profit margin, namely tabletop games and educational items, through our planned construction of an additional factory building in our Heshan factory; (v) expected decrease in subcontracting fees payment after normalisation of the operation of Heshan Factory; and (vi) enlarge customer base and served market segments.

For details, see "Financial Information – Profitability during the Track Record Period" and "Business – Sustainability of our business".

RECENT TRADE WAR BETWEEN THE U.S. AND THE PRC

Since 2018, the U.S. government has imposed multiple rounds of additional tariffs on top of the normal tariff rates on certain products imported from the PRC into the U.S.. In response to the U.S. additional tariffs, the PRC government has also imposed tariffs on certain products imported from the U.S. into the PRC. The products which are subject to the additional tariffs imposed by the U.S. are set out in the tariff lists published by the Office of the United States Trade Representative of which additional tariffs had been imposed on (i) the products with an annual trade value of approximately US$200 billion on the third list of tariff items ("**Section 301 List 3**") which came into effect on 24 September 2018, imposing an additional tariff of 10% and increased to 25% from 10 May 2019 ("**Section 301 List 3 Additional Tariff**") and (ii) the products with an annual trade value of approximately US$300 billion on the fourth list of tariff items ("**Section 301 List 4**") the first part of which came into effect on 1 September 2019 ("**Section 301 List 4 Additional Tariff**"). As at the Latest Practicable Date, the Section 301 List 3 Additional Tariff of 25% and the Section 301 List 4 Additional Tariff of 15% on the first part of the List 4 products had been effective. Based on our comparison of the export codes set out in the PRC customs export declarations documents with the tariff lists published by the Office of the United States Trade Representative, assuming the tariffs were imposed at the beginning of the Track Record Period, we estimate that the products which would be subject to the Section 301 List 3 Additional Tariff of 25% and Section 301 List 4 Additional Tariff of 15%, in terms of our revenue, were as follows:

	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Section 301 List 3	30.4	34.7	26.3	17.0
Section 301 List 4	546.0	685.6	734.7	376.3
Total	576.4	720.3	761.0	393.3
% of our total revenue	65.0%	66.7%	65.5%	69.6%

According to the announcement issued by the Office of the United States Trade Representative, on 17 May 2019, it would potentially impose an additional tariff of up to 25% on the Section 301 List 4. Such an increase has been subsequently suspended and pending further negotiations between the U.S. government and the PRC. According to the notice published by the Federal Register of the U.S. on 18 December 2019, the Section 301 List 4 Additional Tariff on the second part of the List 4 products, which was scheduled to be effective on 15 December 2019, were suspended until further notice. According to the press release published by the Office of the United States Trade Representative on 13 December 2019, the U.S. will be maintaining 25% tariffs on approximately US$250 billion of Chinese imports (including products on Section 301 List 3), along with 7.5% tariffs on approximately US$120 billion of Chinese imports (i.e. first part of the products on Section 301 List 4).

Based on our comparison of the export codes set out in the PRC customs export declarations documents with the tariff lists published by the Office of the United States Trade Representative, assuming the tariffs were imposed at the beginning of the Track Record Period, we estimate that the products which would be subject to (i) the Section 301 List 3 Additional Tariff was 25%; (ii) Section 301 List 4 Additional Tariff to the first part of the Section 301 List 4 products was reduced from 15% to 7.5%; and (iii) Section 301 List 4 Additional Tariff to the second part of the Section 301 List 4 products was not effective, in terms of our revenue, were as follows:

	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Section 301 List 3	30.4	34.7	26.3	17.0
Section 301 List 4	27.7	18.6	36.3	22.1
Total	58.1	53.3	62.6	39.1
% of our revenue	6.5%	4.9%	5.4%	6.9%

The increase in cost resulting from the additional tariffs is theoretically payable by our customers as our U.S. sales are on FOB basis. For further details of the latest development of the recent trade war between the U.S. and the PRC, see "Business – Recent trade war between the U.S. and the PRC."

Impacts on our business arising from the recent trade war between the U.S. and the PRC

Since the outbreak of the trade war and up to the Latest Practicable Date, save for our agreement with two of our major customers, being Hallmark and Customer D, to share the U.S. additional tariffs at a pre-agreed percentage and our current negotiation with the remaining customers as to the portion of the increased U.S. tariffs to be borne by our Group, (i) we had not been requested by any of our major customers for price reduction or offer for discount to compensate for the increase in their purchase prices due to the imposition of the U.S. additional tariffs; (ii) we were not aware of any of our major customers reducing or ceasing to purchase from us; and (iii) we had not been notified by any of our major customers of its intention to reduce its purchase volume or to cease to purchase from us due to the potential impact of the U.S. additional tariffs on them.

For illustrative purpose only, the maximum potential impact of U.S. additional tariff on the Group's revenue and net profit would be HK$9.0 million and HK$7.0 million for FY2019, based on our Group's confirmed orders involving products imported from the PRC on a FOB basis and the additional tariffs which are imposed on the respective effective dates, assuming that (i) the Section 301 List 3 Additional Tariff would remain at 25%, the Section 301 List 4

Additional Tariff for the first part of the Section 301 List 4 products would remain at 15% and the Section 301 List 4 Additional Tariff for the second part of the Section 301 List 4 products would not be effective; (ii) no measures are adopted to mitigate any impact arising from such U.S. additional tariffs; and (iii) our Group will take up all such U.S. additional tariffs by way of price reduction negotiations with its customers for purchasing products subject to the U.S. tariffs.

Further, since the introduction of the Section 301 List 3 Additional Tariff in September 2018, our total revenue based on the destination of delivery to the U.S. amounted to approximately HK$639.9 million for the nine months from 1 October 2018 to 30 June 2019, compared with approximately HK$546.8 million for the corresponding period from 1 October 2017 to 30 June 2018, representing an increase of approximately 17.0%. Based on unaudited management accounts up to 30 November 2019, our Group also recorded a revenue growth of approximately 2.5% for the revenue based on the destination of delivery to the U.S. for the five months ended 30 November 2019 as compared to the corresponding period ended 30 November 2018.

Our Directors consider that the latest development in the trade war did not and will not have any material adverse effect on both our Group's business operation and financial results as a whole up to the Latest Practicable Date and FY2019.

Our measures in response to the recent trade war between the U.S. and the PRC

In order to minimise the financial and operational impact on our Group, our Group is in the course of implementing a series of Immediate Measures, among which, our Group will gradually switch the location of our end-to-end production and/or certain production process of our products that are produced in the PRC and exported to the U.S. from the PRC to other regions such as Vietnam and Hong Kong which are not subject to the tariffs imposed by the U.S., by way of engaging subcontractors located in Vietnam and Hong Kong in the short run and setting up our new production site in Vietnam in the long run. For details, see "Business – Our business strategies – enhancing our production capacity and operational flexibility by (i) developing our production support in Southeast Asia through subcontracting arrangement; and subsequently (ii) establishing our business presence in Southeast Asia through setting up our own production site in Vietnam". Our Directors confirm that by comparing the average cost of production of our principal products produced by our Dongguan Factory and Heshan Factory with the quotations we have obtained for the same products from the selected subcontractors located in Vietnam and Hong Kong, and the estimated cost of production of our principal products to be produced by our factory in Vietnam, there would not be a significant increase in our production costs in the short run and it would be more cost effective in the long run by setting up our own production site in Vietnam. Therefore, our Directors consider that there would not be any significant impact on our business operation and financial performance of the Group after relocating our production from the PRC to Vietnam and Hong Kong as part of our Immediate Measures. Our Directors believe that such Immediate Measures will be able to minimise the negative impact of any further imposition of tariffs which may have on us if the trade war persists in the long run.

Our Directors undertake that in the event that the Section 301 List 4 Additional Tariff is increased from 15% to 25% or above in the future, our Group will implement a contingency measure. For details of the contingency measures formulated by our Group, see "Business – Recent trade war between the U.S. and the PRC". Our Directors believe that we will be able to maintain our customer relationships, and our business operation and financial performance will not be materially affected by the potential increase of the Section 301 List 4 Additional Tariff to 25% in the imminent future. Our Directors confirm that the implementation costs of the contingency measure would be funded by our internal resources and/or bank loan(s). In the event that the contingency measure has to be activated in the future, our Directors will closely monitor the market and economic environment as well as our business and financial conditions to ensure any material adverse effect on our Group's business and operations will be minimised as a whole. Our Directors also undertake to keep reviewing the relevant laws and regulations in relation to the U.S. tariffs and will seek legal advice as and when appropriate.

If our customers in the U.S. cease to place purchase orders with us in the same quantities or at all, and we are unable to locate alternative customers to place purchase orders with us in the same quantities, or at the same price, or at all, to make up for the reduction in sales, our sales volume, profitability and results of operations could be adversely affected. For associated risks, see "Risk Factors – Our sales are geographically concentrated in the U.S. which are subject to higher tariff rates under the trade war between the U.S. and the PRC, which could adversely affect our sales volumes, profitability and results of operations.".

CONTROLLING SHAREHOLDERS' INFORMATION

Immediately upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), 58.34% of the total issued share capital of our Company will be held by Good Elite, which was owned as to 50% by Mr. Cheng and as to 50% by Mr. Yeung as at the Latest Practicable Date. Mr. Cheng, Mr. Yeung and Good Elite will be considered as the controlling shareholders of our Company under the Listing Rules upon Listing. Both Mr. Cheng and Mr. Yeung are founders of our Company and executive Directors, while Mr. Cheng is also the Chairman and chief executive officer of our Company. Our Controlling Shareholders confirm that they and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

For details of the shareholding structure of our Company, see "History, Reorganisation and Corporate Structure – Our corporate structure".

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and based on the Offer Price of HK$1.25 per Offer Share, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of HK$120.8 million from the Global Offering after deducting the underwriting expenses, commissions and estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering in the following manner:

(i) 52.5%, or HK$63.4 million, will be used for enhancing our production capacity and operational flexibility, of which:

   a. 10.8%, or HK$13.1 million, will be used for developing our production support in Southeast Asia through subcontracting arrangement;

   b. 10.8%, or HK$13.1 million, will be used for setting up our own production site in Vietnam; and

   c. 30.9%, or HK$37.2 million, will be used for acquiring new machines;

(ii) 25.0%, or HK$30.2 million, will be used for optimising our product mix and production specialisation by, among others, reallocating our production capacity to Heshan and enhancing our operational efficiency, of which:

   a. 16.9%, or HK$20.4 million, will be used for constructing an additional factory building in our production site in Heshan; and

   b. 8.1%, or HK$9.8 million, will be used for acquiring new machines;

(iii) 11.7%, or HK$14.1 million, will be used for leveraging our technological capability and upgrading our IT infrastructure; and

(iv) 10.8%, or HK$13.1 million, will be used as working capital and other general corporate purposes.

In view of the continuing trade war between U.S. and the PRC, it is vital for us to develop production support in countries other than the PRC in order to mitigate the adverse impact and uncertainties to be brought by such trade war. Furthermore, in view of the utilisation rate of our Dongguan Factory which exceeded 100% and our discontinuance to lease certain premises with title defects in our Dongguan Factory which reduced our production space available, we believe that in order for us to maintain sufficient production capacity to optimise our product mix to produce products of higher gross profit margins and achieve better product mix and production specialisation, it is vital for us to reallocate our production capacity to Heshan and enhance our operational efficiency. We believe that by diversifying our production processes in various locations, we will be able to mitigate the operational risks and provide a relatively stable and efficient operating environment to support our Group's production. We also expect such moves would help strengthen our business relationships with our existing customers and broaden our customer base in the future, which helps to increase our market share and maximise our Shareholders' return.

For details, see "Business – Our business strategies" and "Future Plans and Use of Proceeds".

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$1.05	Based on an Offer Price of HK$1.45
Market capitalisation of the Shares(1)	HK$558.6 million	HK$771.4 million
Unaudited pro forma adjusted net tangible assets per Share(2 and 3)	HK$1.09	HK$1.19

Notes:

(1) The calculation of market capitalisation is based on each indicative Offer Price and 532,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or bought back by the Company pursuant to the general mandates for the allotment and issue or buy-back of Shares referred to in "Statutory and General Information – A. Further Information about our Group – 3. Resolutions in writing of our Shareholders passed on 20 December 2019" in Appendix V to this prospectus.

(2) The unaudited pro forma adjusted net tangible assets value per Share has been arrived at after the adjustments referred to in "Financial Information – Unaudited pro forma adjusted net tangible assets" and on the basis of 532,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account any Share which may be issued pursuant to the Over-allotment Option and options which have been or may be granted under the Share Option Scheme or any Shares which may be allotted, issued or bought back by the Company pursuant to the general mandates for the allotment and issue or buy-back of Shares referred to in "Statutory and General Information – A. Further Information about our Group – 3. Resolutions in writing of our Shareholders passed on 20 December 2019" in Appendix V to this prospectus.

(3) The unaudited pro forma adjusted net tangible assets of the Group has not taken into account the declaration of a dividend of HK$10,000,000 which was approved by the Board of Directors on 14 August 2019. The unaudited pro forma net tangible assets per Share would have been HK$1.08 and HK$1.17 per Share based on the Offer Price of HK$1.05 and HK$1.45 respectively if the effect of such dividend had been accounted for.

DIVIDEND AND DIVIDEND POLICY

For FY2016, FY2017, FY2018 and 6M2019, dividends declared and paid to the respective shareholders of members of our Group amounted to HK$30.0 million, HK$15.0 million, HK$10.0 million and nil, respectively. We have declared and paid HK$10.0 million dividend in August 2019. The foregoing should not be viewed as basis to determine the level of dividends that may be declared in the future. Our Directors may recommend a payment of dividends in the future after taking into account, among others, our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. We expect to pay a dividend in respect of each financial year of not less than 30% of our distributable profits upon Listing each year. The payment and amounts of dividends, if any, depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects and other factors which we consider relevant.

LEGAL COMPLIANCE

During the Track Record Period, there were instances where we did not fully comply with the laws and regulations in which we have operations. In particular, we did not (i) make full contribution to the social insurance fund in the PRC; (ii) register with the relevant government authorities and make full contribution to the housing provident fund; (iii) obtain the necessary permits for construction; (iv) commence construction on the land in Heshan according to the land grant contract; (v) comply with certain laws and regulations relating to environmental protection and fire safety. See "Business – Legal compliance and proceedings" for further details.

Our operations and facilities are subject to environmental laws and regulations in the PRC. In our manufacturing process, certain wastes such as scrap materials generated from wasted paper, ink and thinner are discharged. We believe that it is crucial to comply with the relevant environmental laws and regulations for our long-term development and success. We have also implemented other policies in ensuring our compliance of all relevant environmental laws and regulations, including policies on aspects including paper usage, discharge of hazardous materials, discharge of sewage and treatment of waste gas, which aims to define the roles and responsibilities of our Directors in ensuring that our Group is able to comply with the relevant environmental laws and regulations. We have been pursuing an environmentally sustainable approach to the environment, as well as proper consideration of our social and economic responsibilities to the wider community. For details, see "Business – Environment, social and governance".

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we made direct sales of our products through our websites to certain customers located in Afghanistan, Belarus, Bosnia and Herzegovina, Croatia, Egypt, Lebanon, Russia, Serbia and Ukraine, generating revenues in an aggregate amount of HK$0.04 million, HK$0.04 million, HK$0.01 million and nil, representing 0.004%, 0.004%, 0.001% and nil of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. Afghanistan, Belarus, Bosnia and Herzegovina, Croatia, Egypt, Lebanon, Russia, Serbia and Ukraine were subject to targeted sanctions during the Track Record Period. See "Business – Business activities in Countries subject to International Sanctions" for further details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We have continued to focus on strengthening our market position and business operations in the paper product manufacturing and printing services industry. According to our financial performance for 6M2019 and up to 31 October 2019, our Directors are of the view that our revenue, gross profit, gross profit margin and net profit (including Listing expenses) will be higher than that of the same period in 2018.

In October 2018, we started relocating some of our production facilities for tabletop games and educational items from our Dongguan Factory to our Heshan Factory. Upon completion of the relocation and construction of an additional factory building in our Heshan Factory, we intend to centralise our production of tabletop games and educational items at our Heshan Factory by relocating some of our production facilities for tabletop games and educational items from our Dongguan Factory to our Heshan Factory and acquiring new machines to support our post-press production processes, so that our Dongguan Factory will be able to primarily focus on (i) our non-U.S. sales; (ii) products for sales through websites; (iii) production processes other than printing and die-cutting (which we engage our subcontractor in Hong Kong to conduct under Immediate Measure 1B) of greeting card being sold through our OEM sales channel to the U.S.; (iv) provision of laboratory testing services by DPI Laboratory (DG); and (v) other non-manufacturing core functions such as sales order management, quotation and product development, material and production planning and information technology support. Our Directors expected to perform better operational planning and more effective allocation of resources to support our production capacity with the increased production space and new machines in our Heshan Factory, and hence our Dongguan Factory and Heshan Factory will possess a greater operational efficiency to take up additional orders for non-U.S. sales products in the future and accordingly, the amount of subcontracting work required in the PRC will gradually decrease. The relocation of machines from our Dongguan Factory to Heshan Factory was and will be carried out in parallel with the operations of our other machines in order to minimise any material adverse effect or disruption to our production operations. In FY2019 and FY2020, due to an estimated total loss of 51 days and 30 days of production arising from the uninstallation, transportation and reinstallation of one and two machines from Dongguan Factory to Heshan Factory, respectively, we estimate that we will experience an estimated loss of printing capacity of approximately 2.7 million and 1.0 million of sheets, being 1.3% and 0.5% of the total estimated maximum printing capacity of Dongguan Factory and Heshan Factory for FY2019 and FY2020, respectively. We also estimate that we will incur expenses of approximately HK$0.9 million and HK$0.3 million for FY2019 and FY2020, respectively, in this regard, which is expected to be funded by internal resources. See "Business – Production – Production sites and facilities – Relocation of some production facilities from Dongguan Factory to Heshan Factory" for further details. Given that the relocation was and will be carried out in stages and that the total estimated relocation capacity loss and cost are considered not material, as at the Latest Practicable Date, our Directors considered that such relocation had no material impact on our business operations and financial performance for FY2019 and FY2020.

Further, in view of the continuing trade war between U.S. and the PRC, our Group has been relocating the end-to-end production of the majority of our principal products being sold through our OEM sales channel to the U.S. outside the PRC by (i) engaging subcontractors in

Vietnam and Hong Kong and (ii) setting up our own production site in Vietnam in the long run. We expect that our new production site in Vietnam will complement our production capability in the PRC and gradually reduce the amount of subcontracting work required by our Group outside the PRC for our U.S. sales products. On the other hand, we intend to maintain our production sites in the PRC primarily for (i) our non-U.S. sales, (ii) products for sales through websites, (iii) production processes other than printing and die-cutting processes (which we engage our subcontractor in Hong Kong to conduct under Immediate Measure 1B) of greeting card products being sold through our OEM sales channel to the U.S., (iv) provision of laboratory testing services by DPI Laboratory (DG) and (v) other non-manufacturing core functions such as sales order management, quotation and product development, material and production planning and information technology support. For details of the immediate measures, see "Business – Recent trade war between the U.S. and the PRC – Immediate measures being adopted in response to the recent trade war between the U.S. and the PRC".

Our Group's gross profit margin was 21.5% and 28.5% for 6M2018 and 6M2019, respectively. The increase over the corresponding period was primarily due to (i) the depreciation of RMB against the HKD during 6M2019 in comparison to 6M2018; and (ii) the increase in tax refund rate for export products announced by the PRC tax authorities which took effect on 15 September 2018, thus reducing the amount of our PRC VAT taxes payable. Our profitability for 6M2019 was also affected by (i) the Listing expenses as disclosed in "Financial Information – Impact of non-recurring Listing expenses"; (ii) payments which amounted to HK$7.8 million in relation to the transfer of the land parcels and the application of real estate ownership certificate or immovable property title certificate for certain building blocks in our Dongguan Factory; (iii) salary increase of HK$6.2 million from additional staff costs incurred in relation to Heshan Factory and increase in average salary and headcount; (iv) social insurance expenses of HK$4.0 million as a result of full compliance of social insurance since 2018; (v) the remaining severance payment to our employees of HK$3.4 million primarily as a result of discontinuance of our Tianjin Factory of HK$2.6 million; (vi) the increase in selling and distribution expenses of HK$2.1 million primarily due to the increase of transportation expenses, motor vehicle and travelling expenses and service charges for payment to the logistic service providers; and (vii) under provision of other taxes of approximately HK$1.2 million in relation to the acquisition of Heshan Factory.

In addition, our profitability for the remaining six months ending 31 December 2019 will be primarily affected by (i) the accrual of the remaining amount of Listing expenses of HK$5.2 million; (ii) the remaining amount of HK$2.2 million in relation to the application of real estate ownership certificate or immovable property title certificate for certain buildings in our Dongguan Factory; and (iii) transportation expenses of HK$0.1 million in relation to transferring production facilities from our Dongguan Factory to Heshan Factory.

Our Directors confirmed that, since 30 June 2019 and up to the date of this prospectus, save for (i) the Listing expenses as disclosed in "Financial Information – Impact of non-recurring Listing expenses"; and (ii) several non-recurring one-off expenses as mentioned in the preceding paragraph, which would affect our profitability for FY2019, there has been no adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in the Accountant's Report set forth in Appendix I to this prospectus.

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

"6M2018"	six months ended 30 June 2018
"6M2019"	six months ended 30 June 2019
"Accountant's Report"	the accountant's report set out in Appendix I to this prospectus
"Application Form(s)"	the **WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them that are used in connection with the Hong Kong Public Offer
"AQSIQ"	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) whose duty was now integrated into State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"Archer Praise"	Archer Praise Limited (弘億有限公司), a company incorporated in Hong Kong with limited liability on 6 March 2015 and an indirect wholly-owned subsidiary of our Company
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 20 December 2019 and effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus, as amended or supplemented from time to time
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands

"Capitalisation Issue"	the allotment and issue of 398,845,200 Shares to our Shareholders to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Statutory and General Information – A. Further Information about our Group – 2. Changes in the authorised and issued share capital of our Company" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CIC"	China Insights Industry Consultancy Limited, an industry research consultant and an Independent Third Party
"CIC Report"	the industry report issued by CIC, details of which are set out in "Industry Overview"
"Co-Lead Managers"	collectively, Business Securities Limited, Ever-Long Securities Company Limited, HTF Securities Limited and Joincap Securities Limited
"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company", "our Company" or "the Company"	Q P Group Holdings Limited (雋思集團控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 19 April 2018, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 August 2018
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, refers to Mr. Cheng, Mr. Yeung and Good Elite
"Countries subject to International Sanctions"	countries regarding which governments such as the U.S. or Australia, or governmental organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
"CS Works Corp"	CS Works Corp., a limited liability company incorporated in the United States on 16 May 2016 and an indirect wholly-owned subsidiary of our Company
"Cypress Spurge"	Cypress Spurge Holdings Limited, a company incorporated in the BVI with limited liability on 30 January 2018 and wholly-owned by Ms. Liu. Cypress Spurge is one of our substantial shareholders
"Dawn Gain"	Dawn Gain Investment Limited, a company incorporated in the BVI with limited liability on 30 January 2018 and wholly-owned by Mr. Chan
"Deed of Indemnity"	the deed of indemnity dated 30 December 2019 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) to provide certain indemnities, further details of which are set out in "Statutory and General Information – E. Other Information – 2. Tax and other indemnity" in Appendix V to this prospectus

"Deed of Non-competition"	the deed of non-competition dated 30 December 2019 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), further details of which are set out in "Relationship with our Controlling Shareholders – Deed of Non-competition"
"Director(s)" or "our director(s)"	the directors of our Company
"Dongguan Factory"	our production plant at Dongguan, Guangdong Province, the PRC
"Dongguan Zensee"	東莞雋思印刷有限公司 (Dongguan Zensee Printing Limited), a WFOE established under the laws of the PRC with limited liability on 15 January 1992 and an indirect wholly-owned subsidiary of our Company
"DPI Laboratory"	DPI Laboratory Services Limited (雋思檢測服務有限公司), a company incorporated in Hong Kong with limited liability on 22 June 2010 and an indirect wholly-owned subsidiary of our Company
"DPI Laboratory (DG)"	東莞市雋思產品檢測有限公司 (DPI Laboratory (Dongguan) Limited), a company established under the laws of the PRC with limited liability on 9 February 2010 and an indirect wholly-owned subsidiary of our Company
"**electronic application instructions**"	instructions given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
"Eternity Year"	Eternity Year Investment Limited (萬年投資有限公司), a company incorporated in Hong Kong with limited liability on 24 October 2014 and an indirectly wholly-owned subsidiary of our Company
"EU" or "European Union"	the European Union first established by the treaty made at Maastricht on 7 February 1992
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FY2016"	the financial year ended 31 December 2016

"FY2017"	the financial year ended 31 December 2017
"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ending 31 December 2019
"FY2020"	the financial year ending 31 December 2020
"Global Offering"	the Hong Kong Public Offer and the International Placing
"Good Elite"	Good Elite Holdings Limited, a company incorporated in the BVI with limited liability on 28 February 2018 and owned as to 50% by Mr. Cheng and as to 50% by Mr. Yeung. Good Elite is one of our Controlling Shareholders
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guotai Junan Capital" or "Sole Sponsor"	Guotai Junan Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO, and acting as the sole sponsor for the Global Offering
"Hallmark"	Hallmark Marketing Company LLC, one of the five largest customers of our Group during the Track Record Period and an Independent Third Party. For details, see "Business – Sales and marketing – Customers"
"Heshan Factory"	our production plant at Heshan, Guangdong Province, the PRC
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards which include standards and interpretations promulgated by the 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
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Offer Shares"	13,300,000 new Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offer
"Hong Kong Public Offer"	the offer by us of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in "Structure and Conditions of the Global Offering"
"Hong Kong Underwriters"	the underwriters listed in "Underwriting – Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offer
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 30 December 2019 relating to the Hong Kong Public Offer entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in "Underwriting"
"Independent Third Party(ies)"	an individual or a company which is independent from and not connected with (within the meaning of Listing Rules) any Directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates

"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters for and on behalf of our Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in "Structure and Conditions of the Global Offering"
"International Placing Shares"	119,700,000 new Shares being initially offered by us for subscription pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option as further described in "Structure and Conditions of the Global Offering"
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, United Nations or the Government of Australia
"International Sanctions Legal Advisers"	Hogan Lovells, our legal advisers as to International Sanctions laws in connection with the Listing
"International Underwriters"	the underwriters for the International Placing who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Placing to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting"
"IT"	information technology
"Joint Lead Managers"	collectively, Guotai Junan Securities (Hong Kong) Limited, First Shanghai Securities Limited and Crosby Securities Limited

"Latest Practicable Date"	22 December 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date expected to be on or around 16 January 2020, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Mattel"	Mattel Asia Pacific Sourcing Limited, one of the five largest customers of our Group during the Track Record Period and an Independent Third Party. For details, see "Business – Sales and marketing – Customers"
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on 20 December 2019 and effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus, as amended or supplemented from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"Mr. Chan"	Mr. Chan Wang Tao Thomas (陳宏道), one of our executive Directors

"Mr. Cheng"	Mr. Cheng Wan Wai (鄭穩偉), one of our executive Directors, Controlling Shareholders, the founders of our Group, and the spouse of Ms. Hui
"Mr. Mak"	Mr. Mak Chin Pang (麥展鵬), one of our executive Directors
"Mr. Yeung"	Mr. Yeung Keng Wu Kenneth (楊鏡湖), one of our executive Directors, Controlling Shareholders and founders of our Group
"Ms. Hui"	Ms. Hui Li Kwan (許莉君), one of our executive Directors and the spouse of Mr. Cheng
"Ms. Liu"	Ms. Liu Shuk Yu Sanny (廖淑如), one of our executive Directors and substantial Shareholders
"Multi International"	Multi International Investment Group Limited (萬達國際投資集團有限公司), a company incorporated in Hong Kong with limited liability on 3 March 2015 and an indirect wholly-owned subsidiary of our Company
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NPC"	National People's Congress (全國人民代表大會)
"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$1.45 and expected to be not less than HK$1.05, such price to be determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, as further described in "Structure and Conditions of the Global Offering – Pricing and Allocation"

"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters under the International Underwriting Agreement, exercisable at the discretion of the Sole Global Coordinator (for itself and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to 19,950,000 additional Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Placing and/or to satisfy the obligation of the Stabilising Manager to return securities to be borrowed under the Stock Borrowing Agreement, if any, as further described in "Structure and Conditions of the Global Offering"
"PBOC"	People's Bank of China (中國人民銀行)
"PRC" or "China"	People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Legal Advisers"	GFE Law Office, the legal adviser to our Company as to PRC law
"Price Determination Date"	the date expected to be on or around 9 January 2020, but no later than 10 January 2020, on which our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) determine the Offer Price for the purpose of the Global Offering
"Printer's Studio"	Printer's Studio Limited, a company incorporated in Hong Kong with limited liability on 19 October 2009 and an indirectly wholly-owned subsidiary of our Company
"Product Innovator"	Product Innovator Limited (創意產品發展有限公司), a company incorporated in Hong Kong with limited liability on 26 September 1996 and an indirect wholly-owned subsidiary of our Company

"Q P (HK)"	QP (HK) Limited (雋思(香港)有限公司), a company incorporated in Hong Kong with limited liability on 2 April 2002 and an indirect wholly-owned subsidiary of our Company
"Q P (SZ)"	深圳雋思信息科技有限公司 (QP (SZ) Limited*), a company established under the laws of the PRC with limited liability on 9 May 2014 and an indirect wholly-owned subsidiary of our Company
"Q P Enterprises"	Q P Enterprises Limited (雋思企業有限公司), a company incorporated in Hong Kong with limited liability on 16 November 2017 and an indirect wholly-owned subsidiary of our Company
"Q P Holdings"	QP Holdings Limited (雋思印刷控股有限公司*) (formerly known as Trendy Opportunity Limited), a company incorporated in the BVI with limited liability on 10 March 1998 and a direct wholly-owned subsidiary of our Company
"Q P International"	Q P International Limited (雋思國際企業有限公司), a company incorporated in Hong Kong with limited liability on 16 March 2006 and an indirect wholly-owned subsidiary of our Company
"Q P Printing"	Q P Printing Limited (雋思印刷有限公司), a company incorporated in Hong Kong with limited liability on 5 July 1985 and an indirect wholly-owned subsidiary of our Company
"Q P Sourcing"	Q P Sourcing Limited (雋思物料開發有限公司) (formerly known as QP Investment Holdings Limited 雋思投資控股有限公司), a company incorporated in Hong Kong with limited liability on 2 April 2002 and an indirect wholly-owned subsidiary of our Company
"Q P Trading"	Q P Trading Limited (雋思貿易有限公司), a company incorporated in Hong Kong with limited liability on 21 May 2013 and an indirect wholly-owned subsidiary of our Company

"Radiant Keen"	Radiant Keen Limited (瑞兆有限公司), a company incorporated in Hong Kong with limited liability on 13 March 2015 and an indirect wholly-owned subsidiary of our Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in "History, Reorganisation and Group Structure – Reorganisation" and "Statutory and General Information – A. Further information about our Group – 5. Reorganisation" in Appendix V to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Sanctioned Person(s)"	certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., European Union, United Nations or Australia
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SDN List"	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 20 December 2019 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms of which is set out in "Statutory and General Information – D. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of Shares
"Sole Global Coordinator", "Sole Bookrunner" or "Stabilising Manager"	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
"sq.ft."	square feet
"sq.m." or "m^2"	square metre
"Standing Committee"	Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between the Stabilising Manager and Good Elite, pursuant to which the Stabilising Manager may borrow up to 19,950,000 Shares to cover any over-allotment in the International Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"Taunus Printing"	騰達印刷(鶴山)有限公司 (Taunus Printing (Heshan) Company Limited*), a WFOE established under the laws of the PRC with limited liability on 17 November 2006 and an indirect wholly-owned subsidiary of our Company
"Taunus Printing (HK)"	Taunus Printing Company Limited (騰達印刷有限公司), the then owner of the entire equity interest in Taunus Printing prior to the acquisition by our Company in March 2018

"Tian Jin Zen See"	天津雋思科技有限公司 (Tian Jin Zen See Technology Co., Ltd.*), a WFOE established under the laws of the PRC with limited liability on 19 May 2005 and an indirect wholly-owned subsidiary of our Company
"Tianjin Factory"	our production plant at Tianjin, the PRC
"Track Record Period"	FY2016, FY2017, FY2018 and 6M2019
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S. Legal Advisers"	Nixon Peabody LLP, the legal adviser to our Company as to U.S. law
"U.S. Workshop"	our production workshop in California, the U.S.
"US$" or "USD"	United States dollar, the lawful currency of the United States
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"Vietnamese Legal Advisers"	RHTLaw Taylor Wessing Vietnam, the legal adviser to our Company as to Vietnamese law
"VND"	Vietnamese Dong, the lawful currency of Vietnam
"Welcome Mark"	Welcome Mark Investment Limited, a company incorporated in the BVI with limited liability on 29 November 2017 and wholly-owned by Mr. Mak
"WFOE"	wholly foreign owned enterprise
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicant's own name(s)

"**White Form eIPO**"	the application for Hong Kong Offer Shares to be registered in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be deposited directly in CCASS
"%"	per cent

In this prospectus, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder', "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "" and are provided for identification purposes only.*

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

"B2B"	business to business
"B2C"	business to customers
"CAGR"	compound annual growth rate
"coating"	the addition of a layer of invisible substance, such as water base or UV curved varnish, to printed paper products in the form of gloss or matte finishing
"debossing"	the process of sinking the debossed part into the substrate leaving the desired den on the paper/cards
"die-cutting"	the process of cutting materials into desirable shapes
"embossing"	the process of raising the selected area of the paper/card surface
"FOB"	free on board, a term of sale whereby the seller delivers when the goods pass the ship's rail at the named port of shipment after which the buyer has to bear all shipping and other costs and risks in respect of loss of or damage to the goods from that point
"foil stamping"	foil stamping includes (i) conventional hot foil stamping, which refers to the application of foil under the heated die and adding pressure between the die, foil and substrate to transfer the desired foil onto the paper; and (ii) digital foil stamping refers to the use of digital press to print the image onto the paper and using digital ink as an adhesive agent to transfer the foil onto the image
"FSC/CoC"	Forest Stewardship Council Certificate/Chair of Custody Standards
"glittering"	the application of adhesive and a fountain of glittering powder on the prints

"Internet"	an interconnected system of networks that connects computers around the world and is publicly accessible. The Internet allows multimedia documents to be shared amongst computer users. Popular features of the Internet include, amongst other things, e-mails, blogs, discussion groups, on-line conversations, website portal and social media platforms
"IoT"	Internet of things, a network of physical devices and other items embedded with electronics, software, sensors and connectivity which enables these physical items to connect and exchange data, allow integration of physical items into computer-based systems
"ISO"	International Organisation for Standardisation
"ISO 14001"	a set of standards published by ISO, which specifies a framework of control for an environmental management system
"ISO 17020"	a set of standards published by ISO, which specifies the requirements for the competence of bodies performing inspection and for the impartiality and consistency of their inspection activities
"ISO 50001"	a set of standards published by ISO, which supports organisations in all sectors to use energy more efficiently through the development of an energy management system
"ISO 9001"	a quality management system model published by ISO with guidance and tools for companies and organisations who want to ensure that their products and services consistently meet customers' requirements, and that quality is consistently improved
"kg"	kilogram, a unit of measure of weight
"lamination"	the process of laminating a very thin film of substance on to the printed sheets
"MES"	manufacturing execution system
"MRP System"	manufacturing resources planning system

"ODM"	original design manufacturing, a type of manufacturing under which products are designed and manufactured by the manufacturers with reference to the general concept(s) provided by the customers and are marketed and sold under the customers' brand names
"OEM"	original equipment manufacturing, a type of manufacturing under which products are manufactured in whole or in part in accordance with the customer's specifications and are marketed under the customer's own brand names
"offset printing"	a widely used printing technique whereby the inked image is transferred (or offset) from a plate first to a rubber blanket, then to the printing surface, which offers consistent high image quality and speedy production of printing plates
"OHSAS 18001"	Occupational Health and Safety Management System, an internationally applied standard for occupational health and safety management systems
"printing plate"	a plate used in the printing process on which an image is put through photomechanical, photochemical or laser processes
"search engine marketing"	a form of Internet marketing for increasing the visibility of a website in search engine results pages by using paid advertisements
"search engine optimisation"	methods for increasing the chances that a website or page will receive higher ranking on search engine results pages, usually done by editing the content of the website to increase its relevance to specific popular keywords
"spot UV"	the process of applying UV varnish on specific area to enhance contrast of the prints
"substrate"	the base material onto which designs or images will be printed, such as paper and textiles
"UV"	ultraviolet
"Wi-Fi"	a local area wireless computer networking technology that allows electronic devices to connect to the network

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds". These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors", which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy; and
- the regulatory environment and industry outlook for the industries in which we operate.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would", "should", "continue", and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- any changes in the laws, rules, regulations and government policies in Hong Kong, the PRC, U.S., European Union, Vietnam and United Nations relating to any aspect of our business or operations or our business plans;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates, tax rates, tariffs or other rates or future prices;
- our business and operating strategies and our ability to implement such strategies;
- the operation and development of the factory and production facilities in Heshan, the PRC and the setting up of our own production site in Vietnam;
- our ability to successfully optimise our product mix to yield higher profitability;

- various business opportunities that we may pursue;
- the operating and competitive environment, expected growth of, and change in the paper products and printing industry;
- our ability to maintain the stable relationship with customers, suppliers and subcontractors;
- our future business developments, results of operations and financial position;
- ability to control or reduce costs, and maintain and enhance profitability;
- determination of the fair value of our Shares;
- the performance of the financial markets in Hong Kong and the PRC; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors”.

An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

We experienced a decrease in our profitability for FY2016 to FY2018 primarily due to (i) the incurrence of the non-recurring Listing expenses; (ii) costs in relation to relocation of our Hong Kong office; (iii) our undertaking of orders with lower profit margin; (iv) the appreciation of RMB; (v) the increase in paper cost, whereas the cost impacts of which we were not able to pass on the effect to our customers entirely and timely; and (vi) we recently acquired Taunus Printing. There is no assurance that our profitability will not continue to decrease or we will be able to improve our profitability in the future.

For FY2016 to FY2018, we recorded a decrease in our net profit, gross profit margin and net profit margin. For FY2016, FY2017 and FY2018, (i) our profit for the year was HK$89.8 million, HK$78.9 million and HK$51.0 million, respectively; (ii) our gross profit margin was 30.6%, 25.5% and 24.3%, respectively; and (iii) our net profit margin was 10.1%, 7.3% and 4.4%, respectively. For FY2016, FY2017 and FY2018, our gross profit was HK$271.0 million, HK$275.7 million and HK$282.1 million, respectively.

Our Directors believe that the decrease was mainly due to certain factors:

Impact of the non-recurring Listing expenses – our profit for FY2018 was adversely affected by the non-recurring Listing expenses incurred in the sum of HK$20.6 million;

Impact of other non-recurring expenses incurred during FY2018 – During FY2018, (i) we have relocated our Hong Kong office, as such we incurred non-recurring reinstatement cost of our old office and renovation expenses of our new office in aggregate of HK$1.2 million; (ii) in preparation of the commencement of Heshan Factory, we incurred additional transportation expenses of HK$0.6 million in relation to transferring production facilities from our Dongguan Factory to Heshan Factory; and (iii) we incurred severance payment to our employees as a result of discontinuance of our Tianjin Factory of HK$1.5 million;

Undertaking of orders with lower profit margin in order to optimise production capacity utilisation after decrease in purchase orders from one of our tabletop game customers in 2017 – our sales to Customer B dropped from HK$95.1 million for FY2016 to HK$37.6 million for FY2017. In addition, in 2017, we had taken orders for production of additional quantity of greeting cards in 2017 which had lower profit margin;

Appreciation of RMB against USD and HKD – our receipts are primarily denominated in USD and HKD, while our total cost of sales are primarily denominated in RMB, consequent fluctuations of RMB against USD and HKD had affected our cost of sales to a certain extent during the Track Record Period;

Impact on increase on raw material costs especially in production of greeting cards and tabletop games – since the additional orders for greeting cards by Hallmark involved more manual assemble processes and hence more labour intensive, we were required to engage subcontractors in order to fulfill the order within the prescribed time schedule. There was a substantial increase in subcontracting fees from HK$71.0 million to HK$131.0 million from FY2016 and FY2017. In addition to subcontracting fees, there was also an increase in certain types of paper used in production of tabletop games;

Acquisition of Taunus Printing – we acquired the Taunus Printing, which owns the Heshan Factory, in March 2018, which brought considerable impact to our profitability for FY2018. In particular, we recorded additional administrative expenses of HK$9.9 million which mainly comprised staff costs and depreciation charges; and

High production utilisation which limited the plan for product mix – during the Track Record Period, the average utilisation rate of Dongguan Factory was 105.6%, 128.7%, 107.2% and 113.5%, respectively. We were not able to fully implement the strategy of optimising the product mix efficiently which led to the decrease in profit.

For details of the reasons for decrease in profitability, see "Financial Information – Profitability during the Track Record Period".

There is no assurance that any or all of the above factors will cease affecting our business and profitability. If we are not able to improve our profitability in the future, our Group's financial performance, liquidity, financial position, business operations and prospect of our Group may be adversely affected and the investors will be exposed to high risk of investment in our Company.

Our sales are geographically concentrated in the U.S. which are subject to higher tariff rates under the trade war between the U.S. and the PRC, which could adversely affect our sales volumes, profitability and results of operations.

There has been continuing trade war between the U.S. and the PRC. Since 2018, the U.S. government has imposed additional tariffs on top of the normal tariff rates on certain products imported from the PRC into the U.S.. In response to the U.S. additional tariffs, the PRC government has also imposed tariffs on certain products imported from the U.S. into the PRC. For details, see "Business – Recent trade war between the U.S. and the PRC". We estimate that the products which would be subject to the Section 301 List 3 Additional Tariff of 25%, in terms of our revenue, were approximately HK$30.4 million, HK$34.7 million, HK$26.3 million and HK$17.0 million, respectively, accounting for approximately 3.4%, 3.2%, 2.3% and 3.0% of our revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. We estimated that the products which would be subject to the first part of Section 301 List 4 Additional Tariff, in terms of our revenue, would be approximately HK$27.7 million, HK$18.6 million, HK$36.3 million and HK$22.1 million, respectively, accounting for approximately 3.1%, 1.7%, 3.1% and 3.9% of our revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. For the maximum potential impact of the Section 301 List 3 Additional Tariff and Section 301 List 4 Additional Tariff on our Group's revenue and net profit during the Track Record Period, assuming that (i) such U.S. additional tariffs were imposed at the beginning of the Track Record Period, (ii) no measures were adopted to mitigate any impact arising from such U.S. additional tariffs and (iii) our Group took up all such U.S. additional tariffs by way of price reduction negotiations with its customers for purchasing products subject to the U.S. tariffs, see "Business – Recent trade war between the U.S. and the PRC – Section 301 List 3 and Section 301 List 4 Additional Tariffs imposed by the U.S. government" for a sensitivity analysis of the hypothetical fluctuations arising from the U.S. additional tariffs on our Group's revenue and net profit in the above circumstances.

We also cannot accurately predict whether any anti-dumping duties, additional tariffs or quota fees will be imposed on our other products by the U.S. in the future. If these products, or any other products that we manufacture or import to the U.S. become subject to any additional tariffs, it could make our products less price competitive to our customers in the U.S.. This could adversely impact our revenue derived from the U.S.. Any trade restrictions imposed by the U.S. on products could significantly increase our customers' purchase costs of our printing products produced by us in the PRC. If our customers in the U.S. cease to place purchase orders with us in the same quantities or at all, and we are unable to locate alternative customers to place purchase orders with us in the same quantities, or at the same price, or at all, to make up for the reduction in sales, our sales volume, profitability and results of operations could be adversely affected. Furthermore, we cannot assure you that we will be able to respond quickly to any economic, market or regulatory changes in the U.S. market, and any failure to do so may cause an adverse effect on our business performance, financial condition and results of operations.

We rely on sales to our top five customers which accounted for a significant portion of our revenue. Any change in our relationships with our top five customers may materially and adversely affect our results of operations and financial condition. Furthermore, the demand forecasts provided by certain of our top five customers may change, which may in turn affect our results of operations.

Our sales to our top five customers accounted for 69.2%, 71.2%, 70.0% and 72.9% of our revenue for FY2016, FY2017, FY2018 and 6M2019, respectively, and sales to our largest customer accounted for 36.9%, 44.4%, 37.6% and 45.1% of our revenue for the corresponding period. See "Business – Customers" and "– Our largest customer accounted for over 30% of our total revenue during the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be materially and adversely affected".

We do not enter into long term agreements with customers which establish minimum purchase amount or volume, and the actual purchase volumes are generally determined on an ongoing basis based on purchase orders provided by the customer. While certain of our major customers usually provide us with forecasts of their supply needs for certain products they have no obligation to place purchase orders with us since these forecasts are non-binding. As such, they may not reflect the actual quantities, pricing or timing that the final purchase orders will place. We therefore face the risks that certain of our major customers will substantially amend their forecasts, delivery times or prices. These changes may occur at any time without prior notice and we cannot assure you that we will be able to respond to these changes efficiently in order to accept or fulfil the purchase orders in a timely manner.

Substantial differences between purchase orders and forecasts may result in excess or shortage of raw materials in our inventory. As a result, our results of operations could be adversely affected by any cancellation, reduction or delay of purchase orders that certain of our major OEM customers otherwise indicated in their forecasts.

We anticipate that we will continue to rely on a limited number of major customers for the foreseeable future. Accordingly, our results of operations and financial condition may be adversely affected by any of the following events:

- our customers may cease or delay to place orders, or reduce the size of orders placed with us for any reasons, whether caused by us or not. Our sales to Customer B dropped from HK$95.1 million for FY2016 to HK$37.6 million for FY2017, which in turn affected our financial performance for FY2017. For details, see "Financial Information – Profitability during the Track Record Period";

- our customers may change their preference for our competitors' products over our products;

- our customers may adopt technologies on their products which we may not be able to offer or develop;

- our customers may experience financial or operational difficulties or a decline in sales or market shares;

- our customers may fail to make timely payment for our products or at all for any reasons, whether caused by us or not;

- we may not be able to meet the product quality standards or requirements of our customers, which may vary from time to time;

- our relationship with our customers may deteriorate and we may lose one or more of our customers;

- we may not be able to identify and establish business relationship with new customers, or to secure purchase orders from them in a timely manner or on commercially reasonable terms; and

- we may not be able to adjust our selling prices for our products to maintain our profit margins or to shift increase in cost of sales to our customers entirely or timely.

In the event that any of the above happen, there is no assurance that we will be able to locate alternative customers to place purchase orders with us, in the same quantities, or at the same price, or at all. As such, our future orders may not be at a comparable level or on similar terms as in prior years, and our results of operations may vary and fluctuate in the future.

Our largest customer accounted for over 30% of our total revenue during the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be materially and adversely affected.

Our largest customer during the Track Record Period was Hallmark, a subsidiary of an international greeting cards publisher. For FY2016, FY2017, FY2018 and 6M2019, the sales to our largest customer accounted for 36.9%, 44.4%, 37.6% and 45.1% of our revenue, respectively.

Hallmark purchased greeting cards from us during the Track Record Period and does not enter into long-term contract with purchase commitments with us. Accordingly, there is no guarantee that Hallmark will continue to purchase products from us. In the event that Hallmark reduces or no longer purchases products from us in the future, our business and results of operations would be materially and adversely affected.

In addition, our reliance on Hallmark also subjects us to risks faced by Hallmark, which include risks which are generally applicable to its businesses, for instance the market trend for greeting cards. For example, if its customers' preferences shift towards the use of electronic greeting cards or other electronic communication channels, its sales may be adversely affected. For associated risks, see "– Risks relating to our business – The sales and profitability of our OEM products are dependent on, among others, our customers' business performance, product mix and sales strategies, and the end customers' spending power and preferences" and "– Risks relating to our business – Our business may be adversely affected by the digitalisation of electronic entertainment and media platforms". In the event that Hallmark is affected by any risk relating to its business or unfavourable economic conditions, or if its business or financial condition deteriorates for any reasons, such developments could lead to payment delays to us or reduced orders or prices for our products, which in turn may have a material adverse effect on our business, results of operations or financial condition.

We are subject to the risk of foreign currency fluctuations.

Our Group's reporting currency is HKD, while (i) a substantial portion of our revenue was denominated in USD and HKD; and (ii) our costs and expenses are mainly denominated in RMB as our major operation is located in the PRC during the Track Record Period. As such, our revenue and costs and expenses are converted into HKD for the purpose of preparing financial statements. The value of RMB against USD and HKD fluctuates from time to time and is affected by a number of factors, such as changes in the political and economic conditions in the PRC as well as the fiscal and foreign exchange policies prescribed by the PRC government. Any significant fluctuations in the exchange rates between RMB, USD and HKD could materially and adversely affect our results of operations. For FY2016, FY2018 and

6M2019, we recognised foreign exchange gain of HK$6.6 million, HK$6.3 million and HK$2.6 million, respectively, while for FY2017 and 6M2018, we recognised foreign exchange loss of HK$7.1 million and HK$4.6 million, respectively in the consolidated statements of profit or loss. Such amounts represented the differences between foreign exchange rates arising from settlement of transactions and from the translation at year end exchange rates of such transactions. Furthermore, we also recognised in other comprehensive income, currency translation differences loss of HK$21.0 million, HK$24.4 million, HK$1.1 million and HK$0.9 million, for FY2016, FY2018, 6M2018 and 6M2019, respectively, and gain of HK$23.8 million for FY2017. Such currency translation differences arise when we translate the financial statements of our PRC subsidiaries that have functional currency different from the presentation currency into our Group's presentation currency at each financial year end. Any future exchange rate volatility relating to RMB could expose us to risks of uncertainties in the value of net assets, profits and dividends.

During the Track Record Period, we entered into forward foreign currency contracts to sell USD and purchase RMB with two licensed banks in Hong Kong to reduce the effects of fluctuating foreign currency exchange rates between USD and RMB. For details, see "Financial Information – Derivative financial instruments and hedging activities". There is no assurance that we may successfully mitigate our exposure to foreign currency fluctuations risks in the future. In the event that we enter into further foreign currency contracts, any losses incurred from any outstanding currency contracts may therefore materially and adversely affect our business, financial condition and results of operations.

We may be subject to inventory obsolescence risk.

Our raw materials primarily consist of paper, auxiliary accessories and other components for our products, whereas finished goods consist products available for shipment. As at 31 December 2016, 2017 and 2018 and 30 June 2019, our inventories amounted to HK$65.1 million, HK$89.7 million, HK$82.7 million and HK$79.2 million, respectively. We generally purchase paper on a back-to-back basis upon receipt of order from our customers based on the customers' request and we may purchase additional paper to fulfil sudden or urgent orders or in anticipation of any significant increase in paper price. However, certain factors such as cancellation or reducing volume of orders or subsequent decrease in paper prices are beyond our control, hence we cannot assure that our inventories can be fully utilised for purchase orders that we receive. During the Track Record Period, our Group has provided for inventory allowance amounted to HK$2.5 million, HK$1.3 million, HK$1.5 million and HK$0.1 million for FY2016, FY2017, FY2018 and 6M2019, respectively. For FY2017, our Group has written-off inventories amounted to HK$14.9 million, resulted from a fire incident occurred in a warehouse located in our Dongguan Factory for FY2017. See "Financial Information – Description of selected components of consolidated statements of financial position – Inventories" for further details.

Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level effectively in the future, we may experience a higher risk of inventory obsolescence, a decline in inventory value and significant inventory write-downs or write-offs, our liquidity and cash flow may accordingly be adversely affected. Further, if we fail to accommodate customers' business strategies and performance as well as consumers' preferences, the volume of obsolete and slow-moving inventory may increase and we may need to either sell off such inventory at a lower price or write off such inventory, in the event of which our financial performance and results of operations may be materially and adversely affected.

Our goodwill is subject to impairment review and any goodwill impairment may negatively affect our reported results of operation.

Our goodwill amounted to HK$24.7 million as at 31 December 2018, which arose from acquisition of Taunus Printing because the consideration paid has taken into account of the operational benefits that is expected to be brought to the Group by Taunus Printing as at acquisition date. Goodwill represents the excess of the consideration transferred over the fair value of the identified net assets acquired. After initial recognition, goodwill are tested annually and/or at the end of the reporting period, as and when appropriate, by determining whether the carrying amount of the cash-generating unit, which composed of Q P Enterprises and Taunus Printing (the "**CGU**"), is higher than the recoverable amount. The recoverable amount of the CGU is determined based on a value-in-use calculation with key parameters including revenue growth rate and gross profit margin. We determine the value-in-use based on a calculation of pre-tax cash flow projection based on five-year financial budget approved by the management using the estimated growth rate of the relevant CGU, taken into account the Group's overall growth rate. Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 15% and our management believe it reflects specific risks relating to the segment. Should the aforementioned key parameters (revenue growth rate and gross profit margin) each changes unfavourably by 10%, with all other variables held constant, the projected recoverable amount over carrying value as at 31 December 2018 would be reduced from HK$66.0 million to HK$59.0 million and HK$18.0 million, respectively. In the event of any significant decrease in the future growth rate or deteriorating CGU, we may be required to recognise impairment loss on our goodwill which will adversely affect our reported results of operation.

We generated a portion of our net profit from non-recurring nature of the sales of scrap materials, government grants, insurance claims and rental income during the Track Record Period.

During the Track Record Period, we generated net profits from certain sources of income which are non-recurring in nature. We sold scrap materials generated from remaining paper parts after production which cannot be reused, which amounted to HK$5.1 million, HK$8.4 million, HK$13.8 million, and HK$5.2 million for FY2016, FY2017, FY2018, and 6M2019, respectively. Our government grants represent subsidy provided by the local PRC government to certain subsidiaries of our Group for technical advancement and industry development, which amounted to HK$1.7 million, HK$6.4 million, HK$11.1 million, and HK$0.3 million for FY2016, FY2017, FY2018, and 6M2019, respectively. During FY2017, a fire incident occurred in a warehouse of our Dongguan Factory, insurance claims amounted to HK$13.5 million, HK$6.8 million and HK$6.8 million for FY2017, FY2018 and 6M2018, respectively, which set off the inventories written-off related to factory fire incident of HK$14.9 million for destroyed finished goods and provision for factory fire incident loss of HK$4.1 million in relation to provision claim from the owner of the leased property incurred in FY2017. See "Financial Information – Description of selected items in consolidated statements of profit or loss – Other income, net" for details of our other income during the Track Record Period.

We cannot assure that we will be able to generate net profit from the sales of scrap materials, government grants, insurance claims, rental income or other sources of income which are non-recurring in nature. In the event that our Group fails to generate net profit from these sources of income, our business, results of operations and financial performance and condition may be materially and adversely affected.

Our results of operations may fluctuate significantly from period to period due to fair value changes in derivative financial instruments.

Our overall results of operations may fluctuate significantly from period to period because of fair value changes in our derivative financial instruments. During the Track Record Period, our Group sought to reduce our foreign exchange risk exposure by entering into derivative financial instruments. We primarily entered into forward foreign currency contracts to sell USD and purchase RMB to reduce the effects of fluctuating foreign current exchange rates between USD and RMB, which our Group categorises these instruments as hedging. Any outstanding forward foreign currency contracts held by our Group as at each of the financial periods will be subjected to fair value changes calculated by using observable market information. Any gain or loss on such derivative financial instruments will be recognised in the consolidated statements of profit or loss. For FY2016 and FY2017, we recognised derivative financial instrument loss of HK$4.2 million and gain of HK$11.7 million, respectively. As such, our results of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

Our ability to optimise our product mix to produce products with higher profit margins is affected by the orders placed by our OEM customers, which are outside our control.

Even though our Director intend to optimise the product mix by allocating more resources for the production of tabletop games and educational items which have higher profit margins compared to greeting cards, such process may be affected by the availability of purchase orders for such products, which is outside of control. During the Track Record Period, our ability to optimise our product mix was hindered by the fact that the production capacity of our Dongguan Factory was already maximised. There is no guarantee that we will be able to optimise our product mix. If we are unable to optimise our product mix to produce products with higher profit, our gross profit margins may continue to decrease and thus, adversely affecting our profitability and financial performance.

We rely on international markets, particularly the U.S., and are therefore subject to any material adverse changes to these markets.

During the Track Record Period, a substantial portion of our revenue is generated from sales to overseas by destination of delivery. Our sales to overseas accounted for 90.9%, 90.0%, 90.2% and 91.4% of our revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. In particular, we generated most of our revenue from the U.S., which accounted for 71.8%, 73.1%, 70.8% and 75.1% of our revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. For details, see "Business – Sales and marketing – Sales markets".

Our Directors expect the provision of manufacturing and printing services to international markets to continue to represent most of our Group's revenue in the near future. As a result, we are subject to a variety of risks and uncertainties associated with overseas operations and sales, including:

- compliance with foreign laws, regulatory requirements and local industry standards;
- exposure to increased overseas litigation risks;
- political, economic and social instabilities;
- foreign exchange rate exposure;
- foreign trade or monetary policies;
- taxation or tariff regime;
- imposition of restrictions on imports from the PRC or other trade barriers by overseas countries to which we export our products;
- unfamiliarity with local operating and market conditions; and
- competition from local companies.

Any of the foregoing and other risks and uncertainties could adversely affect our overseas sales and result in reduced revenue from our overseas sales, which in turn adversely affect our financial condition and results of operations.

We are subject to potential adverse consequences due to our lack of valid certificates and permits in respect of certain properties we occupied in the PRC.

Dongguan Factory was our main production site during the Track Record Period. As at the Latest Practicable Date, (i) certain properties erected on the site where our Dongguan Factory was located did not possess valid real estate ownership certificates or immovable property title certificates as they failed to obtain the planning permit for construction project, the construction permit for construction project and/or the certificate of completion inspection record of works; and (ii) certain construction works in the site where our Heshan Factory was located failed to obtain the planning permit for construction project and the certificate of completion inspection record of works. Any property defect relating to these buildings may expose us to the risks of discontinuance of our production processes thereon, causing disruption to our operation.

As at the Latest Practicable Date, we were in the process of obtaining various permits and certificates, including real estate ownership certificate or immovable property title certificate, planning permit for construction project, construction permit for construction project and certificate of completion inspection record of works. As advised by our PRC Legal Advisers, we may face an aggregate administrative fine up to approximately RMB3,144,000 for such failure to obtain planning permits for construction project, construction permits for construction project and certificates of completion inspection record of works as required by PRC laws and regulations. There is no assurance that we will not encounter any obstacle in obtaining the relevant certificates and permits, and that we will obtain valid certificates and permits necessary for such buildings. There is also no assurance that the relevant government authorities will not impose the maximum administrative penalty on us, or demolish or suspend the usage of such buildings. In the event that we are required to demolish or suspend the usage of our factory blocks, warehouses, dormitory and other ancillary buildings which do not possess the necessary certificates and/or permits, our operations may be suspended and we may have to divert management resources to relocate the relevant operations, and relocation cost and time will be involved, which may adversely affect our operations, business and profitability. For details of our property defects, remedial actions taken and the views of our PRC Legal Advisers, see "Business – Properties – Owned properties – Owned properties in the PRC – Buildings – Title defects relating to the properties erected on the land in Dongguan" and "Business – Properties – Owned properties – Owned properties in the PRC – Buildings – Title defects relating to the properties erected on the land in Heshan".

Our business may be adversely affected by the digitalisation of electronic entertainment and media platforms.

We face challenges from new forms of entertainment along with the increased digitalisation of entertainment, technological advancements and the increased popularity of the use of electronic media. As the Internet becomes easily accessible on the one hand, and personal electronic devices such as desktop computers, laptop computers, tablets and mobile phones become more ubiquitous on the other hand, both the supply of and demand for electronic entertainment and information may impact the demand for our products.

If the trend of going paperless further strengthens, or the end consumers' preferences and trends keep shifting towards the use of electronic entertainment and media platforms, and the popularity and sales of products such as electronic tablet devices stay on the increasing trend, our customers, such as greeting cards companies, toys and games, and educational items companies may reduce the usage of our products and increase or even transfer their products towards electronic means, such as the use of electronic greeting cards sent in the form of emails, games played on desktop computers, laptop computers, tablets and mobile phones, and educational tools used on desktop computers, laptop computers, tablets and mobile phones. In such case, our business, financial condition and results of operations may be materially and adversely affected.

The sales and profitability of our OEM products are dependent on, among others, our customers' business performance, product mix and sales strategies, and the end customers' spending power and preferences.

For FY2016, FY2017, FY2018 and 6M2019, our revenue from OEM sales accounted for 92.2%, 92.5%, 92.3% and 92.0% of our revenue, respectively. These customers then sell the products to the end customers. Sales to our OEM customers are significantly affected by the respective customers' business performance and by factors relating to these customers that are beyond our control, for instance, their product mix, their failure to market their products successfully, seasonality of demand for our customers' products, any change in their sales strategies, etc. Any significant changes in their purchasing practices or their demand for our products will materially and adversely affect our business, financial condition, results of operations and prospect.

In addition, changes to the spending power, preferences of the end customers, and/or other substitutes emerge in the market which our OEM customers fail to tackle in their sales strategies, may also adversely affect our business, financial condition, results of operations and prospect.

We may fail to obtain or renew the requisite licences, permits or certifications, or otherwise fail to satisfy their requirements from time to time, which will affect our ability to obtain new business and our financial position and prospects.

As advised by our PRC Legal Advisers, we are required to hold certain licences and certifications to operate our business in the PRC, including but not limited to the printing operation licence (印刷經營許可證). For details, see "Regulatory Overview – Laws and regulations in the PRC". As at the Latest Practicable Date, we held different licences and certifications, details of which are set out in "Business – Major licences, qualifications and accreditations". These major licences and certifications have expiry dates. There is no assurance that we can renew these licences and certifications in a timely manner or at all.

In addition, these licences and certifications are subject to continued compliance with various standards relating to, amongst others, financial capability, expertise, management and safety and there is no assurance that we will continue to meet such standards from time to time. There are circumstances which may affect the ability of us to maintain such licences and permits or otherwise lead to a suspension, downgrading or demotion of the qualifications. If we are unable to renew or otherwise maintain our licences, permits or certifications, we may not be able to obtain certain new projects, and/or combine to operate our business and thereby our financial position and prospects would be materially and adversely affected.

We were in the process of relocating certain of our production facilities in our Dongguan Factory to our Heshan Factory as at the Latest Practicable Date and there is no assurance that we can carry out our production in the Heshan Factory smoothly without interruptions in the long-term.

As at the Latest Practicable Date, we were in the process of relocating certain of our production facilities in our Dongguan Factory to our Heshan Factory since, among others, certain buildings in our Dongguan Factory had been leased by our Group and the landlords of such buildings are not able to provide the relevant land use right certificate, planning permit for construction project and/or real estate ownership certificate or immovable property title certificate.

During the relocation, our printing presses and other production machines have to be moved and re-calibrated, and the smooth running of our operations in our production facilities may be adversely affected in the short term. Our workers are required to cope with the changes in production facilities and our production efficiency may also be affected in the short-term.

There is no assurance that we will be able to operate our production facilities in the Heshan Factory smoothly without interruptions in the long-term, or that production efficiency will pick up in the long-term. Our production capacity in the Heshan Factory may also be adversely affected during the process of transition. Our profitability and results of operations may be adversely affected as a result.

Furthermore, we incur expenses in relation to the relocation of our production machines and other facilities, which may adversely affect our profitability.

Fluctuations in our cost of sales, and unavailability of raw materials, or defect in the raw materials supplied to us may materially and adversely affect our business operations.

For FY2016, FY2017, FY2018 and 6M2019, our cost of sales were HK$615.3 million, HK$804.0 million, HK$880.9 million and HK$404.1 million, respectively, while purchases of raw materials for production of our products constituted our largest direct manufacturing costs, representing 48.2%, 48.1%, 48.3% and 47.1% of our total cost of sales for the corresponding period. Our cost of sales mainly comprises cost of raw materials, staff cost in relation to our production process and subcontracting fee.

Among our principal raw materials, purchase cost of paper represented 20.1%, 21.1%, 22.6% and 22.0% of our total cost of sales, respectively, for FY2016, FY2017, FY2018 and 6M2019. For details, see "Business – Raw materials and procurement – Raw materials". During the Track Record Period, we experienced a general increase in paper cost. For details, see "Industry Overview – Overview of the manufacturing market of selected paper-based printing products in the PRC – Cost analysis of the manufacturing market of paper-based printing products in the PRC – Raw material analysis of the manufacturing market of paper-based printing products in the PRC". We do not conduct any hedging activity in connection with the prices of raw materials we use in our products, and we manage risks related to the fluctuations in prices of raw materials mainly by trying to pass on additional costs to our customers through higher selling prices.

In addition, for our OEM sales, there is certain time difference between the time we provide quotations, and confirmation of sales orders. As we generally do not amend the prices for our quotations, we may not be able to pass the increase in the cost of raw materials between the time of quotations and confirmation of sales orders to our customers. If we cannot pass on the increases in the price of raw materials and finished goods to our customers, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our operations depend on steady supplies of raw materials, which are subject to a variety of factors which are beyond our control, including interruptions in the supplier's business operations, global market supply and demand, and industry conditions. Furthermore, our customers may request us to purchase from their designated raw materials suppliers. There is no assurance that the suppliers will be able to supply and deliver the required volume of raw materials to us in a timely manner as required or that the raw materials supplied to us will not be defective or substandard. Any delay in the delivery of raw materials, shortage of raw materials, or any defect in the raw materials supplied to us may materially and adversely affect our production schedule. In such event, we may lose consumer's confidence and loyalty. This may also harm our reputation and our results of operations and financial condition may be materially and adversely affected.

We may be exposed to claims by third parties for defamation or infringement of intellectual property rights.

Almost all the materials we print are subject to copyright protection. In the event of any intellectual property rights claims against our customers, we may become a party to such disputes. In addition, we may also be exposed to potential litigation claims that the contents of publications we are contracted to print may contain allegedly defamatory materials. As a result, there is a risk that claims may be made against our Group for defamation, negligence, copyright or trademark infringement or other claims relating to the nature and contents of the materials we print. In any of the circumstances as described above, any protracted litigation will require substantial costs and the diversion of resources and management's attention. Furthermore, an adverse result against us in any of such legal proceedings may result in our payment of significant damages, which we may not be able to seek full indemnification from our customers. As such, our business, financial condition and results of operations may be materially and adversely affected.

Contents of our printed materials are subject to censorship by PRC government authority and copyright protection.

Contents of our printed materials are subject to censorship by PRC government authority. If the contents of our printed materials are found to contain political, religious or any information prohibited by the PRC government authority, we could not conduct printing operations in the PRC, and have to reject such purchase orders. There is no assurance that the PRC government authority will not tighten its censorship on the contents of printed materials in the future. In the event that we cannot conduct our printing process in the PRC for whatever reason and are unable to find printing service providers outside of the PRC in a timely manner and/or at reasonable cost, we may fail to satisfy our customers' orders on schedule or at all, or may have to incur extra costs to do so. In such circumstances, our business relationship with customers and results of operations may be materially and adversely affected.

Any disruption to our websites or deficiency in the infrastructure of Internet could impair our ability to sell our products or provide printing services through our self-operated websites. Furthermore, uncertainties relating to the growth, profitability and regulatory environment of the online B2C printing services industry could also adversely affect our business, financial condition, results of operations and prospect.

Other than sales to OEM customers, we provide personalised printing services mainly through our self-operated websites, and such sales may increase as we intend to enlarge our customer base and leverage our technological capability through the implementation of our business strategies, details of which are set out in "Business – Our business strategies". For FY2016, FY2017, FY2018 and 6M2019, sales generated from our websites amounted to HK$69.3 million, HK$81.0 million, HK$89.0 million and HK$45.1 million, respectively, accounting for 7.8%, 7.5%, 7.7% and 8.0% of our revenue for the corresponding period. Such sales depend on the performance and reliability of our websites and the Internet infrastructure. The availability of our websites depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our/their breach or otherwise, as applicable, our ability to sell our products through our websites could be adversely affected. Service interruptions may prevent customers from accessing our online sales channels, designing and/or personalising their products and placing orders, and frequent interruptions could frustrate customers and discourage them from attempting to place orders, which could cause us to lose end-customers and harm our business and growth prospects.

Furthermore, we are subject to the risks of uncertainties relating to the growth, profitability and regulatory environment of the online B2C printing services industry. There is no assurance that the online B2C printing services industry will continue to grow at the estimated rate or at all. Long-term viability and prospects of various online business model remain relatively untested. The development of the online B2C industry depends on many factors, most of which are beyond our control, including:

- the growth of Internet, mobile services, broadband, personal computer and mobile penetration and usage as well as online retailing globally;

- the trust and confidence level of online shoppers, as well as changes in customer demographics and customer tastes and preferences;

- the selection, price and popularity of products that we and our competitors offer online;

- the emergence and development of alternative sales channels or business models that better address the needs of end-customers; and

- the development of order fulfilment, payment and other ancillary services associated with online purchases.

A decline in the popularity of online shopping, personalised items or any failure to improve the online shopping experience of end customers in response to trends and customer requirements may adversely affect our sales, operations and growth prospects.

Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation.

We manufacture products in accordance with the quality standards and specifications provided by our customers. However, there is no assurance that all products produced by us are free of defects. In particular, certain specialised products for children such as educational products for children may be subject to stricter quality and safety standards in jurisdictions where they are sold. Such standards are generally higher than those applicable to other consumer products, due to the need to protect infants and children from harm arising from unsafe products. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns, large-scale product recalls or product liability claims against us for substantial damages. Such claims, even unsuccessful, would likely be time-consuming and costly to defend and could divert significant resources and management attention. As a result, our business, results of operations and reputation could be materially and adversely affected by any product defects.

Disruption to our production facilities and liability in connection with industrial accidents during our production process could adversely affect our operations and financial results.

Our operations at our production facilities and warehouses are subject to operational risks. These risks include but are not limited to breakdown or failure of our machinery, disruption of power supply, natural disasters, fire and industrial accidents, which could result in temporary, permanent, partial or complete shut-downs of our operations. As a result, our operations and financial results could be materially and adversely affected. During FY2017, a fire incident occurred in a warehouse of our Dongguan Factory, as a result of this event, we recognised the items which are one-off in nature, including (i) the inventories written-off related to factory fire incident of HK$14.9 million for destroyed finished goods, provision for factory fire incident loss of HK$4.1 million in relation to provision claim from the owner of the leased property; and (ii) the insurance claims amounted to HK$13.5 million, HK$6.8 million and HK$6.8 million for FY2017, FY2018 and 6M2018, respectively. For details, see "Business – Occupational health and work safety – Fire incident during the Track Record Period". There is no assurance that our production facilities and warehouses will be free from any operational risks in the future. In the event that a fire incident happens again, our production facilities and warehouses may be destroyed, and our neighbouring properties may be adversely affected by the fire. For instance, the quality of our raw materials and finished products may be adversely affected by the smoke and heat. In these events, our operations and delivery schedules may be materially affected, leading to customers dissatisfaction and even loss of customers.

In addition, as our production process involves the operation of tools, equipment and machinery, industrial accidents resulting in injuries or even deaths may occur. There is no assurance that these industrial accidents, whether due to malfunctions of machinery or other reasons, will not occur in the future. In such event, we may be liable for personal injury or death and monetary losses suffered by our employees, fines or penalties or other legal liability arising from violation of applicable PRC laws and regulations. We may also be subject to disruptions to our business caused by equipment and/or equipment shutdown for investigation or implementation of safety measures.

We outsourced certain production processes to our subcontractors. Any changes to our relationship with them, disruptions to their production operations or deterioration of the quality of their services could adversely affect our business.

We outsource certain production processes to our subcontractors, including printing, die-cutting and assembling. For FY2016, FY2017, FY2018 and 6M2019, we engaged over 40, 50, 40 and 45 subcontractors, and the subcontracting fees paid amounted to HK$71.0 million, HK$131.0 million, HK$122.6 million and HK$73.6 million, respectively, representing 11.5%, 16.3%, 13.9% and 18.2% of our cost of sales for the corresponding period. For details, see "Business – Subcontractors". In the event that our relationship with our subcontractors deteriorates or terminates, we may not be able to identify comparable alternative subcontractors that could provide the services we require in a timely manner and/or on commercially acceptable terms. This could cause delay to our production schedule and in turn affect our operations and financial results. Furthermore, if there is any significant disruption to the operations of our subcontractors or damage to their production facilities due to natural or other causes such as technical and mechanical failures, delay in production and/or products with unsatisfactory quality may be produced. Problems with any of our subcontractors' production facilities or production, such as non-compliance with applicable laws and regulations, requirements or industry standards, which may or may not come to our attention in time or at all, could result in deteriorating quality of our products or eventually termination of our relationship with them.

Increases in the cost of and shortage of labour may materially and adversely affect our business, financial condition and results of operations.

Certain of our production processes, such as assembly, require manual labour. For FY2016, FY2017, FY2018 and 6M2019, our direct labour cost amounted to HK$141.4 million, HK$177.5 million, HK$207.9 million and HK$92.3 million, respectively. In addition, our subcontracting fees amounted to HK$71.0 million, HK$131.0 million, HK$122.6 million and HK$73.6 million, respectively. According to the CIC Report, the official minimum wage levels in Dongguan and Heshan, where our principal production facilities in the PRC are located have grown at CAGRs of 7.0% and 8.2% and reached RMB1,720 and RMB1,550 per month, respectively, between 2014 and 2018, and such rising trend is quite indicative of the overall rise in labour costs for employers in these two areas. Labour costs are generally affected by the demand for and supply of labour and economic factors including the inflation rate and standard of living. Labour costs may further increase in the future due to a shortage of labour and growing industry demands for worker.

There is no assurance that our supply of labour will not be disrupted or that our labour costs will not increase in the future. If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to accommodate sudden increases in demand for our products or our expansion plans.

The failure to identify and recruit replacement workers immediately following the unexpected loss of workers could reduce our competitiveness and have a material and adverse effect on our business and operations. In addition, we expect continued increases in labour costs in the PRC. Any further increase in minimum wage requirements may increase competition for qualified labour, which may indirectly result in further increases to our labour costs for us to retain skilled labour. In these circumstances, we may not be able to increase the prices of our products and if we fail to pass on all or part of these increased labour costs to our customers, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We had bank borrowings to support our business and finance our acquisition of our office in HK and Taunus Printing, and we may require additional funding to finance our expansion and/or operations. In the event that we cannot obtain additional funding at existing similar terms or at all, the implementation of our business strategies, our business operations, financial condition and results of operations may be materially and adversely affected.

We had bank borrowings to support our business and finance our acquisition of our office in HK and Taunus Printing during the Track Record Period. In addition, we may require additional funding to finance our operations in view of our business strategies to construct an additional factory building in our production site in Heshan as set out in "Future Plans and Use of Proceeds". As at 31 December 2016, 2017 and 2018 and 30 June 2019, our bank borrowings were at HK$10.0 million, HK$137.7 million, HK$228.0 million and HK$219.9 million, respectively, and our gearing ratio was 4.9%, 32.1%, 49.9% and 45.8%, respectively. Our gearing ratio increased from 4.9% as at 31 December 2016 to 32.1% as at 31 December 2017 and further increased to 49.9% as at 31 December 2018. The increase was primarily due our borrowings increased by 1,277.0% as at 31 December 2016 to 31 December 2017 and 65.6% as at 31 December 2017 to 31 December 2018 for funding of acquisition of property, plant and equipment and acquisition of Taunus Printing. Liquidity problem might occur due to high gearing ratio. There is no assurance that we can continue to obtain bank borrowings in similar level in future. Without sufficient bank borrowings, we would have difficulty in supporting our operations and business expansions. In addition, there is no assurance that we will be able to secure bank or other borrowings at commercially acceptable terms. In the event that we fail to obtain bank or other borrowings or the terms of the bank or other borrowings are less favourable to us, our business operations, financial condition and results of operations may be materially and adversely affected.

If we fail to maintain an effective quality assurance and control system, our business could be materially and adversely affected.

We believe that the quality of our products is critical to the success of our business. In order to meet our customers' requirements and expectations for the quality and safety of our products, we have adopted a quality assurance and control system. See "Business – Quality management system" for further details.

Whether our quality assurance and control system is effective depends on a number of factors which may be beyond our control, such as the availability of skilled workers. Failure to maintain an effective quality assurance and control system may result in a decrease in demand for our products, or cancellation or loss of purchase orders from our customers which could materially or adversely affected our reputation, business, financial condition and results of operations.

If we fail to maintain adequate and effective internal controls, we may not be able to manage our business effectively and may experience errors or information lapses affecting our business.

As we continue to expand, our success depends on our ability to effectively utilise our integrated IT systems, resources and internal controls. We will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business, and therefore affecting our ability to accurately report our financial results and to prevent fraud. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in internal controls, our ability to manage our business effectively may be affected.

If we fail to protect privacy information, our reputation and business could be materially and adversely affected.

We collect and store personal data, such as mobile number, address and transaction history of our web sales customers, for the provision of personalised printing services through our websites. Sales made through our websites accounted for 7.8%, 7.5%, 7.7% and 8.0% of our revenue for FY2016, FY2017, FY2018 and 6M2019, respectively, and there were an aggregate of approximately 194,000, 240,000, 287,000 and 309,000 registered user accounts for our five major websites, respectively, as at 31 December 2016, 2017 and 2018 and 30 June 2019. For further details on customer traffic of our major websites, see "Business – Sales and marketing – Our online sales channels". We currently retain our data in secure database servers. Although we observe security measures throughout our operations and limit access to such information, we cannot assure you that we will be able to prevent unauthorised individuals from gaining access to these database servers. Any unauthorised access to our servers, or abuse by our employees, could result in the theft or loss of privacy information. If privacy information is misappropriated, misused or lost, we could be subject to liability or litigation and our reputation could be harmed, any of which could adversely affect our business and results of operations.

Furthermore, any actual or alleged leakage or unauthorised use of the customer data we have collected could result in a decrease in our online traffic or the number of our online end customers, either of which could have an adverse effect on our business, financial condition and results of operations. In addition, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining and misappropriating our proprietary data and customer information. In addition, we have limited control or influence over the security policies or measures adopted by third-party online payment service providers through which some of our end customers may select to make online purchases. Furthermore, third-party logistics service providers or road transit courier companies may also disclose or use information about our end customers without their prior consent. Any negative publicity on our IT system's or online sales channels' safety or privacy protection mechanism and policy could have a material adverse effect on our public image and reputation. We cannot assure you that similar events beyond our control will not occur in the future, which could negatively affect our reputation.

Furthermore, any change in applicable laws and regulations on data privacy, as well as any associated inquiries or investigations or any other government actions, may be costly to comply with, result in negative publicity, increase our operating costs, require additional management time and attention, discourage our web sales customers from using our websites, and harm our reputation or business. Our business, financial condition and results of operations will be adversely affected as a result.

We rely on third party logistics service providers to deliver our products.

We engage third party logistics service providers to deliver our products sold on our websites to our customers. Disputes with or a termination in our contractual relationships with one or more of our logistics service providers could result in delayed delivery of products, increased costs or customer dissatisfaction. There can be no assurance that we can continue or renew relationships with our existing logistics service providers on commercially acceptable terms, or that we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain good relationships with logistics service providers, it may adversely affect our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our customers. We cannot assure you that we will not experience any interruption in the logistics services provided by third parties and any such interruptions could materially and adversely affect our business, results of operations or prospects.

As we do not have any direct control over these logistics service providers, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue, we may lose customers and sales and our brand image may be tarnished.

Our success depends on the ability to retain our Directors, senior management and key personnel, and recruit new talents.

Our future growth largely depends on the continuing contribution from, and our ability to retain, our Directors, senior management and key personnel. The expertise and experience of our senior management in our industry are crucial to our success. Our founders, Mr. Cheng and Mr. Yeung, each has more than 30 years of experience in the printing industry, and have together led our Group to become a well-established paper product manufacturing and printing services provider. Our success also depends on our key personnel with extensive managerial, technical, research and development or sales experience. We cannot assure you that the service of our Directors, senior management and key personnel will continue in the future. Should any of our current Directors, senior management or key personnel become unable or unwilling to work for us, we may incur additional expenses to recruit and retain suitable replacements. In the event that we are unable to recruit new talents who have similar knowledge or experience, or if any of our Directors, senior management or key personnel joins our competitors or establishes a new company that becomes a competitor, our business may be adversely affected.

Our sales of products are sensitive to the seasonality of consumer demand.

Our production and sales volume are sensitive to seasonality. For example, during the Track Record Period, we normally experienced higher production and sales volume in the second half of the year when our customers generally place orders to us to meet their sales demand mainly for Thanksgiving, Christmas and New Year holidays. As a result of the inherent seasonality of our business, our results of operations may fluctuate from period to period. Accordingly, our results of operations are subject to seasonal variability, which we believe will continue in the future.

We are exposed to credit risk in relation to our customers.

Our credit risk arises from default by our counterparties, primarily including our customers. As at 31 December 2016, 2017 and 2018 and 30 June 2019, we had trade receivables of HK$147.6 million, HK$173.2 million, HK$193.0 million and HK$176.6 million, respectively. We do not grant any credit period to customers who order from our websites, but offer a general credit period within 90 days to our OEM customers. Our major customers may default on their payment to us as a result of deteriorating financial condition or liquidity issues. In addition, for FY2016, FY2017, FY2018 and 6M2019, our average turnover days of trade receivables were 56 days, 54 days, 57 days and 59 days, respectively. We cannot assure you that we can detect potential default by our customers in a timely manner or at all. If we cannot collect trade receivables on time, our liquidity, results of operations and financial condition may be adversely affected.

Future expansion plans are subject to uncertainties and risks and may lead to increase in our costs in the future.

As set out in "Business – Our business strategies" and "Future Plans and Use of Proceeds", as part of our business strategies, we intend to enhance our production capacity and operational flexibility by developing our production support in Southeast Asia through subcontracting arrangement, setting up our own production site in Vietnam and acquire new machines in Vietnam factory, and to optimise our product mix by, among others, reallocating our production capacity and enhancing our operational efficiency by constructing an additional factory building in our production site in Heshan and acquiring new machines and upgrading certain of our existing machines. There is no assurance that we can successfully implement such business strategies or that such business strategies can be implemented according to our proposed timeline and estimated cost, due to factors which may be out of our control, such as delay or failure in obtaining the requisite licenses, permits or approvals from government authorities and in overcoming technical hurdles regarding our production facilities, the sufficiency of financial resources, and our ability to employ sufficient and competent staff for the expansion in our production capacities. In addition, our total costs will increase due to additional depreciation, staff cost, overhead and finance cost in relation to the setting up of new facilities. On the other hand, benefits to be generated from the expansion plan, such as increase in revenue, may not be as expected due to factors beyond our control, such as changes in general market conditions, the economic and political environment in the PRC and the countries where our major customers are located.

The continued expansion of our business may also place significant strain on our managerial, operational and financial resources. Therefore, there is no assurance that the intended growth of our business can be achieved or that our business will continue to be profitable.

Furthermore, whether our other future plans can be implemented successfully may be beyond our control and some future events may affect the smooth running of the expansion plans such as changes in market demands, government policies and relevant laws and regulations and the costs associated with such changes. Such factors may cause a delay in realising the benefits of our expansion plan and hence, our financial results, in particular our profitability, may be adversely affected.

In view of such uncertainties, there is no assurance that our future plans will materialise, or be completed by the predetermined timeframe, or that our objectives will be fully or partially achieved. Our business, profitability and financial condition in the future may be materially and adversely affected.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the U.S., the European Union, the United Nations, Australia and other relevant sanctions authorities.

The U.S. and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we made direct sales of our products through our websites to certain customers located in Afghanistan, Belarus, Bosnia and Herzegovina, Croatia, Egypt, Lebanon, Russia, Serbia and Ukraine, generating revenue in an aggregate amount of HK$0.04 million, HK$0.04 million, HK$0.01 million and nil, representing 0.004%, 0.004%, 0.001% and nil of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. Afghanistan, Belarus, Bosnia and Herzegovina, Croatia, Egypt, Lebanon, Russia, Serbia and Ukraine were subject to targeted sanctions during the Track Record Period and as of the date of this prospectus. See "Business – Business activities in Countries subject to International Sanctions" for further details.

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any countries subject to International Sanctions or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Countries subject to International Sanctions or with Sanctioned Persons would expose our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

While we have implemented internal control measures to minimise our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of U.S., the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provide a basis for a sanctions designation of our Group. For details of our business operations in the Countries subject to International Sanctions and our undertakings to the Stock Exchange and its related group companies, see "Business – Business activities in Countries subject to International Sanctions".

Our operations may be subject to transfer pricing adjustments by competent authorities.

Our Group operates mainly in Hong Kong and the PRC, and has transactions with customers and suppliers in different countries. Our Group's intra-group transactions and cross-border business arrangements during the ordinary course of business may impose inherent uncertainty over our Group's profit allocation and its respective tax position across different jurisdictions. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries. For details, see

"Business – Transfer pricing arrangements". We engaged an independent tax consultant, the tax department of one of an international auditing, tax and advisory firms, to review and evaluate our Group's transfer pricing arrangements between parties under review in the PRC and Hong Kong. For details, see "Business – Transfer pricing arrangements".

There is no assurance that the tax authorities would not subsequently challenge the appropriateness of our Group's transfer pricing arrangements or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If a competent tax authority later finds that the transfer prices and the terms that our Group has applied are not appropriate, such authority may require our Company or its subsidiary to re-assess the transfer prices and re-allocate the income or adjust the taxable income. Any such reallocation or adjustment could result in a higher overall tax liability for our Group and may adversely affect the business, financial condition and results of operations of our Group.

We depend on the proper performance of our information system and any serious disruption of such system could adversely impact our business.

We rely on our information system which centralises our business data, allowing us to manage and facilitate our day-to-day operations, such as maintaining information of our customers for customer relationship management, monitoring our inventory level and issuing delivery orders and invoices to customers. Any disruption to or a breakdown of our information system may result in a slowdown in operational and management efficiency, causing disruption to our business operations and adversely affecting our ability to meet delivery schedules.

We may not be able to adequately protect our intellectual property rights.

We carry out our business with our various trademarks. Although we have registered our material trademarks, unauthorised use of our trademarks may damage our brand and reputation. For details of our intellectual property rights, see "Statutory and General Information – B. Further information about our Business – 2. Material intellectual property rights – (a) Trademarks" in Appendix V to this prospectus. There is no assurance that there will not be any infringement in the future. In the event that any infringement occurs, we may have to protect our intellectual property rights or other rights through litigations which may be costly and could have adverse impact on our business and results of operations.

Our insurance coverage may not be adequate.

Our Group has purchased various insurance policies, including insurance coverage that covers our major production facilities, main offices, equipment and machineries, etc. against damages caused by accidents and disasters such as fire; and product liability insurance for certain of our products. See "Business – Insurance" for further details of our insurance coverage. There is no assurance that the coverage of the insurance policies taken would be adequate to fully compensate for the extent of the losses suffered by us. Furthermore, any compensation is quantified and assessed in accordance with the terms and conditions of the relevant insurance policies. There is no assurance that our losses will be compensated in full or in part in any given case. In the event that we incur losses which are not covered by our insurance coverage, we would have to bear the entire loss or the difference (as the case may be) ourselves and our cash flow and liquidity could be adversely affected. In addition, we experienced a fire incident during the Track Record Period, the losses from which had been covered by our insurance policies. Our insurance premium may increase in the future as a result, and our cash flow and liquidity could be adversely affected.

The PRC government may impose fines or sanction on us for our failure to comply with the terms of the land grant contract for our production site in Heshan.

Under PRC laws and regulations, the PRC government may issue a warning, impose a penalty and/or reclaim our land if we fail to develop a piece of land according to the terms of the relevant land grant contracts, such as the approved land use, payment of land premiums and other fees, and the time for commencement and completion of development.

As advised by our PRC Legal Advisers, according to the Measures on Disposal of Idle Land (閒置土地處置辦法), land can be defined as idle land under any of the following circumstances: (i) development and construction of the state owned construction land is not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or (ii) the development and construction of the state owned construction land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without approval. If we are found that the land is suspected to be regarded as idle land by local land resource bureau, the relevant PRC land resource bureau may issue a notice to regard the land as idle land after its investigation and verification, and impose an idle land fee of up to 20% of the land premium on us and/or the land may be subject to forfeiture by the PRC government unless the reason for land being idle is caused by government actions or force majeure.

As at the Latest Practicable Date, construction works in respect of a parcel of land of site area 46,552.27 sq.m. at Yutang Road, Gonghe Town, Heshan, where our Heshan Factory is located, has been commenced but had been delayed for more than one year from the commencement date stipulated in the land grant contract. For details, see "Business – Properties – Owned properties – Owned properties in the PRC – Idle land in Heshan".

We cannot assure you that we will be able to fully comply with the obligations under the land grant contracts in the future due to factors which are beyond our control, or that we will not be subject to idle land fee or that the parcel of land in Heshan would not be taken back by the government as a result of such delay. If we fail to comply with the terms of any land grant contract as a result of factors beyond our control, or any other reasons, we may lose our previous investment in the land and the opportunity to develop the project, which may have a material adverse effect on our business, results of operations and financial condition.

We may be subject to fines and penalties as a result of our non-compliance with certain PRC laws and regulations regarding the social insurance and housing provident fund during the Track Record Period.

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance and housing provident fund contributions for their employees, and entities failing to make such contributions may be ordered to settle the outstanding contributions within a prescribed time limit and subject to late payments or fines. During the Track Record Period, we have not fully made social insurance and housing provident fund contribution for our PRC employees as required under the relevant PRC laws and regulations. We estimate that the amount of social insurance and housing provident fund contributions that we did not make or fully make, but should have made, for FY2016, FY2017, FY2018 and 6M2019 were HK$12.5 million, HK$16.1 million, HK$10.5 million and nil (in respect of social insurance payments), respectively, and HK$8.6 million, HK$8.8 million, HK$5.0 million and nil (in respect of housing provident fund contributions), respectively.

For details, see "Business – Legal compliance and proceedings – Non-compliance incidents".

There is no assurance that we will not be subject to late payments, fines or penalties imposed by the relevant PRC government authorities as a result of such non-compliance incidents, requested by the relevant PRC government authorities to pay the unpaid social insurance payments or housing provident fund contributions, or any order to rectify such non-compliance incidents. There is also no assurance that there will be no employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. In addition, we may incur additional costs to comply with such laws and regulations by the relevant PRC government authorities. Any such development may harm our corporate image and may have an adverse effect on our financial condition and results of operations.

RISKS RELATING TO OUR INDUSTRY

Technological developments in the printing industry may reduce our competitiveness.

Constant refinements to offset printing presses and related machinery as well as the introduction of new technologies are continuously improving the quality, productivity, safety, speed, reliability and energy efficiency within the printing industry. The ability to print faster and more cost-effectively offers printing service providers a competitive edge. Technological improvements and increases in the level of automation, not only in the printing process but also in the pre-press and post-press production stages, not only offer printing service providers cost savings on raw materials, time and labour, but also reduce human error while enhancing the quality of products. During the Track Record Period, our Group has continuously upgraded our production facilities. However, in the event that our Group is not able to upgrade our technologies in a timely manner or at all to meet customers' demands, our business and results of operations may be adversely affected.

Our business is subject to intense competition, which may reduce demand for our products and materially and adversely affect our business, financial condition, results of operations and prospects.

The export markets of paper-based greeting cards and paper-based tabletop games products and related products are highly competitive with a large number of manufacturers providing services, according to the CIC Report. Some of our competitors may have more financial and other resources, larger variety of products, greater pricing flexibility, more extensive research and development and technical capabilities, greater knowledge of local market conditions, stronger brand recognition and/or larger sales networks. As a result, we may not be able to offer products similar to or more desirable than those offered by our competitors, market our printing products as effectively as our competitors or otherwise respond successfully to competitive pressures. In addition, our competitors may be able to offer discounts on competing products, and we may not be able to profitably match those discounts. Furthermore, our competitors may develop technologies and products that are more effective than those we currently offer or that render our products obsolete or uncompetitive. Our failure to compete successfully could materially and adversely affect our business, financial condition, results of operations and prospects.

Any changes in environmental protection and safety laws, rules and regulations may adversely affect our operations.

Our business is subject to certain PRC laws and regulations relating to environmental and safety matters. The discharge of waste and pollutants from our manufacturing operations into the environment may give rise to liabilities to that may require us to incur costs to remedy such discharge. In addition, we cannot assure you that any environmental laws adopted in the future will not materially increase our operating costs and other expenses.

We cannot assure you that we will be able to comply with new legislations should the PRC government impose stricter environmental protection standards and regulations in the future. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition, results of operations or prospects.

Possible lack of growth in the consumer market or general market downturn may lead to reduction in demand for our products.

We provide printing services principally to international customers in various industries. Our products are mostly tabletop games, greeting cards, educational items and premium packaging. During periods of economic uncertainty, consumer consumption is typically scaled back, with certain non-essential products, such as tabletop games and greeting cards, may suffer from reduced demand. Such decrease in demand may in turn reduce the supply of products to the market by our customers. When consumer sentiment remains conservative, there is no assurance that our Group's customers will continue to maintain their market supply in normal volumes, resulting in a decrease in orders we may obtain. Such a general market downturn could result in not only a reduction in the demand for products and services of our Group, but also intensified competition. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

PRC economic, political and social conditions as well as government policies could affect our business.

A substantial part of our business and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects may be affected by the economic, political and social conditions as well as government policies in the PRC.

While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy for more than three decades, a substantial part of the PRC economy is still being operated under various controls by the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may materially and adversely impact our business, financial condition, results of operations and prospects.

The PRC legal system is in the process of continuous development and has inherent uncertainties that could limit the legal protections available to us in respect of our operations and to our Shareholders.

The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since the late 1970s, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated laws and regulations.

In addition, the PRC is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces and may have different and varying applications and interpretations in different parts of the PRC. Legislations or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislations or regulations. There is at present also no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, each court may refuse to make the documentation which it holds for on-going cases available for inspection. Accordingly, there is a risk that entities in the PRC acquired by us may be subject to proceedings which have not been disclosed.

The PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of a violation of these policies and rules until sometime after the violation. Failure to comply with applicable rules and regulations may result in fines, restrictions on our activities or, in extreme cases, suspension or revocation of our business licences. There may be uncertainties regarding the interpretation and application of new laws, rules and regulations.

The interpretation and enforcement of certain PRC laws which govern a portion of our operations involve uncertainties, which could limit the legal protections available to us. In particular, agreements which are governed under PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

Our Company is a holding company that relies on dividend payments from our subsidiaries for funding and payment of dividends from our PRC subsidiaries is subject to restrictions under PRC laws and PRC withholding tax.

PRC laws require dividends to be paid out of net profit calculated according to PRC accounting principles, which, in many aspects, differ from the generally accepted accounting principles in other jurisdictions. Foreign-invested enterprises, such as our PRC subsidiaries, are also required to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. In addition, such dividends are also subject to PRC withholding tax.

Our Company is a holding company registered in the Cayman Islands and a substantial part of our business and operations are conducted through our PRC subsidiaries. The availability of funds to pay distributions to Shareholders depends on dividends received from these subsidiaries. If our PRC subsidiaries incur any debts or losses or otherwise there are insufficient retained after-tax profits after deducting statutory reserves, the amount of dividends that our PRC subsidiaries can declare will be limited and as a result, our ability to pay dividends and other distributions to Shareholders will be restricted.

The PRC government's control over the conversion of foreign exchange and fluctuations in the value of RMB may affect our results of operations, financial condition and ability to pay dividends.

Our operations are primarily conducted in the PRC and our cost and expenses are mainly denominated in RMB. The value of RMB against the USD and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in the political and economic conditions in the PRC as well as internationally and the fiscal and foreign exchange policies prescribed by the PRC government. There is no assurance that the value of RMB will remain at the current level against the USD or any other foreign currency. Should RMB appreciate or depreciate against the USD or any other foreign currency, it will have mixed effects on our business and there is no assurance that the overall effect will be positive.

RMB is currently not a freely convertible currency. Conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Pursuant to the existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions (including dividend payment) without submitting the relevant documentary evidence of such transactions to the SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes may require the prior approval or registration with the SAFE. If we fail to obtain the SAFE's approval or registration to convert RMB into foreign currencies for foreign exchange transactions or there are changes in the foreign exchange regulations or policies, our capital expenditure plans, business operations, results of operations, financial condition and our ability to pay dividends could be materially and adversely affected.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by or filed with the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may be treated as a resident enterprise for PRC tax purposes and be subject to PRC taxation on our worldwide income, which could result in unfavourable tax consequences to us and our non-PRC Shareholders.

Our Company is registered under the laws of the Cayman Islands but a substantial portion of our operations are in the PRC. Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) ("**EIT Law**"), an enterprise incorporated in a foreign country or region may be classified as either a "non-resident enterprise" or a "resident enterprise". If an enterprise incorporated in a foreign country or region has its "de facto management bodies" located within the PRC, such enterprise will be considered a PRC tax resident enterprise and will normally be subject to the enterprise income tax of 25% on its worldwide income.

It is unclear how the PRC tax authorities will determine whether an offshore entity is a non-PRC resident enterprise. We cannot assure you that PRC tax authorities will not consider us to be a "resident enterprise". If the PRC tax authorities subsequently determine that we or our offshore holding companies are deemed to be or should be classified as "resident enterprises", such entity or entities may be subject to enterprise income tax at a rate of 25% on their worldwide income, which could have an impact on our effective tax rate and materially and adversely affect our financial condition and results of operations.

In addition, under the EIT Law, to the extent dividends from earnings derived since 1 January 2008 are sourced within the PRC and if we were considered a "resident enterprise" in the PRC, PRC income tax at the rate of 10% (or a lower rate pursuant to an applicable tax treaty) may be required to be withheld from dividends on our Shares payable by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in the PRC or if, despite the existence of such establishment or place of business in the PRC, the relevant income is not effectively connected with such establishment or place of business in the PRC. Furthermore, any gains realised on the transfer of our Shares by such "non-resident enterprise" investors would be subject to PRC income tax at a rate of 10% if such gains were deemed income derived from sources within the PRC and if we were considered a "resident enterprise" in the PRC. It is unclear whether, if we are considered a PRC "resident enterprise", holders of our Shares may be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas. If we are required under the EIT Law or other related regulations to withhold PRC income tax on our dividends payable to foreign holders of our Shares which are "non-resident enterprises", or if our Shareholders are required to pay PRC income tax on the transfer of our Shares under PRC tax laws, the value of an investment in our Shares may be materially and adversely affected.

There are uncertainties with respect to indirect transfers of assets (including equity interests) of our PRC subsidiaries.

In February 2015, the SAT issued the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfers of Assets by Non-Resident Enterprises Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) or Circular 7. Circular 7 provides comprehensive guidelines relating to, and also heightens the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares on a public market by our non-resident enterprise Shareholders or to any future acquisition by us outside of the PRC involving PRC Taxable Assets. As a result, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

RISKS RELATING TO CONDUCTING BUSINESS IN VIETNAM

Geopolitical risks may have an adverse impact on our business, financial condition and results of operations.

The social conditions and political stability of Vietnam will also have a direct impact on the feasibility in operating our production in Vietnam. Our future business operations in Vietnam where the economy and legal systems remain susceptible to risks associated with an emerging economy may be subject to higher geopolitical risks than developed countries. Unexpected social and political events such as the social unrests in Vietnam targeting Chinese-related businesses, and territorial and other disputes among neighbouring countries in Asia may adversely affect the operations of our production site to be established in Vietnam. Any social and political unrests, which are beyond our control, may give rise to various risks, such as loss of employment and safety and security risks to persons and properties and in turn adversely affect Vietnam economy. Any such event may in turn have an adverse impact on our businesses, financial condition and results of operations.

The economy in Vietnam may be subject to periods of high inflation which could materially and adversely affect our business, financial operation and results of operations and growth prospects.

Government anti-inflation policies and a decline in global commodity and petroleum prices have led to a decrease in Vietnam's inflation rate. While these inflation rates are lower than rates of earlier years, there can be no assurance that the Vietnamese economy will not be subject to future periods of high inflation. Should inflation in Vietnam increase significantly, our costs, including labour costs and transportation costs are expected to increase. Furthermore, high inflation rates could have an adverse effect on Vietnam's economic growth, business climate and dampen consumer purchasing power. As a result, a high inflation rate in Vietnam could materially and adversely affect our business, financial condition and results of operations and growth prospects.

Changes in the economic, political and legal environment of Vietnam, and Vietnam's less developed legal system, may adversely affect our business, financial condition and results of operations.

Our future business operations in Vietnam are subject to the economic, political and legal environment in Vietnam. Vietnam's economy differs from the economies of many countries in such respects as governmental involvement, level of development, growth rate, allocation of resources and inflation rate. Prior to the 1990s, Vietnam's economy was largely a planned economy. Since about 1987, increasing emphasis has been placed on the utilisation of market forces in the development of the economy. In connection with the development of the economy, the Vietnamese Government has adopted a 10-year socio-economic development strategy for 2010 to 2020 and five year state plans for the period from 2011 to 2015 and from 2016 to 2020. Although state owned enterprises still account for a substantial portion of Vietnam's industrial output, the Vietnamese Government in general is reducing the level of direct control that it exercises over the economy through state plans and other measures. It is our understanding that there is an increasing level of freedom and autonomy in areas such as resource allocation, production and management and a gradual shift in emphasis to a market economy and enterprise reform.

The legal system of Vietnam also differs from most common law jurisdictions, in that it is a system in which decided legal cases have little precedential value. The laws and regulations are subject to broad and varying interpretations by government officials and courts. For vague regulations, the courts of Vietnam have the power to read implied terms into contracts, adding a further layer of uncertainty. As a result, government officials and courts often express different views from lawyers' on the legality, validity and effect of a particular legal document. In addition, the views of governmental authority received on a particular issue have no binding effect or finality, so there is no guarantee that similar issues will be dealt with in a similar way by other governmental authorities. Furthermore, recognition and enforcement of legal rights through Vietnam courts, arbitration centres and administrative agencies in the event of a dispute is uncertain. As part of its transition from a planned economy to a more market-oriented one, the Vietnamese government has implemented a series of economic reforms, including lowering trade barriers and import quotas to encourage and promote foreign investment. In preparation for Vietnam's accession to the World Trade Organisation in 2007, the Vietnamese government has also promulgated a series of laws and regulations on local and foreign investment, including the Law on Investment, which regulates investments in Vietnam, and the Law on Enterprises, which sets out the types of corporate vehicle investors may establish to carry out their investment projects. However, conflicting interpretations between local regulators in different provinces and between different ministries, may create confusion over key issues. The Vietnam National Assembly issued new investment and enterprise laws in November 2014, which came into force on 1 July 2015, to improve the country's investment climate. In addition, in the context of pursuing and maintaining economic reforms, the Vietnamese government has promulgated other laws and regulations in recent years designed to attract foreign investment and business development in Vietnam, which may intensify the competition in our industry.

Although the Vietnamese government has made progress in economic reform and the development of laws and regulations, there remain inherent uncertainties and inconsistencies in the interpretation, implementation and enforcement of laws and government policies, including tax regulations. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition, depending upon the outcome of these experiments. Furthermore, there can be no assurance that the Vietnamese government will continue to pursue policies of economic reform or that any reforms will be successful or the impetus to reform will continue. If any of the changes adversely affect us or our business, or we are unable to capitalise on the economic reform measures of the Vietnamese government, our business, financial condition and results of operations could be adversely affected.

The VND may be subject to foreign exchange controls imposed by the Vietnamese government.

In Vietnam, the VND is not generally freely convertible into other currencies. Under certain conditions, such as fulfilment of Vietnam's financial obligations, the Vietnamese government allows foreign invested enterprises to convert VND into other currencies for repatriation of profits from their Vietnam operations abroad. However, there is no assurance that such rules and regulations will not be subject to change in the future and any tightening of foreign control laws in Vietnam may impair our ability to repatriate profits from our Vietnamese operations to our Company. If any of the above occurs, our business, results of operations and financial conditions may be materially and adversely affected.

We require various approvals, licences and permits to operate our business and any failure to obtain or renew any of these approvals, licences and permits could materially and adversely affect our business and results of operations.

In accordance with the laws and regulations of Vietnam, we are required to maintain various approvals, licences and permits in order to operate our paper-based printing business in Vietnam. We are required to obtain, among others, certificates of incorporation (enterprise registration certificate and investment registration certificate) for foreign investment, and certificate of satisfaction of order and security and other licenses for printing publications and importing printing equipment to Vietnam. These licences are generally subject to examinations or verifications by relevant authorities and may be valid only for a fixed period of time subject to renewal and accreditation. Compliance with the relevant laws and regulations may require substantial expense, and any non-compliance may expose us to liabilities. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time to remedy any deficiencies. We may also experience adverse publicity arising from such non-compliance with any laws and regulations that negatively impacts our business.

We may experience difficulties or failures in obtaining the necessary approvals, licences and permits for new production site in Vietnam. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licences and permits required for our future business operations in Vietnam upon expiration in a timely manner or at all. If we cannot obtain or maintain all licences required by us to operate our future business in Vietnam, the planned new business operations and expansion may be delayed and our ongoing business could be interrupted. We may also be subject to fines and penalties.

RISKS RELATING TO THE GLOBAL OFFERING

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Global Offering, there has not been a public market for our Shares. We have applied for the listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Global Offering, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The Offer Price range for our Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Sole Global Coordinator on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Global Offering. Therefore, our Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares purchased in the Global Offering.

As the Offer Price is higher than the net tangible assets value per Share, our Shareholders will experience an immediate dilution in the book value of their Shares purchased in the Global Offering and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering. Therefore, our Shareholders will experience an immediate dilution in pro forma net tangible assets value of HK$1.20 per Share, based on the maximum Offer Price of HK$1.45.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Our Shareholders may experience further dilution in the net tangible assets value per Share if we issue additional Shares at a price lower than the net tangible assets value per Share at the time of their issue.

Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before trading of the Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be four business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in Shares during that period. Accordingly, holders of Shares are subject to the risk that the price of their Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Mr. Cheng, Mr. Yeung and Good Elite, our Controlling Shareholders, may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.

Immediately following the Global Offering, Mr. Cheng, Mr. Yeung and Good Elite, our Controlling Shareholders will own 58.34% of our issued share capital, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of any of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if any of them chooses to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Future sales or issuances or perceived sales or issuances of our Shares could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital.

The market price of our Shares could decline as a result of future sales or issuances of a substantial number of our Shares or other securities in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or issuances or perceived sales or issuances may also adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a favourable time and price.

Our Shares held by our Controlling Shareholders are subject to certain restrictions regarding their disposal for a period of six months after the date on which trading in our Shares commences on the Stock Exchange. We cannot assure you that the current Shareholders will not dispose of any Shares they own now or may own in the future.

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends shall be formulated by our Board and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under HKFRSs, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information – Dividend and dividend policy" for further details of our dividend policy.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media, and/or research analyst coverage regarding us, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

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 (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful considerations, and are founded on bases and assumptions that are fair and reasonable.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFER ONLY

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages, and in the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

EXCHANGE RATE CONVERSION

In this prospectus, unless otherwise stated, amounts denominated in RMB and USD have been translated into Hong Kong dollars at an exchange rate of RMB1.00 = HK$1.11 and USD1.00 = HK$7.75, respectively, for illustrative purposes only. Such conversions shall not be construed as representations that amounts in RMB and USD were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

INFORMATION ABOUT THE GLOBAL OFFERING

Issuer	Q P Group Holdings Limited (雋思集團控股有限公司)
Global Offering	Global Offering of initially 133,000,000 Offer Shares (subject to adjustment and excluding the Shares to be issued pursuant to the exercise of the Over-allotment Option) comprising (i) Hong Kong Public Offer of initially 13,300,000 Offer Shares (subject to adjustment) and (ii) International Placing of initially 119,700,000 Offer Shares (subject to adjustment and excluding the Shares to be issued pursuant to the exercise of the Over-allotment Option).
Offer Price	Not more than HK$1.45 per Offer Share and expected to be not less than HK$1.05 per Offer Share.
Over-allotment Option and stabilisation	Up to 19,950,000 additional Shares to be offered by our Company. Details of the arrangements for Over-allotment Option and related stabilisation exercise are set out in “Structure and Conditions of the Global Offering”.

Lock-up undertakings by our Controlling Shareholders

See "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offer – Undertakings given to the Stock Exchange pursuant to the Listing Rules – By our Controlling Shareholders".

Board lot

2,000 Shares

Dividend policy

See "Financial Information – Dividend and dividend policy".

Unless we determine otherwise, dividend, if declared, will be paid in Hong Kong dollars to our Shareholders, as recorded in our register of members, by ordinary post, at our Shareholders' own risks, to the registered address of each such Shareholder, or in the case of joint holders, the first-named holder.

Voting rights

Each Share entitles its holder to one vote at our Shareholders' meeting. See "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

Stamp duty

Dealings in the Shares registered in our register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Register of members

Our Company's register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. All of the Shares issued pursuant to the Global Offering will be registered on our register of members.

Application for the Listing on the Stock Exchange

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued upon the exercise of the options granted under the Share Option Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on 16 January 2020. Except as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this prospectus. All the Offer Shares will be registered on our register of members maintained by the Hong Kong Share Registrar in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Restrictions on offers and sale of the Offer Shares

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to, or be deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such 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 offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

Fully underwritten

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. See "Underwriting" for further information regarding the Underwriters and the underwriting arrangements.

Price Determination Date

On or around 9 January 2020, and in any event, no later than 10 January 2020. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before 10 January 2020, the Global Offering will not become unconditional and will not proceed and will lapse.

Admission to CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 date of commencement of dealings in the Shares on the Stock Exchange or on 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 enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Procedures for applying for Hong Kong Offer Shares

See "How to Apply for Hong Kong Offer Shares".

Conditions of the Global Offering

See "Structure and Conditions of the Global Offering – Conditions of the Global Offering".

DIRECTORS

Name	Address	Nationality
Executive Directors		
CHENG Wan Wai (鄭穩偉)	Flat D, 26/F The Westminster Terrace 2A Yau Lai Road Yau Kam Tau, New Territories Hong Kong	Chinese
YEUNG Keng Wu Kenneth (楊鏡湖)	33 Kwu Tung Road, Valais, Valais II Geneva East Avenue, House 20 Sheung Shui, New Territories Hong Kong	Chinese
LIU Shuk Yu Sanny (廖淑如)	Flat A, 15/F, Block 1 Sky Tower, The Arch No. 1 Austin Road West Kowloon Hong Kong	Chinese
CHAN Wang Tao Thomas (陳宏道)	Flat A, 9/F Wing On Court No. 24 Ho Man Tin Hill Road Kowloon Hong Kong	Chinese
HUI Li Kwan (許莉君)	Flat D, 26/F The Westminster Terrace 2A Yau Lai Road Yau Kam Tau, New Territories Hong Kong	Chinese
MAK Chin Pang (麥展鵬)	Flat E, 25/F, Tower 5 The Riverpark 8 Che Kung Miu Road Shatin, New Territories Hong Kong	Chinese

Name	Address	Nationality
Independent non-executive Directors		
CHAN Hiu Fung Nicholas (陳曉峰), *MH*	Flat 10B, East View 3 Cox's Road Jordan Kowloon Hong Kong	Chinese
CHENG Man Chung Daniel (鄭文聰), *BBS, MH, JP*	No. 17 Sun Uk New Village Ma On Shan New Territories Hong Kong	Chinese
NG Shung (吳嵩), *JP (Australia)*	Flat B, 27/F Block 2 28 Fortress Hill Road Le Sommet North Point Hong Kong	Australian

See "Directors and Senior Management" for further details of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Guotai Junan Capital Limited** *A corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator and Sole Bookrunner	**Guotai Junan Securities (Hong Kong) Limited** *A corporation licensed to conduct 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
Joint Lead Managers	**Guotai Junan Securities (Hong Kong) Limited** *A corporation licensed to conduct 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
	First Shanghai Securities Limited *A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO* 19/F & Room 2505-10 Wing On House 71 Des Voeux Road Central Hong Kong
	Crosby Securities Limited *A corporation licensed to conduct 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* 5/F Capital Centre 151 Gloucester Road Wanchai Hong Kong

Co-Lead Managers

Business Securities Limited
A corporation licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
18, 20-21/F
83 Queen's Road East
Wanchai, Hong Kong

Ever-Long Securities Company Limited
A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Rooms 1101-02 & 1111-12
11/F Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

HTF Securities Limited
A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
Room 1807, 18/F
Office Tower Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Joincap Securities Limited
A corporation licensed to conduct type 1 (dealing in securities) regulated activity under the SFO
Suite 606 Level 6
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Taipei 11072
Taiwan

As to International Sanctions law
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88 Queensway
Hong Kong

Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **Watson Farley & Williams LLP** Suites 4610-4619 Jardine House 1 Connaught Place Hong Kong
	As to PRC law **Commerce & Finance Law Offices** 2301, Building A Aerospace Science and Technology Plaza Haide 3rd Road, Nanshan District Shenzhen, China
Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** Room 9, 12/F., Block A Merit Industrial Centre 94 Tokwawan Road Kowloon Hong Kong
Property Valuer	**Cushman & Wakefield Limited** 16/F, Jardine House Central Hong Kong
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Registered Office in the Cayman Islands	**Estera Trust (Cayman) Limited** PO BOX 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
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Head Office and Principal Place of Business in Hong Kong	Unit J, 21/F Kings Wing Plaza 2 1 On Kwan Street Shek Mun, Shatin New Territories Hong Kong
Company's website	www.qpp.com *(The contents on this website do not form part of the prospectus)*
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Authorised Representatives under the Listing Rules	MAK Chin Pang (麥展鵬) Flat E, 25/F, Tower 5 The Riverpark 8 Che Kung Miu Road Shatin, New Territories Hong Kong WONG Hung Pan (黃鴻斌) *(FCPA, ACIS, ACS)* Unit J, 21/F Kings Wing Plaza 2 1 On Kwan Street Shek Mun, Shatin New Territories Hong Kong
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Remuneration Committee	CHAN Hiu Fung Nicholas (陳曉峰) *(Chairman)* CHENG Man Chung Daniel (鄭文聰) NG Shung (吳嵩) MAK Chin Pang (麥展鵬)
Nomination Committee	CHENG Man Chung Daniel (鄭文聰) *(Chairman)* CHAN Hiu Fung Nicholas (陳曉峰) NG Shung (吳嵩) MAK Chin Pang (麥展鵬)
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Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
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Principal Bankers	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited Shop G1, G/F & 1/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Central, Hong Kong
	DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Central, Hong Kong

The information presented in this section is derived from the CIC Report, which is based on information sourced from CIC's database, publicly available information sources, industry reports, as well as data obtained from interviews and other sources. We believe that these information sources are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, representatives, employees, agents or professional advisers, or any other person or party (except CIC) involved in the Global Offering, and no representation is given as to the completeness, accuracy, or fairness of such information. Accordingly, such information should not be unduly relied upon.

SOURCES OF INFORMATION

We commissioned CIC, an independent market research consulting firm, to conduct a detailed analysis of, and prepare a final report on selected paper-based printing products industry with a focus on (i) tabletop games, (ii) greeting cards, and (iii) educational items in the U.S., EU, the PRC, and other countries. We agreed to pay CIC a total fee of HKD780,000, which we believe reflects the market rate for such reports.

The information and data collected by CIC have been analysed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysing market data obtained from several publicly available data sources, such as the International Monetary Fund, National Bureau of Statistics of China, and industry associations. The methodology used by CIC is based on analysing information gathered from multiple levels and ensures that this information is cross-referenced for reliability and accuracy.

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) economic and industrial development in the U.S., EU, the PRC, and other selected countries are likely to maintain a steady growth trend during the forecast period; (ii) related key industry drivers are likely to propel continued growth in the export of selected paper-based printing products produced by the PRC manufacturers throughout the forecast period, including growing consumer consumption, increasing variety and improving quality of tabletop games, greeting cards and educational items, and higher production efficiency brought by the adoption of advanced technology; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected dramatically or fundamentally. CIC believes that the assumptions used in preparing the CIC Report, including those used to make future projections, are factual, correct, and not misleading. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors as well as the choice of primary and secondary sources.

Our Directors confirm that after taking reasonable enquiries, there had been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict, or have an impact on the information set out in this section.

Except otherwise mentioned, all data and forecasts contained in this section are extracted from the CIC Report.

OVERVIEW OF GLOBAL RETAIL MARKET OF PAPER-BASED PRINTING PRODUCTS

Paper-based printing products refer to the products that were manufactured by using paper as the major raw material, and the images on the paper are presented by utilising printing techniques. Typical paper-based printing products include books, newspapers, magazines, greeting cards, brochures, packaging and labelling products, and business cards, etc.

The global total retail sales value of paper-based printing products increased at a CAGR of 1.0% between 2014 and 2018, growing from USD535.3 billion in 2014 to USD558.2 billion in 2018. The total retail sales value will further grow at a CAGR of 0.8% to reach USD579.5 billion by 2023. In 2018, China is the largest country in terms of domestic retail sales value of paper-based printing products with a share of 32.9%, followed by the U.S. and EU, with market shares of 22.5% and 14.8%, respectively.

OVERVIEW OF THE RETAIL MARKETS OF PAPER-BASED PRINTING PRODUCTS IN THE U.S. AND EU

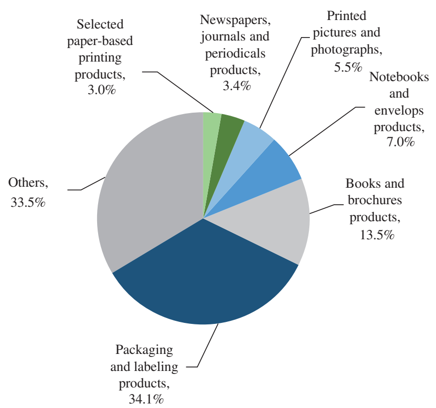
The total retail sales value of paper-based printing products in the U.S. and EU increased steadily between 2014 and 2018, growing from USD110.4 billion and USD78.1 billion in 2014 to USD125.8 billion and USD82.5 billion in 2018, respectively, and are expected to grow to reach USD139.6 billion and USD87.5 billion by 2023, respectively, representing CAGRs of 2.1% and 1.2% between 2018 and 2023.

OVERVIEW OF THE RETAIL MARKETS OF SELECTED PAPER-BASED PRINTING PRODUCTS IN THE U.S. AND EU

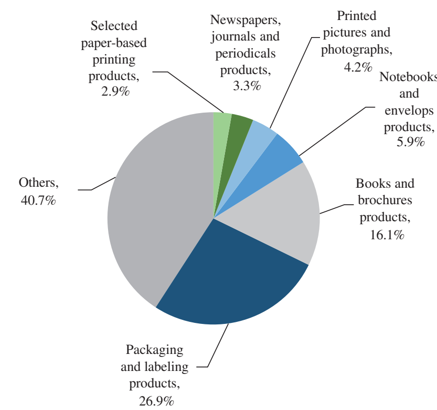
The selected paper-based printing products in this section refer to paper-based tabletop game products, paper-based greeting cards and paper-based educational items: (i) paper-based tabletop games include card games, board games, etc. These products are toy-like items serving consumers in their gaming activities with family members, friends, classmates, and other group members; (ii) paper-based greeting cards are used to express wish, personal emotions and feelings to others on events such as birthdays, holidays, celebrations and weddings. Sending greeting cards to family members and friends on various occasions has been long-term consumption habits for consumers worldwide, especially those in North America and Western Europe; and (iii) paper-based educational items include an extensive category of products such as early-stage educational cards, children's picture books, colouring books, teaching aid sets, etc. These paper-based educational items are normally used by parents and teachers in tutoring and entertaining their infants, toddlers, preschoolers, and elementary-age children.

The paper-based printing products industry contains a wide range of products, and the shares of each kind of product in terms of retail sales value are relatively fragmented. In 2018, the retail sales value of selected paper-based printing products accounted for 3.0% and 2.9% of the total retail sales value of paper-based printing products in the U.S. and EU, respectively. The following charts present the breakdown of retail sales value of paper-based printing products in the U.S. and EU in 2018.

Breakdown of retail sales value of paper-based printing products, the U.S., 2018



Breakdown of retail sales value of paper-based printing products, EU, 2018



Notes:

1. Packaging and labelling products include paper printed cases, bags, containers, paper or paperboard labels, etc.;

2. Others include printed wallpaper, postages, stamps, printed music manuscript, calendars, maps, etc.

Source: CIC report

Market Size of Retail Markets of the Selected Paper-based Printing Product in the U.S. and EU

In the U.S., the retail sales value of the selected paper-based printing products increased from USD3,395.5 million in 2014 to USD3,802.7 million in 2018, at a CAGR of 2.9%. The market is expected to continue growing to reach USD4,061.1 million by 2023, with a CAGR of 1.3% between 2018 and 2023.

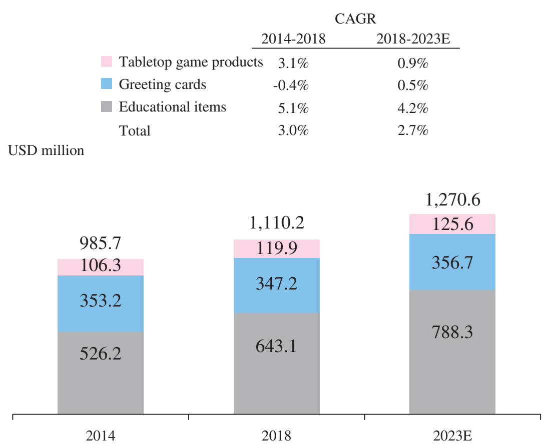
In EU, the retail sales value of the selected paper-based printing products increased from USD2,261.2 million in 2014 to USD2,390.4 million in 2018, at a CAGR of 1.4%. The market is expected to continue growing to reach USD2,503.8 million by 2023, with a CAGR of 0.9% between 2018 and 2023.

For the U.S. and EU retail brands of the selected paper-based printing products, manufacturing locally is less economical than outsourcing to overseas manufacturers and printing companies, especially those in East Asia, considering that labour costs in those countries are much lower than North American and European countries, and the quality of products and services offered by manufacturers in those countries are also quite satisfactory.

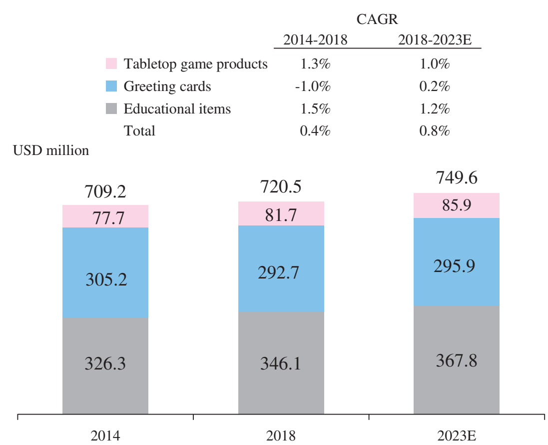
According to CIC, the total import values of paper-based printing products in the U.S. and EU was USD37.8 billion and USD28.1 billion in 2018, respectively. The import values of selected paper-based printing products in the U.S. and EU was USD1,110.2 million and USD720.5 million in 2018, respectively.

The following charts present the import value of the selected paper-based printing products in the U.S. and EU from 2014 to 2023:

Total import value of the selected paper-based printing products, the U.S., 2014-2023E



Total import value of the selected paper-based printing products, EU, 2014-2023E



Note: CAGR of 2018 to 2023E refers to the year-over-year growth rate over a specified period from the end of 2018 to the end of 2023.

Source: CIC report

Major import countries of selected paper-based printing products in the U.S.

Paper-based tabletop game products in the U.S. are mainly imported from the PRC, Mexico, Japan, and Germany, which accounted for 79.5%, 3.3%, 3.0%, and 1.5% of total import value of paper-based tabletop game products in the U.S. in 2018, respectively. The U.S. mainly imported paper-based greeting cards from the PRC, Canada, UK, and Vietnam, which accounted for 92.4%, 1.3%, 1.2%, and 2.2% of total import value of paper-based greeting cards in the U.S. in 2018, respectively. Paper-based educational items in the U.S. are mainly imported from the PRC, Mexico, Vietnam, and Indonesia, which accounted for 87.2%, 4.2%, 3.6%, and 1.5% of total import value of paper-based educational items in the U.S. in 2018, respectively.

Major import countries of selected paper-based printing products in EU

Paper-based tabletop game products in EU are mainly imported from the PRC, the U.S., Japan, and Vietnam, which accounted for 78.2%, 8.5%, 3.7% and 1.8% of total import value of paper-based tabletop game products in EU in 2018, respectively. The EU mainly imported paper-based greeting cards from the PRC, Switzerland, the U.S., and Vietnam, which accounted for 82.0%, 4.0%, 3.8%, and 0.9% of total import value of paper-based greeting cards in EU in 2018, respectively. Paper-based educational items in EU are mainly imported from the PRC, Vietnam, Indonesia, and the U.S., which accounted for 89.0%, 2.6%, 1.8%, and 1.5% of total import value of paper-based educational items in EU in 2018, respectively.

Market drivers of the retail markets of selected paper-based printing products in the U.S. and EU:

- *Increasing categories of selected products:*

To meet the increasing demands for new kinds of selected products among consumers, the categories of selected products have been enlarging and the product lines of each selected product have been expanding. The larger product offerings are expected to attract new consumers to make purchases and ultimately increase the sales of selected products in the retail market.

- *Paper-based tabletop games: emergence of new tabletop games*

In order to enhance children's preferences on tabletop games, manufacturers are making more efforts on creating and producing new kinds of tabletop games by incorporating the latest cartoon characters or cultural concepts on the products, for instance, new war games with concepts inspired by historical stories or movies, and role-playing games inspired by fairy tales. The increasing attractiveness of the new tabletop games for children will enhance the sales of tabletop games in the retail market.

- *Paper-based greeting cards: increasing purchases of high-end greeting cards*

The paper-based greeting card is evolving towards high-end series with higher-quality paper and luxurious accessories. This product development is expected to attract more consumers to purchase premium greeting cards to express their wishes to their friends and families. In addition, with the product upgrade, the average retail sales price of greeting cards in the U.S. and EU has increased by 20% to 30% in the past five years. With a continuous increase in residents' disposable incomes, more consumers in the U.S. and EU are willing and able to purchase these premium greeting cards.

- *Paper-based educational items: growing private expenditure on early childhood education.*

Parents believe that early childhood education has positive impacts on children's perceptions, emotions and physical development, helping them to perform better in later school life. Paying increasing attention on early childhood education, parents are expected to spend more on educational items to support their in-house teaching, which will in turn drive the development of retail market of paper-based educational items.

Future trends of the retail markets of selected paper-based printing products in the U.S. and EU

- *For paper-based tabletop games:* With the increasingly diverse innovative entertainment activities among children, the categories of game products are expected to expand and the varieties of paper-based tabletop games are expected to increase.

- *For greeting cards:* there is an increasing demand for personalised or customised greeting cards with high quality and high level of product diversification in the retail market.

- *For paper-based educational items:* In order to meet children's diverse learning demands and develop their multi-intelligence, an increasing variety of paper-based educational items are expected to emerge in the retail market, providing effective early childhood educational solutions.

Impact of digital substitutes on selected paper-based printing products

With the rising Internet penetration and growing social media platforms in the U.S. and EU, the retail markets of the selected paper-based printing products has been constrained by the paperless substitutes, such as digital games, electronic-form greeting cards, and online learning applications.

Although tabletop games have become available on smart devices, a large number of consumers are still keen on paper-based tabletop games. The idea behind the design of paper-based tabletop games was to bring families and friends together to have a shared experience and enjoy the precious moment with each other, and this physical interaction cannot be achieved from electronic games. Besides, some classical paper-based tabletop game products are seen as collectables with higher value while digital tabletop games are not. According to CIC, customer spending on each purchase of a deck of poker card in the U.S. was about USD2.0 to USD4.0, and customer spending on each purchase of a set of paper-based tabletop game was about USD10.0 to USD30.0 in the U.S. Per capita annual expenditure on paper-based tabletop game products among all persons aged between 10 and 29 in the U.S. was USD4.4 in 2018, having grown at a CAGR of 2.9% over the past five years, and is expected to increase at a CAGR of 1.6% in the following five years.

The paper-based greeting cards are still preferred in the U.S. and EU, and the demand for paper-based greeting cards is expected to remain relatively stable in the near future. Over the past two decades, e-cards are increasingly used by working people via emails or other electronic means for B2B and B2C communications as sending e-cards can enhance the delivery efficiency and reduce the delivery costs considering the mass volume of cards and the recipients in different location. However, paper-based greeting cards are still preferred and being widely used among other age groups, such as children in schools (ranging from nursery, primary school, secondary school, tertiary school to colleges), middle-aged, and elderly who may not always spend times on computers and Internet everyday. According to CIC, consumers aged between 25 and 44 contributed 30%-35% of total sales revenue of paper-based greeting cards in the U.S. in 2018, while a larger share of consumption is contributed by consumers aged below 25 and above 45, who contributed 10%-15% and 50%-60% of total sales revenue in 2018, respectively. These consumers value the emotional attachment to sending and receiving paper-based greetings cards during festivals and memorable days to/from their friends and families, and they have the perspective that buying paper-based greeting cards in store is enjoyable for the festive atmosphere. In addition, according to a survey conducted by the Greeting Card Association (a trade association founded in 1941 for the greeting card industry in the U.S. with the commitment to promote the tradition of sending paper-based greeting cards), in 2016, 70% of consumers consider that paper-based greeting card is essential, and 80% of them expected their purchases of paper-based greeting cards to remain stable in future years. With the aging problem, according to the statistics of the United Nation, people aged above 50 in the U.S. is projected to increase at a CAGR of 1.2% from 2018 to 2025 to reach a population of 140.7 million, which accounted for 37% of the total population by 2025. Therefore, the major consumer groups' consumption of paper-based greeting cards is expected to remain stable in the future.

Paper-based educational items are expected to remain the mainstream given that paper-based educational items have its special advantages as compared to electronic ones. Parents prefer to use paper-based educational items as it helps protect children's eyesight as well as enhance the parent-child relationship. Teachers prefer to use paper-based educational items in school as paper-based educational items can fix children's attention on study while electronic ones may cause distraction. According to CIC, customer spending on each purchase of a paper-based educational item (such as a paper picture book/colouring book or a set of paper-based teaching aid product) was about USD10.0 to USD30.0 in the U.S. Per capita annual expenditure on paper-based educational items among all persons aged between 0 and 14 in the U.S. was USD34.0 in 2018, having grown at a CAGR of 4.6% over the past five years, and is expected to continue increasing at a CAGR of 2.0% in the following five years in view of the increasing attention on pre-school education.

Impact of trade war on selected paper-based printing products

Due to the ongoing trade war, the increased tariffs on Chinese products imposed by the U.S. government have led to an increase in the import prices of paper-based printing products. Moreover, the U.S. government has imposed tariffs on Canadian uncoated groundwood paper, resulting in higher manufacturing costs of paper-based printing products in the U.S. In view of the impact of trade war, several strategies will be adopted by Chinese manufacturers, including the relocation of their factories to countries such as Vietnam, Myanmar, and Cambodia to lower the manufacturing costs and meanwhile ensure the stability of production and maintain their profitability.

Competitive landscape of the suppliers to the retail markets of selected paper-based printing products in the U.S. and EU

There are a large number of suppliers providing selected paper-based printing products to the retail markets in the U.S. and EU. The competitive landscape of this supplier market is fragmented, with no one being able to dominate a sufficient market share.

Entry barrier for the suppliers to the retail market of selected paper-based printing products in the U.S. and EU

In order to meet the large market demands for selected paper-based printing products, most retailers seek to work with suppliers with good brand reputation, reasonable product prices, ability to provide high-quality and unique-designed products, and large production capability to meet increasing demands. Such abilities enable the supplier to stand out in this highly competitive market and earn trust from retailers. Hence, market participants, who are not able to equipped with these abilities, may find it difficult to enter the market.

OVERVIEW OF THE GLOBAL MANUFACTURING MARKET OF PAPER-BASED PRINTING PRODUCTS

According to CIC, the sales value of global manufacturing market of paper-based printing products in terms of ex-factory price was USD447.7 billion in 2018. China is the largest manufacturing country of paper-based printing products in the global market, with a market share of approximately 45% in 2018, followed by the U.S. and EU with market shares of 12.5% and 6.6%, respectively.

The selected paper-based products manufactured in China are mainly exported to the U.S. EU, and other countries. Paper-based tabletop games manufactured in the PRC are mainly exported to the U.S.,Germany and United Kingdom, which represented a share of 19.4%, 2.9% and 2.9%, of total export value of paper-based tabletop games in 2018, respectively. Paper-based greeting cards manufactured in the PRC are mainly exported to the U.S., United Kingdom, and Canada, which accounted for 50.1%, 25.3%, and 2.1% of total export value of paper-based greeting cards in 2018, respectively. Paper-based educational items manufactured in the PRC are mainly exported to the U.S., United Kingdom, Germany, and France, which accounted for 44.1%, 9.7%, 5.5%, and 3.0% of total export value of paper-based educational items in 2018, respectively.

The PRC is the largest exporting country of selected paper-based printing products to the U.S., representing 79.5%, 92.4% and 87.2% of total import value of tabletop games, greeting cards and educational items of the U.S. respectively in 2018.

The PRC is also the largest exporting country of selected paper-based printing products to the EU, representing for 78.2%, 82.0% and 89.0% of total import value of tabletop games, greeting cards and educational items of EU respectively in 2018. As the cost of raw materials are relatively lower in the PRC, overseas retailers normally import printing products from Chinese manufacturers at a low price and resell them at much higher price in local markets to make profits.

OVERVIEW OF THE MANUFACTURING MARKET OF PAPER-BASED PRINTING PRODUCTS IN THE PRC

Introduction

Based on printing methods, the PRC's manufacturing market of paper-based printing products can be divided into three sub-segments, including (i) digital printing; (ii) offset printing; (iii) others such as letterpress printing, gravure, etc.

Based on product types, the PRC's manufacturing market of paper-based printing products can be divided into six sub-segments as follows: (i) publication printing products; (ii) packaging and labelling printing products; (iii) paper-based tabletop game products; (iv) paper-based greeting cards; (v) paper-based educational items; and (vi) others such as paper-based business cards, advertisement printing products, etc.

Market size of the manufacturing market of paper-based printing products in the PRC

Market size breakdown by printing methods

Over 80% of paper-based printing products are produced via offset printing method. This sub-segment grew steadily from 2014 to 2018 at a CAGR of 4.7% and is estimated to grow at a CAGR of 3.1% in the following five years, as a large quantity of paper-based printing products will still be printed by this method due to its lower cost.

Revenue from the digital printing segment increased from USD2.1 billion in 2014 to USD5.3 billion in 2018, representing a CAGR of 26.0% and is estimated to grow at a CAGR of 18.8% in the following five years. This is mainly because an increasing number of manufacturers are using digital printing method to produce personalised printing products considering its short print run and quick turnaround time.

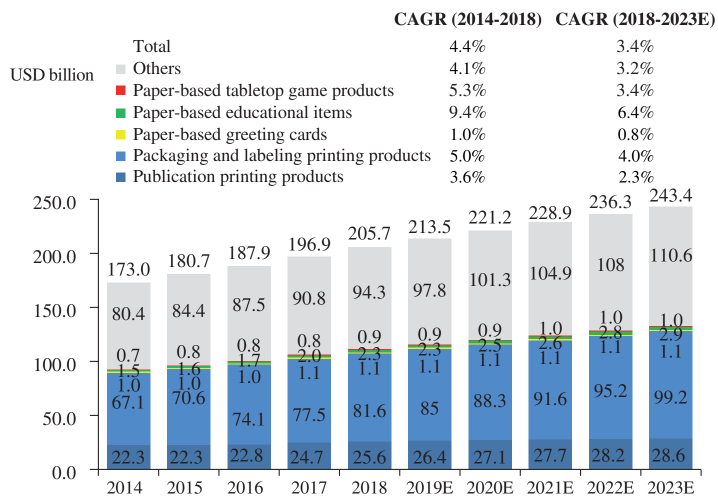
Market size breakdown by product types

The total sales value of the manufacturing market of paper-based printing products in terms of ex-factory price in the PRC increased steadily from USD173.0 billion in 2014 to USD205.7 billion in 2018, representing a CAGR of 4.4%. Driven by continuous improvement in printing techniques and the expansion of sales channels for paper-based printing products, the total sales value is expected to continue growing to reach USD243.4 billion by 2023, registering a CAGR of 3.4% between 2018 and 2023.

In the PRC's manufacturing market of paper-based printing products, among the six types of products, packaging and labelling printing products is the largest segment in terms of sales value, accounting for 39.7% of the total sales value in 2018, followed by the publication printing products, which generated 12.5% of the total sales value of the manufacturing market of paper-based printing products in 2018. The selected paper-based printing products, including paper-based tabletop games, paper-based greeting cards, and paper-based educational items, together accounted for 2.0% of the total sales value of the manufacturing market of paper-based printing products in 2018.

The following chart presents the sales value of the PRC's manufacturing market of paper-based printing products in terms of ex-factory price between 2014 and 2023:

Total sales value of the manufacturing market of paper-based printing products in terms of ex-factory price, the PRC, 2014-2023E



Notes:

1) Others include paper-based business card, advertisement printing products, etc.

2) CAGR of 2018 to 2023E refers to the year-over-year growth rate from the end of 2018 to the end of 2023.

Source: CIC report

Export value of paper-based printing products from the PRC

The total export value of the paper-based printing products from the PRC increased from USD67.1 billion in 2014 to USD83.1 billion in 2018, representing a CAGR of 5.5%. With the continuous development of printing technique that contributes to the higher quality and more innovative designs of final paper-based printing products, the PRC's export market is expected to continue expanding in view of the relatively lower manufacturing costs in the PRC than that in the U.S. and other countries. As such, the export value of the paper-based printing products from the PRC is projected to continue growing at a CAGR of 4.3% between 2018 and 2023, and reach USD102.4 billion by 2023.

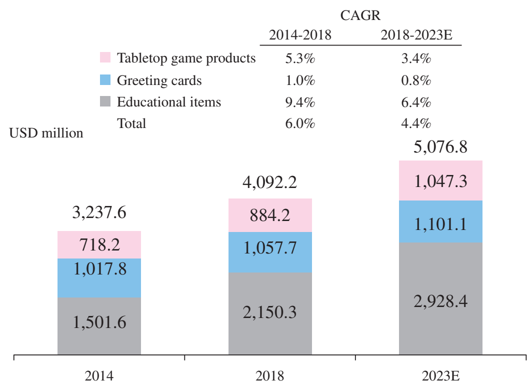
OVERVIEW OF THE MANUFACTURING MARKET OF SELECTED PAPER-BASED PRINTING PRODUCTS IN THE PRC

Market size of the manufacturing market of selected paper-based printing products in the PRC

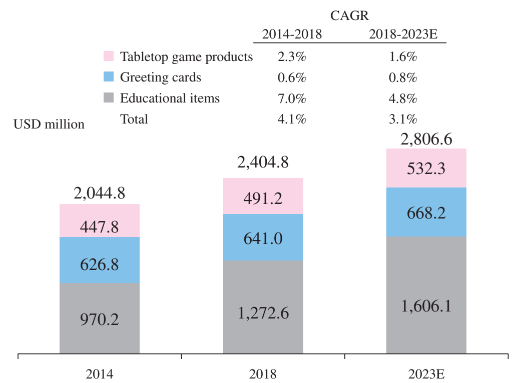
The majority of selected paper-based printing products manufactured in the PRC are sold to overseas market, mainly the U.S. and EU.

The following charts present the total sales value of the PRC's manufacturing market of selected paper-based printing products, and total export value of the selected paper-based printing products in the PRC between 2014 and 2023:

Total sales value of the manufacturing market of selected paper-based printing products in terms of ex-factory price, the PRC, 2014-2023E



Total export value of the selected paper-based printing products, the PRC, 2014-2023E



Notes:

1) The total sales value of the PRC's manufacturing market of selected paper-based printing products in terms of ex-factory price includes the domestic sales value of selected paper-based printing products in terms of ex-factory price and total export value of selected paper-based printing products in the PRC.

2) CAGR of 2018 to 2023E refers to the year-over-year growth rate from the end of 2018 to the end of 2023.

Source: CIC report

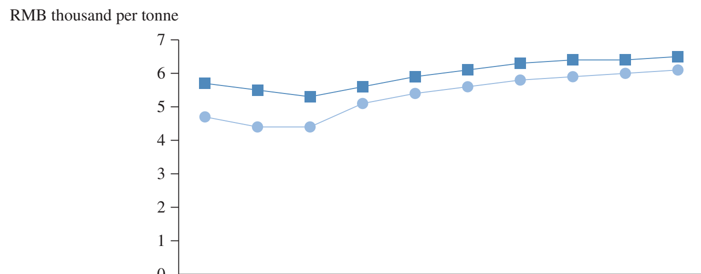
Cost analysis of the manufacturing market of paper-based printing products in the PRC

Raw material analysis of the manufacturing market of paper-based printing products in the PRC

The largest cost component for the production of paper-based printing products is the cost of paper, which accounts for as high as 40% to 50% of the total cost of the selected products discussed in above analysis. Other major cost components include cost of auxiliary materials such as ink and chemical additives, labour cost, and other miscellaneous expenses of manufacturing, with each of these accounting for 15% to 20% of the total manufacturing cost, varying according to price fluctuation, product categories and production techniques.

The major types of paper used for manufacturing paper-based printing products are printing paper and paperboard. The average market price of printing paper and paperboard used in the manufacturing market of paper-based printing products in the PRC exhibited a low level of volatility over the past five years. It is expected that the market price of printing paper and paperboard will maintain their current levels as the overall balance between supply and demand in China has been largely restored. The following chart presents the average market price of printing paper and paperboard used in the manufacturing market of paper-based printing products in the PRC from 2014 to 2023:

Average market price of printing paper and paperboard used in the manufacturing market of paper-based printing products, the PRC, 2014-2023E



	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	CAGR (2014-2018)	CAGR (2018-2023E)
Printing paper	5.7	5.5	5.3	5.6	5.9	6.1	6.3	6.4	6.4	6.5	0.8%	1.9%
Paperboard	4.7	4.4	4.4	5.1	5.4	5.6	5.8	5.9	6.0	6.1	3.7%	2.3%

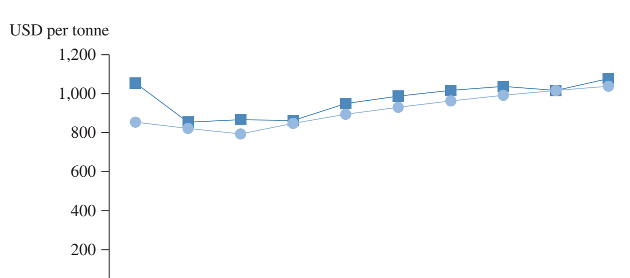
Note: CAGR of 2018 to 2023E refers to the year-over-year growth rate from the end of 2018 to the end of 2023.

Source: CIC report

Raw material analysis of the manufacturing market of paper-based printing products in the U.S.

The average market price of printing paper decreased from USD1,054.7 per tonne in 2014 to USD949.5 per tonne in 2018, representing a negative CAGR of 2.6%, while the market price of paperboard was relatively stable between 2014 and 2018, increasing slightly at a CAGR of 1.2%. It is expected that the average market price of printing paper and paperboard will rise at a steady growth rate between 2018 and 2023, with a CAGR of 2.6% and 3.0%, respectively. The following chart presents the average market price of printing paper and paperboard used in the manufacturing market of paper-based printing products in the U.S. from 2014 to 2023:

Average market price of printing paper and paperboard used in the manufacturing market of paper-based printing products, the U.S., 2014-2023E



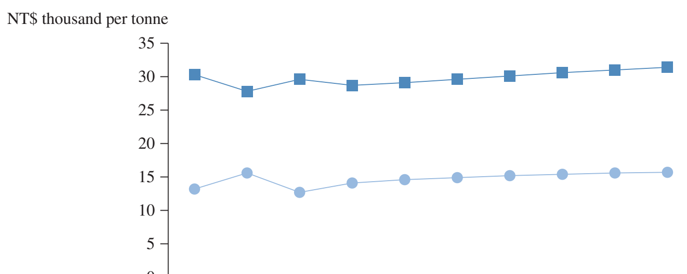
	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	CAGR (2014-2018)	CAGR (2018-2023E)
Printing paper	1,054.7	853.8	866.9	862.3	949.5	987.5	1,017.1	1,037.4	1,058.2	1,077.2	-2.6%	2.6%
Paperboard	854.3	822.2	794.0	848.0	894.8	930.5	963.1	992.0	1,016.8	1,038.4	1.2 %	3.0%

Source: CIC

Raw material analysis of the manufacturing market of paper-based printing products in Taiwan

The market price of printing paper decreased from NT$30.3 thousand per tonne in 2014 to NT$29.1 thousand per tonne in 2018, representing a negative CAGR of 1.0%, while the market price of paperboard increased from NT$13.2 thousand per tonne in 2014 to NT$14.6 thousand per tonne in 2018, at a CAGR of 2.4% between 2014 and 2018. It is forecasted that the average market price of printing paper and paperboard in Taiwan will rise at a CAGR of 1.5 and 1.6%, respectively, between 2018 and 2023. The following chart presents the average market price of printing paper and paperboard used in the manufacturing market of paper-based printing products in Taiwan from 2014 to 2023:

Average market price of printing paper and paperboard used in the manufacturing market of paper-based printing products, Taiwan, 2014-2023E



	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	CAGR (2014-2018)	CAGR (2018-2023E)
Printing paper	30.3	27.8	29.6	28.7	29.1	29.6	30.1	30.6	31.0	31.4	-1.0%	1.5%
Paperboard	13.2	15.6	12.7	14.1	14.6	14.9	15.2	15.4	15.6	15.7	2.4%	1.6%

Source: CIC

Labour cost analysis of the manufacturing market of paper-based printing products in the PRC

The official minimum wage levels in Dongguan, Tianjin and Heshan grew at CAGRs of 7.0%, 5.1% and 8.2% between 2014 and 2018, and reached RMB1,720, RMB2,050 and RMB1,550 per month in 2018, respectively. These figures are expected to increase to reach RMB2,153, RMB2,485, and RMB1,898 per month by 2023, representing CAGRs of 4.6%, 3.9%, and 4.1%, respectively. The manufacturers of paper-based printing products in the PRC are facing the pressure of rising labour costs. Some of the manufacturers will relocate their factories to Chinese other provinces in the PRC or even Southeast Asian countries where the wage levels are much lower. In addition, the increasing adoption of automatic machines and production lines will also help ease the pressure from the rising labour wages.

COMPETITIVE LANDSCAPE OF THE MANUFACTURING MARKETS OF SELECTED PAPER-BASED PRINTING PRODUCTS IN THE PRC

The manufacturing market of paper-based tabletop game products in the PRC is highly fragmented, with the leading five companies accounting for 7.9% of the total market in terms of export value in 2018. The Company was the largest producer of paper-based tabletop game products and related products with a market share of 2.7% in the PRC's export market in 2018.

Ranking and market share of the leading manufacturers of paper-based tabletop game products in terms of export value, the PRC, 2018

Ranking	Company Name	Company profile	Production Base	Export Value	Estimated market share
				(USD million)	
1	The Company	• Founded in 1985, it is a printing service provider and paper-based product manufacturer.	• Heshan • Dongguan	13.5	2.7%
2	Company I	• Founded in 1985, it is a manufacturer of gift cards, board game products, etc.	• Jiangyin	~9.0	1.8%
3	Company F	• Founded in 1995, it is a manufacturer of board game products, books and publications.	• Heshan	~7.0	1.4%
4	Company G	• Founded in 2004, it is a manufacturer of paper-based products such as game sets.	• Heshan	~6.0	1.2%
5	Company H	• Founded in 1990, it is a manufacturer of paper-based board games, paper-based packaging products, etc.	• Shenzhen	~4.0	0.8%
	Others			451.7	92.1%
	Total			491.2	100%

Note: The names of the competitors are not disclosed since no consent of disclosure has been obtained from the competitors.

Source: CIC report

The PRC's manufacturing market of paper-based greeting cards is relatively fragmented, with the leading six companies taking up 38.1% of the total market in terms of export value in 2018. The Company was the second largest producer of paper-based greeting cards with a market share of 8.1% in the PRC in 2018.

Since the greeting card clients of the Company are world-renowned greeting card brand owners and retailers, the Company is one of the largest manufacturers massively producing greeting cards in the PRC.

Ranking and market share of the leading manufacturers of paper-based greeting cards in terms of export value, the PRC, 2018

Ranking	Company Name	Company profile	Production Base	Export Value *(USD million)*	Estimated market share
1	Company A	• Founded in 1991, it is one of the manufacturers of paper-based products in Asia.	• Heshan	~68.0	10.6%
2	The Company	• Founded in 1985, it is a printing service provider and paper-based product manufacturer.	• Heshan • Dongguan	51.9	8.1%
3	Company B	• Founded in 1970, it is a manufacturer of packaging materials, labels and paper products including children's books and greeting cards.	• Shenzhen • Suzhou	~42.0	6.6%
4	Company C	• Founded in 1965, it is a manufacturer of greeting cards, gift bags, gift wrap and other consumable paper products.	• Yingde	~32.0	5.0%
5	Company D	• Founded in 2011, it is a manufacturer of paper stationery, gifts, and packaging products.	• Dongguan	~29.0	4.5%
6	Company E	• Founded in 1950, it is a manufacturer of books, packaging products, corrugated box, etc.	• Zhongshan • Heshan • Shenzhen • Wuxi	~21.0	3.3%
	Others			397.1	61.9%
	Total			641.0	100%

Note 1: Company B and Company E are listed companies.

Note 2: The names of the competitors are not disclosed since no consent of disclosure has been obtained from the competitors.

Source: CIC report

The PRC's manufacturing market of paper-based educational items is also highly fragmented, with the leading three companies accounting for 22.0% of the total market in terms of export value in 2018. The Company recorded an export value of USD14.5 million in 2018 and was comparatively a smaller manufacturer of these products in China.

Market drivers of the manufacturing market of paper-based printing products in the PRC

- *Supportive government policy*

The State Administration of Radio, Film, and Television (SARFT) and the General Administration of Press and Publication have issued the 13th Five-Year Plan for the development of printing industry to ensure a more sustainable, healthy, and competitive paper-based printing products industry. It also encouraged the PRC-based printing manufacturers to actively conduct overseas businesses so as to enhance their competitiveness in the global market.

- *Increased demand of packaging products from overseas*

Being the largest segment of the printing industry, paper-based packaging products serve a wide range of downstream industries, such as food and beverage, electronic, tobacco, medicine, clothing, etc. Along with the sustainable development of these industries in the global market, and in view of the cost advantages of manufacturing packaging products in the PRC, an increasing number of enterprises worldwide will be expected to outsource the manufacturing business to China, which will stimulate the growth of the manufacturing market of paper-based printing products in the PRC.

Future trends of the manufacturing market of paper-based printing products in the PRC

- *Utilising new technology and innovative solutions*

The manufacturing market of paper-based printing products is facing intense competition resulted from product homogeneity. In order to attract more customers and sustain profitability, manufacturers will continue to develop products utilising new technology and innovative solutions, such as greeting cards with LED lights, musical greeting cards, and packaging products with innovative and unique designs.

- *Increasing adoption of eco-friendly green printing*

Green printing is becoming the underlying trend in the manufacturing market of paper-based printing products in the PRC. The former State Press and Publication Administration and the Ministry of Environmental Protection have issued a series of green printing related standards in the paper-based printing products industry, such as General Technical Requirements and Evaluation Methods, Product Eligibility Criteria, and etc. It is expected that more environmentally-friendly printing technologies and reusable printing materials will be applied or used in the manufacturing of paper-based printing products in the near future.

- *Increasing provision of value-added services*

The manufacturing market of paper-based printing products is likely to embrace the trend of increasing provision of value-added services, such as self-designing and 24-hour services to their customers. As the manufacturing market of paper-based printing products is relatively competitive, a large number of manufacturers are likely to provide more value-added services in order to attract new customer groups and maintain their competitiveness in this market.

Entry barriers

- *Large initial investment*

A high initial capital investment is required to start a new paper-based printing business in the PRC, as the operator is required to purchase the machinery, secure production facilities with sufficient space for storage, recruit sufficient number of staff, and source raw materials.

- *Established customer base and industry experience*

An established client relationship in the PRC's paper-based printing industry helps the manufacturers to maintain a continuous demand for their products, and helps to ensure a stable revenue stream. As the cooperation between manufacturers and major customers in the printing industry normally last for a long time, it poses difficulties for new entrants to enter the market.

- *Requirement for comprehensive knowledge*

Essential professional knowledge and skills are essential in the development of paper-based printing business to ensure the smooth operation of printing facilities. Specific technical knowledge and training is required for each technician, such as production planning, plate setting, operation of printing machines, colour management, and finishing of the printing processes. The technical requirements serve as a barrier for new participants to enter the paper-based printing products industry.

Key success factors

In the PRC's paper-based printing product manufacturing market, brand reputation, long and stable business relationship with customers, high-quality products, skilled workforce, and effective management of operating costs have become the hallmark of leading manufacturers of paper-based printing products. A manufacturer with high brand reputation demonstrates that it is able to produce high-quality paper-based products and comprehensive customer services. Manufacturers who are equipped with sufficiently skilled labour force are capable of manufacturing paper-based printing products with lower error rate and higher quality. Having a long and stable business relationship with customers is essential to ensure stable orders for paper-based printing products. Moreover, the ability to manage operating costs in a more effective manner will give manufacturers a competitive edge in the manufacturing market of paper-based printing products.

Market constraint of the PRC's manufacturing market of paper-based printing products:

Trade war

The trade war between China and the U.S. will pose uncertainty to the PRC's manufacturing market of paper-based printing products. Since paper-based packaging and labelling products account for the largest segment of the whole paper-based printing products industry in terms of sales value, and its manufacturing market is highly dependent on the demand from downstream industries, such as electronic and consumer goods. The increased tariffs on China are expected to hinder the export market of such industries, thereby hindering the development of manufacturing market of paper-based printing products to some extent. At present, the PRC Government promoting the Foreign Trade Service Platform to help manufacturers to reduce foreign trade costs, improve trade efficiency, and enhance their risk resistance capabilities for trade war, which is expected to mitigate the adverse impacts from trade war.

Shortage of labour force and increasing labour costs

The manufacturing market of paper-based printing products in the PRC has faced the problem of insufficient labour in recent years. According to data from National Bureau of Statistics China, the number of employees in the manufacturing industry decreased from 52.4 million people in 2014 to 44.9 million people in 2018, representing a negative CAGR of 3.8%. Under such condition, market participants in the PRC's manufacturing market of paper-based printing products has suffered from shortage of labours and confronted with an increase in labour cost, which tends to constrain the sustainable development of the manufacturing market of paper-based printing products in the PRC.

INDUSTRY 4.0 AND ITS APPLICATION IN THE PRINTING INDUSTRY

In 2013, the German government first introduced the concept of Industry 4.0 as the intelligentization and digitalisation stage, which supplemented the industry revolution from the mechanisation stage (Industry 1.0), mass production stage (Industry 2.0), automation stage (Industry 3.0), to the next development stage. The manufacturing industry in China is developing towards the automation stage (Industry 3.0), considering its current production capability and expected technological progress.

With the global wave of the fourth major upheaval in modern manufacturing, the industry 4.0 is expected to achieve a higher automation on production facilities and a more efficient monitoring over the quality of the production process. With these advantages, manufacturers in China are committed to developing their production by the increasing applications of advanced systems so as to enhance productivity, improve product quality, and boost the profitability of their businesses. The online printing industry in China is expected to benefit from the development of the manufacturing market under the global wave of industry 4.0, with the application of advanced facilities to improve product quality and enhance productivity.

This section sets out a summary of certain aspects of the laws and regulations which are relevant and material to our Group's operations and business. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

LAWS AND REGULATIONS IN THE PRC

Relating to the printing industry and our operations

As some of our PRC subsidiaries are foreign investment enterprises which are mainly engaged in packaging and decoration printing, we are hence subject to the following provisions.

a. Foreign investment in printing industry

According to the Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, and the Special Management Measures for Foreign Investment Access (Negative List) (2019 Edition) (外商投資准入特別管理措施(負面清單)(2019年版)) (the "**2019 Negative List**"), which enumerates the restricted industries and prohibited industries in relation to foreign investment and was jointly issued by NDRC and MOFCOM on 30 June 2019 and enforced on 30 July 2019, printing printed matters of packaging and decoration (包裝裝潢印刷品印刷) which does not fall within the 2019 Negative List is a permitted industry and shall be administered under the principle of equal treatment to domestic and foreign investment. Pursuant to the Regulations on the Administration of Printing Industry (印刷業管理條例) (the "**Printing Regulations**") which was promulgated by State Council on 2 August 2001 and amended on 6 February 2016 and 1 March 2017, it is permitted to establish wholly foreign-owned enterprises engaging in the operation of printing printed matters of packaging and decoration.

b. Printing operation licensing

The printing business includes the printing of publication, packaging and decoration printed matters, and other printed matters, which is generally regulated by the Printing Regulations. Pursuant to the Printing Regulations, the scope of "printed materials of packaging and decorative products" covers printed trade marks, signs, advertising materials, as well as the printing products in paper, metal or plastic etc. which are used for packaging or decorative purposes. Pursuant to the Printing Regulations, the nation implements the system of printing operation licence (印刷經營許可證). Any entities or persons without printing operation licence is prohibited engaging in printing business activities.

c. Production of related paper products

As Dongguan Zensee is engaged in the manufacture of paper products, we are hence subject to the regulations in relation to product quality. According to the Product Quality Law of the PRC (中華人民共和國產品質量法) which was promulgated on 22 February 1993 and amended on 29 December 2018, the producers shall establish proper internal rules for the management of product quality, implement job post-related quality standards and quality responsibilities and corresponding measures for their assessment, and be responsible for the quality of products. Pursuant to the relevant regulations mentioned above, where the products manufactured by it fails to meet the relevant standards of safeguarding human health, personal security and property safety, the enterprise will be ordered by the quality supervision authorities to stop production and sales, be confiscated with illegal manufacturing products and be imposed a fine between one and three times the value of illegally produced products. Where the circumstances are serious, the business licence shall be revoked. Any illegal gains shall be confiscated and where the circumstances constitute a crime, criminal liability shall be pursued in accordance with the law. Pursuant to the Law of the PRC on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) latest amended by Standing Committee on 25 October 2013 and coming into effective on 15 March 2014, business operators shall ensure that the goods or services provided by them should meet the requirement for safeguarding the safety of persons and property. The consumers or other injured persons may claim against the manufacturer for the personal injury or property loss due to product defects. The manufacturer may be subject to one or more administrative penalties in violation of the such law as the case may be.

d. Inspection and Testing

As DPI Laboratory (DG) is engaged in the service of inspection and testing, we are hence subject to the following regulations. Pursuant to the Regulations of the PRC on Certification and Accreditation (中華人民共和國認證認可條例), which was promulgated by the State Council on 3 September 2003 and amended on 6 February 2016, any inspection organisations and the laboratories that issue any data or result with the function of verification to the public, shall possess the basic conditions and capabilities as required by the relevant laws and administrative regulations, and shall carry out any relevant activity after being recognised in accordance with the law. Pursuant to the Measures for the Administration of the Accreditation of Inspection and Testing Institutions (檢驗檢測機構資質認定管理辦法), which was promulgated by AQSIQ on 9 April 2015 and came into force on 1 August 2015, any inspection and testing Institution without obtaining a qualification by law, issuing any data or result with the function of certification to the public, shall be ordered by the quality and technical supervision departments at or above the county level to correct itself, and it shall be fined no more than RMB30,000. Pursuant to the Imported and Exported Commodities Inspection Law of the PRC (中華人民共和國進出口商品檢驗法) which was promulgated on 21 February 1989 and amended on 29 December 2018, the inspection bodies licensed by the relevant authority which shall be in charge of commodity inspection may handle the appraisal in import and export commodity inspection. Any institution which engages in the inspection and verification of import and export commodities without permission shall be ordered by the commodity inspection authorities to stop such illegal operation, confiscated its illegal earnings and imposed a fine of not less than one time but not more than three times of its illegal earnings.

Relating to foreign exchange

As we are involved in foreign exchange receipts and payments or foreign exchange business activities, we are hence subject to the regulations in relation to foreign exchange. The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) which was promulgated by the State Council on 29 January 1996, came into effective on 1 April 1996 and as amended on 14 January 1997 and 5 August 2008, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996.

Pursuant to these regulations and other PRC rules and regulations on currency conversion, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside PRC which are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary). However, according to Notice regarding Further Simplifying and Improving Direct Investment Foreign Exchange Management Policy (關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by SAFE on 13 February 2015, from 1 June 2015 onwards, overseas direct investment or domestic direct investment will no longer be subject to approval by SAFE. Instead, certain qualified local banks will take charge of relevant registration procedures, and SAFE and its local branches will execute indirect supervision on the procedures aforesaid.

Relating to environmental protection

As our PRC subsidiaries are engaged in production activities in China, we are hence subject to the environmental protection laws and regulations. According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated by the Standing Committee on 24 April 2014 and implemented on 1 January 2015:

- Pollution prevention and control facilities in construction projects shall be simultaneously designed, simultaneously constructed and simultaneously put into use with the main project. Pollution prevention and control facilities shall fulfil the requirements in the approved environment impact assessment documents, and shall not be demolished without authorisation or idled.

- Enterprises and other operators that discharge pollutants shall take measures to prevent and control the pollution and harms to the environment of waste gas, waste water, waste, dust etc. generated in production, construction or other activities.

- The nation implements the pollutant discharge permit administration system. Enterprises and other operators implementing the pollutant discharge permit administration shall discharge pollutants according to the requirements of the pollutant discharge permits; no pollutant may be discharged without obtaining the pollutant discharge permit.

Violation of the Environmental Protection Law of the PRC may result in fines, suspension of operation, closedown or even criminal liabilities.

Relating to production safety

As our PRC subsidiaries are engaged in production activities in China, we are hence subject to the production safety laws and regulations. Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) (the "**Production Safety Law**") promulgated by the Standing Committee on 29 June 2002, and amended on 27 August 2009 and 31 August 2014, any production and business operation entity with more than 100 employees shall establish an independent administrative body of safe production or have full-time personnel for the administration of safe production; if the enterprise has fewer than 100 employees, it shall have full-time or part-time personnel for the administration of safe production. Production and business operation entities shall organise production safety trainings, provide labour protection articles that meet the national standards or industrial standards for the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, and order to cease operation, order to make recovery or even criminal liability in severe cases.

Relating to taxation

a. Income tax

As our PRC subsidiaries are taxpayers of enterprise income tax, we are hence subject to the enterprise income tax laws and regulations.

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") promulgated by NPC on 16 March 2007 and taken into effect as of 1 January 2008, and amended on 24 February 2017 and 29 December 2018 by the Standing Committee, the enterprise income tax for both domestic and foreign-invested enterprises is at the same rate of 25%.

b. Withholding tax on dividend distribution

As Q P Printing, Q P (HK) and Q P Enterprises incorporated in Hong Kong are the parent companies of our PRC subsidiaries and may obtain the dividends paid by our PRC subsidiaries, we are hence subject to the following tax regulations. The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the implementation rules of the EIT Law reduce the rate from 20% to 10%.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is no more than 5%, if the Hong Kong enterprise directly owns at least 25% of the capital of the PRC resident enterprise. If the beneficiary is a Hong Kong resident enterprise which directly holds less than 25% equity interests of the PRC enterprise, the tax levied shall be no more than 10% of the distributed dividends. According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20 February 2009, the fiscal residents of the other party as corporate recipients of dividends distributed by the PRC resident enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt.

c. Value added tax

As our PRC subsidiaries are taxpayers of value added tax, we are hence subject to the value added tax laws and regulations. Pursuant to the Interim Regulations of the PRC on Value Added Tax (中華人民共和國增值稅暫行條例) (the "**VAT Regulations**") which was amended on 19 November 2017 and its implementation regulations, all entities or individuals in the PRC engaged in the sale of goods, the supply of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 17% or in certain limited circumstances, 11% or 6%, depending on the product and service type. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知), which was jointly issued by the Ministry of Finance and SAT on 4 April 2018 and became effective from 1 May 2018, VAT taxpayer who engages in taxable sales or import of goods and originally applies the tax rate of 17% and 11%, is subject to a VAT tax rate of 16% and 10% respectively. According to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Deepening the Policies Related to Value-Added Tax Reform (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告) issued on 20 March 2019 and implemented on 1 April 2019, for general taxpayers of value-added tax who occur value-added taxable sales, the tax rate shall be adjusted to 13% if the original 16% tax rate is applied and the tax rate shall be adjusted to 9% if the original 10% tax rate is applied.

d. Transfer pricing

Our related party transactions are subject to the following regulations. Pursuant to the EIT Law and its implementation rules, and the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Consultation Procedures (特別納稅調查調整及相互協商程序管理辦法) (the "**STA Measures**"), transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are regarded as related party transactions. According to the EIT Law, its implementation rules and STA Measures, related party transactions should comply with the arm's length principle (獨立交易原則) and if the related party transactions fail to comply with the arm's length principle and result in the reduction of the enterprise's taxable income, the tax authority has the power to make an adjustment following certain procedures. In addition, pursuant to the Announcement of the State Taxation of Administration on Relevant Matters relating to Improvement of the Filing of Related-Party Transactions and the Management of Contemporaneous Documentation (國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告) which is applicable to the year of 2016 and the subsequent accounting years, an enterprise shall prepare contemporaneous transfer pricing documentation based on a tax year, and submit it upon tax authorities' request, if it meets the prescribed thresholds. Pursuant to such laws and regulations, any PRC company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

Furthermore, according to STA Measures the tax authorities can exercise special tax adjustment monitoring and management of enterprises through review of the reporting of related party transactions, management of contemporaneous documentation, profit level monitoring and other means. In case an enterprise is found to have special tax adjustment risks, tax authorities will send a Notice of Tax Matters to the enterprise, suggesting the existence of the tax risks identified. The enterprise may adjust and pay tax at its own discretion when it receives the special tax adjustment risk warning or identifies its special tax adjustment risks itself. The tax authorities may also carry out special tax investigation and adjustment in accordance with the relevant provisions in regard to enterprises that adjust their taxable income and pay taxes at their own discretion.

Relating to import and export of goods

As our business involves the import and export of products, we are hence subject to the following laws and regulations. Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the Standing Committee on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws and regulations. Foreign trade operators which have not filed and registered in accordance with the Foreign Trade Law of the PRC will be declined by the PRC customs authorities to carry out the customs clearance and inspection procedures for import and export of goods.

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the Standing Committee on 22 January 1987 and revised on 7 November 2016 and 4 November 2017 and other relevant laws, the consignors and consignees of imported and exported goods shall be duly registered with the PRC customs authorities for handling the customs clearance procedures. Enterprises which have not been registered with the PRC customs authorities are prohibited from carrying out the customs clearance. Consignees of imported goods and consignors of exported goods shall report to the PRC customs authorities about the facts and provide the import and export licences, certificates and other relevant documents for inspection.

Relating to employment and social securities

As we have employees working in the PRC, we are hence subject to the following laws and regulations.

a. Labour protection

The main PRC employment laws and regulations applicable to us include the Labour Law of the PRC (中華人民共和國勞動法) (the "**Labour Law**"), the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labour Contract Law**"), the Implementing Regulations of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) and other relevant laws and regulations.

According to the Labour Law (as promulgated by the Standing Committee on 5 July 1994 and amended on 27 August 2009 and 29 December 2018) and the Labour Contract Law (as promulgated by the Standing Committee on 29 June 2007 and amended on 28 December 2012), the employers should enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. The Labour Law also requires the employers to establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards.

b. Social insurance

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) which was promulgated by the Standing Committee on 28 October 2010 and became effective on 1 July 2011 and was amended on 29 December 2018, and other relevant regulations, the employers are required to contribute, on behalf of their employees, to a number of social insurance funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer fails to do so, the relevant social insurance authorities shall order the company to make the outstanding social insurance contributions within a prescribed time limit, and may impose additional late payment fees and a fine on the company.

c. Housing provident funds

Pursuant to the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) which were promulgated by the State Council on 3 April 1999 and became effective on 3 April 1999, and as amended on 24 March 2002 and on 24 March 2019, the employers shall go through housing provident funds registration with the local housing fund administration center and open housing fund accounts for its employees in the bank. Failure to above mentioned registration and accounts opening, an employer may be subject to order to handling within a time limit. If an employer fails to handle within prescribed time limit, it shall be imposed the penalty ranging from RMB10,000 to RMB50,000. Where an employer fails to pay up housing provident funds within time limit, the housing fund administration center shall order it to make payment in certain period of time, and if the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

Relating to fire prevention

As our PRC subsidiaries are engaged in production activities in China, we are hence subject to the fire prevention laws and regulations. The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "**Fire Prevention Law**") was promulgated by the Standing Committee on 29 April 1998 and was amended on 28 October 2008 and 23 April 2019. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the construction entity of the special construction project shall submit the fire prevention documents to the housing and urban rural construction authorities for their review and approval, and complete the fire prevention inspection and acceptance procedure after the construction project is completed. In respect of the other construction projects the construction entity shall report to the housing and urban rural construction authorities for their records after acceptance.

Relating to intellectual properties

As we registered the trademark and patents in the PRC and we are also in the process of the application for registration of patents in the PRC, we are hence subject to the trademark and patent laws and regulations.

a. Trademarks

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) which was promulgated by the Standing Committee on 23 August 1982 and newly amended on 23 April 2019, the validity period of a registered trademark in the PRC is ten years, counted from the date of registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the validity period, an application for renewal of the registration shall be made within twelve months before the said expiration. Where no application therefore has been filed within the said period, a grace period of six months will be allowed. The validity period of each renewal of registration shall be ten years, counted from the next day of the expiration day of the last term. If no application has been filed by the expiration of the grace period, the registered trademark shall be deregistered.

b. Patents

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) which was promulgated by the Standing Committee on 12 March 1984 and became effective on 1 April 1985 and was amended on 4 September 1992, 25 August 2000 and 27 December 2008, a patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model and design, starting from the application date. A third-party user must obtain consent or a proper licence from the patent owner to use the patent expect for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

LAWS AND REGULATIONS IN HONG KONG

Relating to Business Registration

***a. Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)* (“BRO”)**

As we carry on businesses in Hong Kong, we are subject to the BRO, which requires every person (a company or an individual) carrying on a business in Hong Kong to register with the Inland Revenue Department and obtain a business registration certificate within one month of the commencement of the business. Business registration is a process based on application and does not involve government approval. Once the requisite criteria are met, a business registration certificate will be granted. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong and facilitate the collection of tax from businesses in Hong Kong.

***b. Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)* (the “MPFSO”)**

As we employed employees in our office in Hong Kong, we are hence subject to the provisions under the MPFSO. Section 7 of the MPFSO requires every employer of a relevant employee to take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period after the relevant time. Section 7A of the MPFSO requires an employer who is employing a relevant employee to, for each contribution period occurring after that commencement (i) from the employer’s own funds, contribute to the relevant registered scheme the amount determined in accordance with MPFSO; and (ii) deduct from the employee’s relevant income for that period as a contribution by the employee to that scheme the amount determined in accordance with MPFSO.

***c. Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)* (the “OSHO”)**

As we have employees working in our office in Hong Kong, we are subject to the provisions under OSHO. The OSHO provides for protection of employees’ safety and health in workplaces. According to section 6(1) of the OSHO, employers must as far as reasonably practicable ensure the safety and health of their employees in workplace. An employer who fails to ensure the safety and health of employees in a workplace 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 six months.

***d. Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)* (the “ECO”)**

As we have employees working in our office in Hong Kong, we are subject to the provisions under the ECO. The ECO establishes a no-fault and non-contributory employee compensation system for work injuries and sets out, among others, 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.

Under the ECO, if an employee sustains injuries or dies as a result of an accident arising out of and in the course of employment, the employer is generally liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred.

Pursuant to section 40 of the ECO, all employers are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees. An employer who fails to comply with the abovementioned is liable on conviction upon indictment to a fine at level 6 and to imprisonment for two years.

Relating to Transfer Pricing

a. Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) **(the "IRO")**

As we carry on our business through our production sites in the PRC and trading companies in Hong Kong, the provisions relating to transfer pricing for intra-group transactions in the IRO apply to us. The IRO contains provisions which require the adoption of the arm's length principle for pricing in related party transactions.

Section 20A of the IRO gives the Inland Revenue Department (the "**IRD**") wide powers to collect tax due from non-residents. The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions, such as sections 61 and 61A of the IRO.

In December 2009, the IRD released Departmental Interpretation and Practice Notes No.46 ("**DIPN 46**"). DIPN 46 provides clarifications and guidance on the IRD's views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices. Generally, the IRD would seek to apply the principles in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations issued by Organisation for Economic Cooperation and Development, except where they are incompatible with the express provisions of the IRO.

In July 2018, the Inland Revenue (Amendment) No. 6 Ordinance 2018 was enacted to introduce a legislative framework to govern how the pricing for the supply of goods and services between associated parties should be determined and implemented. Codified international transfer pricing principles include, amongst others, the arm's length principle for provision between associated persons, the separate enterprises principle for attributing income or loss of non-Hong Kong resident persons, and the three-tier transfer pricing documentation requirements relating to master file, local file and country-by-country report.

LAWS AND REGULATIONS IN THE UNITED STATES

Relating to Consumer Protection, Product Safety and Product Liability

In the U.S., there are two separate and distinct areas of law that apply to product defects or injuries caused by a product: product safety regulations and product liability law. The first is a body of administrative law pertaining to product requirements and rules that are enforced by various government agencies, depending on the product. The second body of law, products liability law, governs litigation of product accidents and injuries in which a plaintiff may be entitled to recover monetary damages. Exposure to U.S. products liability law can be broad and allows consumers to sue a party who designed, manufactured, sold, or supplied an offending product, whether that causes an injury or in some cases where there is a likelihood that a product could cause injury. Exposure to either product safety regulations or products liability law in the U.S. is limited by the jurisdictional power of the courts in the U.S. and its administrative agencies.

These laws are applicable to our Group as they apply to all consumer products in the U.S., including the products that we sell – cards, playing cards, puzzles, etc.

a. Product Liability

Products liability law governs private litigation of product accidents. It operates ex post, meaning it is a body of rules that govern after a product accident has already occurred. It is governed predominately by state law. Accordingly, each state individually adopts its own product liability laws. Although differences do exist, the vast majority of the states have adopted similar laws that share common principles. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing, and there are four basic theories of recovery when dealing with a product alleged to be defective: negligence, strict products liability, breach of warranty, and tortious misrepresentation. A litigant is not limited to one theory in bringing a lawsuit, but rather can assert any and all theories simultaneously.

In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care.

With strict products liability, however, it is irrelevant whether the manufacturer or supplier exercised all due care in the design, manufacture, or marketing of the product; if there is a defect in the product that causes harm, he or she will be liable for it. Thus, strict product liability is liability without fault for an injury proximately caused by a product that is defective and not reasonably safe.

The breach of warranty cause of action is governed by contract law and is also a form of strict liability in the sense that a showing of fault is nor required. In the simplest of terms, a warranty is a promise, claim, or representation made about the quality, type, number or performance of a product. In general, the law assumes that a seller always provides some kind of warranty concerning the product he sells and the he should be required to meet the obligation created by the warranty. The plaintiff needs only establish the warranty was breached, regardless of how that came about.

Finally, tortious misrepresentation is similar to warranty in that it seeks to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. The rules governing tortious misrepresentation are judge-made and vary from jurisdiction to jurisdiction.

Companies that manufacture, distribute or sell a product in a particular state would fall under the jurisdiction of such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-U.S. jurisdiction.

b. Product Safety

The second body of law is product safety law. The law of product safety is regulatory law and is governed primarily by the Consumer Product Safety Commission ("**CPSC**"), an administrative agency of the U.S. federal government that regulates certain classes of products sold to the public. Children's toys and infant care products fall under its jurisdiction. Product safety law operates ex ante, meaning that it seeks to prevent product-caused accidents and diseases before they occur.

The Consumer Product Safety Improvement Act of 2008 ("**CPSIA**") was passed by Congress in 2008. The CPSIA constituted a significant overhaul of consumer product safety laws in the U.S. and was designed to enhance federal and state efforts to improve the safety of all products imported into distributed in the U.S.. Products imported into the U.S. which fail to comply with CPSIA's requirements are subject to confiscation and the importer and/or distributor in the U.S. is subject to civil penalties and fines, as well as possible criminal prosecution. However, while the CPSC works closely with U.S. customs agents, its jurisdiction does not extend beyond the territorial limits of the U.S..

Under the CPSIA, a "general conformity certification" is required for any consumer product imported into the U.S. that is subject to a consumer product safety rule issued under the Consumer Product Safety Act, or a similar rule, standard, regulation, or ban issued by the CPSA or under any statute issued by the commission. The requirement applies to all manufacturers and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the commission. Such laws include the CPSA, Flammable Fabrics Act, Federal Hazardous Substance Act, and Poison Prevention Act.

The CPSIA specifies that certification must be based on a "test of each product or a reasonable testing program." The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer. The certification must also be furnished to U.S. Customs. And, if requested by the commission, a copy must be furnished to the CPSC. Where there is more than one manufacturer or importer for a product, the party providing the certification should be the importer for imported products.

1. Children's Products Safety Standards

The CPSC is responsible for enforcing many statutes and regulations which target particular consumer products. The CPSC also requires all manufacturers to inform the CPSC whenever a manufacturer "obtains information which reasonably supports the conclusion that the manufacturer's product which could create a substantial product hazard." *See* 16 C.F.R. § 1115.4. Such recalls may occur either because of a specific, ascertainable product defect or as a prophylactic and corrective measure in response to large numbers of consumer reports of injury resulting from the product. The CPSC has issued certain product-specific regulations, particularly in the case of toys and "children's products."

The CPSIA made many changes in regulating children's products, including imposing lower lead-concentration limits on all parts of children's products, limiting the levels of phthalates in children's toys and in certain other child-care articles, and requiring that children's products be tested before sale. Moreover, the CPSIA created a new federal toy safety standard by incorporating, by reference, an existing industry standard, known as ASTM F963. ASTM F963 is an industry standard published by the American Society of Testing and Materials (ASTM). ASTM F963 creates performance standards and test methods for a range of potential risks in toys and children's products, including sharp edges, small parts, lead paint and other toxicity concerns, and electrical hazards. Because of all the new requirements applicable to children's products, it is critical for importers to understand the definitions for children's products, toys, and child-care items, and whether the products they are producing fall under the definitions.

A "children's product" is defined as "a consumer product designed or intended primarily for children 12 years of age or younger." *See* Section 235 of the CPSIA. A "children's toy" is defined as a consumer product "designed or intended by the manufacturer for a child 12 years of age or younger for use by the child when the child plays." *See* Section 108 of the CPSIA. A "child-care article" is defined as "a consumer product designed or intended by the manufacturer to facilitate sleep or the feeding of children age 3 and younger, or to help such children with sucking or teething." *See* Section 108 of the CPSIA. Thus, by way of example, a bib would facilitate feeding, a pacifier would facilitate sucking or teething. The term "children's product" applies to a number of toy safety provisions, while the term "children's toy" and child-care article" appear to be specific to the phthalate provision in the CPSIA.

As of 12 January 2012, the CPSC began enforcement of the third party testing and certification requirements for an outright ban on certain phthalates, commonly a component of soft plastic items, in toys and child care articles manufactured after 31 December 2011 and, for the most part, a total lead limit of 100 parts per million ("ppm") in such products. Further, the CPSIA regulates the concentration of lead (no more than 0.009 percent) in paint or surface coatings of children's products manufactured after that date. Civil penalties can be as high as USD8,000 per single violation and USD15 million for a related series of violations. Proper third party testing and certification for the presence of lead, phthalates or other regulated chemicals requires that manufacturers use a reputable laboratory, experienced with validated testing protocols accepted in the United States.

In addition to general conformity certification and third-party testing for certain issues, the CPSIA mandated tracking labels beginning in August 2009 for those products considered "children's products." Specifically, the CPSIA requires that "the manufacturer of a children's product shall place a permanent, distinguishing mark on the product and its packaging, to the extent practicable, that will enable the manufacturer to ascertain the location and date of production of the product, cohort information (including the batch, run number, or other identifying characteristic), and any other information determined by the manufacturer to facilitate ascertaining the specific source of the product by reference to those marks."

Some of the products that we sell, such as puzzles, fit within the CPSC's definitions of "children's products" and "children's toys." While the CPSC has developed very specific guidelines for certain children's products, for example, "baby bouncers," *See* 16 C.F.R. §§ 1500.18(a)(6); 1500.86(a)(4), there do not appear to be specific regulations for some of the products that we sell – greeting cards, learning cards, playing cards, puzzles, etc. – other than applicable ASTM standards. Nevertheless, the CPSIA does contain several guidelines applicable to building and testing requirements for children's toys, such as rules that limit the inclusion of sharp edges and sharp points as well as the use of small parts capable of ingestion. *See* 16 C.F.R. §§ 1500.18(a)(9); 1501; 1500.48; 1500.49.

2. California Specific Statutes and Regulations

In addition to the regulatory scheme imposed on the Federal level and state based claims, it is important to note that state regulations can also control the distribution of imported products into the U.S.. The most significant of those, and which are worthy of particular mention, are California statutes and regulations.

California's Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code section 25249.5 *et seq*., commonly known as "**Proposition 65**") requires that a warning be given before any manufacturer or distributor knowingly exposes anyone in California to any of approximately 800 chemicals identified by the state as a carcinogen and/or a reproductive toxicant. Various phthalates which can be used in plastics and vinyl (BBP, DEHP, DBP, DnHP, DIDP, and DINP) are among the chemicals so regulated. Exposures requiring a warning include those that may occur from handling a product or its packaging. This statute and the related regulations apply to all consumer products. Under Proposition 65, enforcement for failure to provide an appropriate warning is brought about either by government authorities in California or by private enforcers and may result in fines of up to USD2,500 per day per item sold and the payment of the enforcer's legal costs and fees.

For some chemicals, a "safe harbour" level has been determined whereby a warning is not required under this statute if the use of a specific product or its packaging would not result in exposing the average user to more than that level of the chemical at issue. Because the amount of exposure is dependent upon how a product is used, it is often not easy to determine whether a product which contains one of these chemicals falls below a safe harbor level. In other instances, settlements have been reached whereby the parties agree to a limit of a chemical in certain products. In a wide-reaching settlement of an action involving a variety of phthalate-containing products, dozens of product manufactures agreed, in addition to payment of substantial penalties, to promulgate the so-called "3P standards" ("a maximum concentration, by weight, of DEHP, BBP and DBP, each, of 1000 parts per million (ppm) or less in any poly vinyl chloride, soft plastic, other vinyl or synthetic leather component"). Recent settlements of private enforcement claims have also set 1000 ppm or 0.1% of weight as the level for various phthalates in non-child focused products, below which a warning is not required. Products that may be used by children could be subject to an even lower level.

Overseas manufacturers are not exempt from these Proposition 65 requirements if their products are sold in California.

c. Product Labelling

All children's products that are designed or intended primarily for use by children under 12 years of age must bear a permanently affixed mark or label that identifies certain information. These permanent marks or labels may be known as "tracking labels." These labels must include the following information:

1. Manufacturer or private labeller name;

2. Location and date of production of the product;

3. Detailed information on the manufacturing process, such as a batch or run number, or other identifying characteristics; and

4. Any other information to facilitate ascertaining the specific source of the product.

See 15 U.S.C. § 2063(a)(5).

Children's toys that are designed or intended primarily for use by children who are at least 3 years of age but no more than 6 years of age must also bear certain information in the product packaging. This information includes a cautionary statement concerning the presence of any small marble, ball, balloon or other small parts that may be swallowed by a child, as defined in the CPSC regulations. *See* 5 U.S.C. § 1278. Generally, such statement may state "Warning. Choking Hazard. Contains small parts; not for children under 3 years." If the small part is a ball, balloon or marble, then the fact that the toy is a small ball, small balloon or small marble, as may be applicable. *See* 6 C.F.R. § 1500.20.

The above product labelling requirements apply to those products that fit into the definitions for either a "children's products" or "children's toys" under the CPSIA.

Relating to General Taxation and Transfer Pricing

a. General Taxation

1. Corporate Income Tax

U.S. corporate income tax is imposed at the federal level on all entities treated as corporations and by 47 states and the District of Columbia. The U.S. corporate income tax (CIT) rate has been reduced from a maximum of 35% under the previous progressive rate structure to a flat 21% rate for tax years beginning after 31 December 2017. Certain localities also impose corporate income tax. Corporate income tax is imposed on all domestic corporations and on foreign corporations having income or activities within the jurisdiction. As a domestic U.S. entity, CS Works Corp owes U.S. taxes. The Company may also owe taxes for its activities within the U.S..

2. Sales Tax or Value-added Tax

The U.S. does not impose a federal sales tax or value-added tax (VAT). However, several states including California do impose a sales tax that is applicable to receipts from retail sales.

b. Transfer Pricing

As we have a subsidiary in the U.S., transfer pricing issue may arise. Disclosures related to related party transactions are required to be prepared or submitted to the revenue authority annually along with CS Work Corp's U.S. tax return. In general, disclosure of related party transactions including loans, tangible goods, services, and intangibles are required. The statute of limitations on assessment of transfer pricing adjustments is different depending on the situation. Generally, the IRS has 3 years from the tax return filing date to make adjustments. However, if gross income in excess of 25% of the gross income stated in the return is omitted, the statute is extended to 6 years. The statute is unlimited if a false or fraudulent return is filed, if a willful attempt to evade taxes is made, or if no return is filed. Transfer pricing penalty of 20% or 40% of additional tax resulting from adjustments exceeding objective threshold may be imposed.

Relating to Import Tariff and Quota

Manufactured goods imported from China are generally subject to U.S. import duties. China is subject to the general rates applicable to most countries with which the U.S. does not have a free-trade agreement ("**FTA**") in place. See http://trade.gov/fta/ (identifying all countries, not including China, which have entered a free trade agreement with the U.S.). The rates of duty are set forth in the Harmonised Tariff Schedule of the U.S. ("**HTS**") which identifies applicable duties for the universe of imported goods, organised by class and specific article. See https://hts.usitc.gov/current. Pursuant to the U.S. Generalised System of Preferences, various products manufactured in countries deemed by the U.S. Executive Branch as Least Developed Beneficiary Developing Countries receive exemptions from import tariffs for various baskets of goods, even though such countries have not entered into a reciprocal free trade agreement with the U.S..

Our printing products largely fall within Chapter 95, heading 9503 and 9504 and Chapter 48, heading 4820. According to the current HTS (2018 Revision 14), those products that fall under headings 9503, 9504 and 4820 are free of import duties. Note that embargoes, anti-dumping duties, countervailing duties, and other very specific matters administered by the U.S. Executive Branch are not contained in the HTS.

There are a number of provisions of U.S. trade law which may allow or result in modification of these duties. Sections 201 through 204 of the Trade Act of 1974 (19 U.S.C. §§ 2251-2254) provide the authority and procedures for the U.S. to take various actions to facilitate a domestic industry's adjustment to import competition. For example, if the International Trade Commission determines that an article is being imported in such increased quantities as to threaten domestic producers of similar products, the U.S. may, among other things, increase or impose a duty, or a tariff-rate quota. Section 301 of the Trade Act (19 U.S.C. § 2411) authorises the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. The law does not require that the U.S. government wait until it receives authorisation from the World Trade Organisation to take enforcement actions.

There have been a number of statements made by the U.S. government surrounding the imposition of significant tariffs on products imported to the United States from Mainland China, and vice versa. In particular, the U.S. government has imposed and proposes to impose new or increased tariffs on certain products to be imported from Mainland China, which proposed tariffs would take effect at a date in the future. The list of products that may be subject to these increased tariffs has been published in the U.S. and is publicly available.

Currently, certain of our educational products including "memo pads", "planners" and "journals" are included in the Section 301 List 3, while certain of our greeting cards and tabletop games including "printed cards" and "table and parlour games" are included in the Section 301 List 4. As at the Latest Practicable Date, the Section 301 List 3 Additional Tariff of 25% and the Section 301 List 4 Additional Tariff of 15% on the first part of the Section 301 List 4 products had been effective. According to the notice published by the Federal Register of the U.S. on 18 December 2019, the Section 301 List 4 Additional Tariff on the second part of the List 4 products, which was scheduled to be effective on 15 December 2019, were suspended until further notice. According to the press release published by the Office of the United States Trade Representative on 13 December 2019, the U.S. will be maintaining 25% tariffs on approximately US$250 billion of Chinese imports (including products on Section 301 List 3), along with 7.5% tariffs on approximately US$120 billion of Chinese imports (i.e. first part of the products on Section 301 List 4).

Relating to Intellectual Property

Trademarks law in the U.S. is governed by both state and federal law and the main federal statute is the Lanham Act. A trademark includes any word, name, symbol, slogan or device (such as design), or any combination of these, used to identify goods or services and to distinguish them from those manufacture, sold or serviced by others. The remedies for trademark infringement can include injunctions, lost profits and damages.

Patent law in the U.S. is governed exclusively by federal law, namely the Patent Act, which secures for inventors an exclusive right to their discoveries. Types of patents recognised under U.S. law include utility patents, design patents and plant patents. A patent is essentially a limited monopoly whereby the patent holder is granted the exclusive right to make, use and sell the patented innovation for a limited period of time.

We own a number of trademarks and patents in the U.S.. For details, see "Statutory and General Information – B. Further information about our business – 2. Material intellectual property rights – (c) Patents" in Appendix V to this prospectus.

Relating to Competition and Unfair Trade Practice

The U.S. has a variety of federal statutes which are designed to promote fair and open competition by prohibiting unfair, restrictive or collusive business practices. These statutes include the Sherman Antitrust Act, 15 U.S.C. § 1 et seq., as amended, the Clayton Act, 15 U.S.C. § 12 et seq., as amended, the Federal Trade Commission Act, 15 U.S.C. § 45 et seq., as amended, and the Robinson-Patman Act, 15 U.S.C. § 13a et seq., as amended. These statutes prohibit, among other things, agreements or arrangements in restraint of trade, unfair or deceptive trade practices and, in certain situations, unfair or discriminatory pricing practices. They may be enforced by the U.S. Department of Justice, the U.S. Federal Trade Commission (FTC) and private litigants. In addition, most states have similar statutes which likewise prohibit arrangements in restraint of trade, unfair or deceptive practices and unfair or discriminatory pricing practices. These state statutes are enforced by State Attorneys General and other state regulators, as well as private litigants.

SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisers, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

U.S.

Treasury regulations

The U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organised under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holder), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest – no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) – except pursuant to an authorisation or licence from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC's limited programmes apply to Belarus, Burundi, Central African Republic, Democratic Republic of the Congo, Iraq, Lebanon, Libya, Somalia, South Sudan, Ukraine/Russia, Venezuela, Yemen and Zimbabwe. OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the United Nations Security Council has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under the European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

LAWS AND REGULATIONS IN VIETNAM

As one of our business strategies, we intend to expand our business through setting up our own production site in Vietnam. As such, the business and results of operations of the Group in Vietnam will depend to a certain extent on the laws and regulations of Vietnam.

This section sets forth a summary of the most significant laws and regulations that affect our contemplated business in Vietnam. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

Relating to foreign investment

The principal statutes currently governing the incorporation and operation of a foreign owned enterprise in Vietnam are (i) *Law No. 67/2014/QH13 on Investment* ("**LOI 2014**"); and (ii) *Law No. 68/2014/QH13 on Enterprises* ("**LOE 2014**") coming into effect from 1 July 2015.

A foreign investor may invest under LOI 2014 and LOE 2014 by way of (i) setting up a new company; (ii) contributing capital to or buying shares in an existing company; or (iii) through business cooperation contract (BCC) with domestic investors. The following licensing procedures are applicable: (i) capital registration; (ii) obtaining/amending an enterprise registration certificate; and/or (iii) obtaining/amending an investment registration certificate.

During the operation term, any changes to the contents of the investment registration certificate or enterprise registration certificate of the enterprise must be registered with the licensing authorities. The amended certificate(s) will be issued accordingly.

Where the investment by foreign investors involves acquisition of an existing factory, the owner of the existing factory will be required to liquidate his project relating to this factory before the foreign investors can take possession of the factory and the land on which the factory is located.

Relating to land and real properties

The principle statute currently governing the land and real properties on the land is *Law No. 45/2013/QH13 on Land* coming into effect from 1 July 2014 (as amended by *Law No. 35/2018/QH14* coming into effect from 1 January 2019).

Private ownership of land is not permitted in Vietnam and the people hold all ownership rights with the State as the administrator. However the laws of Vietnam allow ownership of a right to use land, which is determined by reference to the category of land use purposes and the type of land user. This right is called land use right. Land users are issued with land use right certificates.

A foreign-owned enterprise may obtain land use rights by way of, among others, leasing from certain permitted lessors such as the State or an industrial zone developer.

An owner of a real property (including residential house and other properties attached to land) may register his ownership of the real property.

Relating to environment protection

The statute currently governing the environment protection is *Law No. 55/2014/QH13 on Environment Protection* coming into effect from 1 January 2015.

a. Environmental impact assessment report/environmental protection plan

An enterprise's operation may be subject to (i) an "environmental impact assessment report" or (ii) an "environmental protection plan" subject to its investment project.

The environmental impact assessment report/environmental protection plan shall be approved/certified by the authorities respectively before commencement of the investment project.

Any changes to, among others, the scale and scope of operations under the approved environmental impact assessment report or environmental protection plan shall be reported in writing to the authority or reflected in a new report/plan.

b. Waste management

Enterprises shall collect, classify, manage and treat waste derived from their operations.

Hazardous waste management. If an enterprise regularly generates certain hazardous waste with quantities reaching regulatory thresholds, it shall (i) obtain a registration book of hazardous waste generator from the local Department of Natural Resources and Environment; and (ii) engage a licensed service provider to perform the necessary treatment of hazardous waste.

Normal solid waste. Enterprises shall collect and classify normal solid waste for treatment and recycling.

Waste water. Enterprises shall ensure the satisfaction of technical standards as treatment of waste water.

Dust, gases, noise, vibration, light, heat. Enterprises shall monitor and ensure the satisfaction of applicable technical standards during their operations.

Relating to fire prevention

The statute currently governing the fire prevention is *Law No. 27/2001/QH10 on Fire Prevention and Fighting* which has come into effect since 4 October 2001 (as amended by *Law No. 40/2013/QH13* coming into effect from 1 July 2014).

Designs of the fire prevention and fighting systems of certain establishments falling into the mandatory list of projects and constructions of which fire prevention and firefighting systems must be approved shall be examined and approved by the local fire prevention and fighting public security before commencement of construction or renovation.

Upon completing construction and before putting the construction works into use, the enterprise shall have such fire prevention and fighting systems examined and accepted by the authority.

The authority may carry out inspections (periodic or ad hoc) on fire prevention and firefighting systems.

Organisations considered as prone to fire and explosion are required to take out compulsory fire and explosion insurance for, among other things, their construction works and equipment.

Relating to employment

The principal statute currently governing the employment is *Labour Code No. 10/2012/QH13* which has come into effect since 1 May 2013 (as amended by *Law No. 92/2015/QH13* coming to effect since 1 July 2016 and *Law No. 35/2018/QH14* coming to effect since 1 January 2019).

a. Labour contract

Employment relationship is governed by the contractual agreement entered into between employer and employee. Labour contracts may take one of the following forms: (i) indefinite-term labour contract; (ii) definite-term labour contract the term of which is from 12 to 36 months; (iii) temporary labour contract for a specific project or seasonal work the term of which is less than 12 months.

A labour contract shall have mandatory contents such as the particulars of employer, particulars of employees, details of job, employment term, wage/salary, working and resting time and social insurance.

The signed labour contract may be terminated under circumstances specified under the laws. In the event of unilateral termination, the terminating party shall comply with the procedures and conditions required by laws.

b. Labour safety and hygiene

Employers and employees are subject to various requirements on labour safety and hygiene at the work place such as periodically testing machinery, equipment and materials with strict requirements on labour safety; securing personal protective facilities for employees; training classes on labour safety and hygiene; and periodic health checks.

c. Foreign employees

Foreigners who work in Vietnam are required to obtain a work permit or a confirmation from the local labour department that he/she is exempted from work permits. A work permit will be issued for the same duration as the term of the labour contract but not exceeding two years.

d. Statutory insurance

Employers and employees shall contribute compulsory social insurance, health insurance and unemployment insurance on a monthly basis to the social insurance fund. The contribution is calculated based on salary at the following mandatory rates.

	Social Insurance	Health Insurance	Unemployment Insurance
Vietnamese employees			
Employer	17.5%	3%	1%
Employee	8%	1.5%	1%
Foreign employees			
Employer	• 3.5% until 31 December 2021 • 17.5% from 1 January 2022	3%	0%
Employee	• 8% from 1 January 2022	1.5%	0%

Relating to taxation

The principal statutes currently governing taxation in Vietnam are:

(1) *Law No. 14/2008/QH12 on* Corporate Income Tax which has come into effect since 1 January 2009 (as amended by *Law No. 32/2013/QH13* which has come into effect since 1 January 2014 and *Law No. 71/2014/QH13* which has come into effect since 1 January 2015);

(2) *Law No. 13/2008/QH12 on* Value Added Tax which has come into effect since 1 January 2009 (as amended by *Law No. 31/2013/QH13* which has come into effect since 1 January 2014, *Law No. 71/2014/QH13* which has come into effect since 1 January 2015, and *Law No. 106/2016/QH13* which has come into effect since 1 July 2016);

(3) *Decree No. 139/2016/ND-CP* regarding business registration tax which has come into effect since 1 January 2017; and

(4) *Circular No. 103/2014/TT-BTC* regarding foreign contractor taxes which has come into effect since 1 October 2014.

a. Corporate income tax

Enterprises established under the laws of Vietnam are subject to corporate income tax.

The standard corporate income tax rate is 20%. However, preferential tax rates, tax exemptions or tax reductions may be available to eligible projects in certain industries (e.g. manufacturing of high quality steel, energy saving products; manufacturing of machineries, equipment to be used in agriculture, forestry, fishery, salt production; manufacturing of animal, poultry and aquatic feeds; and development of traditional crafts) or locations (i.e. poor and remote areas) that are encouraged by the government.

b. Value added tax

Organisations and individuals who produce and trade in taxable goods and services in Vietnam or who import taxable goods and services from overseas are liable to pay value added tax.

Zero rate applies to goods and services such as exported goods and services and international transportation services.

Reduced rate of 5% applies to the supply of essential goods and services such as clean water, fertiliser production, medicine and medical equipment, various agricultural products and services, teaching tools and products and social housing.

Standard rate of 10% applies to goods and services, except for those specifically named items which are subject to 0% or 5% tax rates.

c. Business licence tax

Business licence tax is payable by enterprises on an annual basis. The rate depends on the registered charter capital with a maximum amount currently set at VND3 million.

d. Foreign contractor tax

Foreign contractor tax applies to certain payments to foreign parties such as interest, service fees and leases. This comprises a combination of corporate income tax (or personal income tax) and value added tax at varying rates. For example:

	Value added tax rate	Corporate income tax rate
General services	5%	5%
Construction, installation without supply of materials, machinery or equipment	5%	2%
Construction, installation with supply of materials, machinery or equipment	3%	2%
Leasing of machinery and equipment	5%	5%
Interest on foreign borrowings	Exempted	5%

Relating to transfer pricing

The statute currently governing the transfer pricing is *Decree No. 20/2017/ND-CP* regarding tax management of enterprises with related-party transactions which has come into effect since 1 May 2017.

A tax payer shall ensure that there is no decrease of tax liabilities to the state budget in relation to transactions with its related parties. The tax payer must (i) make declaration of their related party relationships, transactions between the related parties and pricing for filing with the annual corporate income tax returns and (ii) prepare and maintain transfer pricing documentation for submission upon request.

The tax authority may, subject to its transfer pricing investigation, not recognise related-party transactions and adjust tax liabilities of the tax payer.

Relating to foreign exchange

The legislation regulating the foreign exchange market in Vietnam is *Ordinance No. 28/2005/PL-UBTVQH11 on Foreign Exchange Control* which has come into effect since 1 June 2006 (as amended by *Ordinance No. 06/2013/UBTVQH13* which has come into effect since 1 January 2014) and its guidance instruments ("**Foreign Exchange Regulations**"). A company incorporated under the laws of Vietnam is designated as a resident for exchange control purposes in Vietnam. This includes foreign owned enterprises.

a. Foreign currency payment

Foreign currency payments within the territory of Vietnam are strictly prohibited under the Foreign Exchange Regulations and are subject to the strict control of the State Bank of Vietnam. The law provides the following exceptions: (i) resident organisations may internally transfer capital in foreign currencies via bank transfer (as between an entity with legal status and a dependent accounting entity or vice versa); (ii) residents may contribute capital in foreign currencies in order to implement foreign investment projects in Vietnam; and/or (iii) residents are entitled to receive payments in foreign currencies made via bank transfers in accordance with import or export contracts.

b. Foreign currency conversion and remittance

A resident company incorporated under the laws of Vietnam is allowed to remit overseas foreign currency to meet its payment requirements for permitted transactions, subject to the selling bank's verification. This includes (i) payments and remittance in relation to import and export of goods and services; (ii) payments and remittance in relation to revenues from direct and indirect investment; (iii) remittance in relation to a reduction and subsequent repayment of direct investment capital; and/or (iv) payments for principal and interest under foreign loans.

c. Foreign currency bank account

A resident foreign owned enterprise shall open a direct investment capital account in foreign currency with an authorised bank in Vietnam for its direct investment in Vietnam for the following purposes: (i) receipt of charter capital contributions and receipt of medium and long-term foreign loan capital; (ii) disbursement outside Vietnam of principal, interest and fees on a foreign medium or long-term loan; (iii) disbursement outside Vietnam of capital, profit and other legal revenue of a foreign investor; and/or (iv) other revenue and disbursement transactions relating to direct foreign investment activities.

d. Repatriation of profit

There are no restrictions on the transfer abroad of the following so long as foreign investors have satisfied all financial obligations owed to the government of Vietnam: (i) invested capital and proceeds from liquidation of investments; (ii) income derived from business investment activities; and/or (iii) other money and assets lawfully owned by the investor. Foreign investors are not permitted to remit profits if the investee company has accumulated losses.

Foreign investors are permitted to use revenue in Vietnamese Dong from their direct investment in Vietnam to buy foreign currency and to remit it overseas.

Relating to the printing industry

The statutes currently governing the printing activity are (1) *Law No. 19/2012/QH13 on Publication* which has come into effect since 1 July 2013 (as amended by *Law No. 35/2018/QH14* which has come into effect since 1 January 2019) and (2) *Decree No. 60/2014/ND-CP on Printing Activities* which has come into effect since 1 November 2014 (as amended by *Decree No. 25/2018/ND-CP* which has come into effect since 1 May 2018).

Organisations engaging in printing activities must, as the case may be, (i) obtain a certificate of satisfaction of order and security; (ii) register the printing activities with the competent authorities; (iii) obtain a sub-licence to print publications; and/or (iv) obtain a licence to import printing equipment as prescribed under laws.

Relating to product liability of manufacturers

The legislation regulating the product liability of manufacturers is *Law No. 05/2007/QH12* on Product and Goods Quality coming into effect from 1 July 2008 (as amended by *Law No. 35/2018/QH14* which has come into effect since 1 January 2019.

Manufacturers are required to (i) provide customers with accurate information on products; (ii) recover and remedy defective products; and (iii) compensate for loss due to defective products.

Relating to export and import

The principle legislation currently governing the export and import are (1) *Law No. 107/2016/QH13 on Export and Import Duties* which has come into effect since 1 September 2016 *and* (2) *Law No. 05/2017/QH14 on Foreign Trade Management* which has come into effect since 1 January 2018.

In general, there is no restriction on (i) export of the products manufactured in Vietnam or (ii) import of the raw materials for manufacturing in Vietnam, provided that the products and raw materials do not fall into lists of goods prohibited from export and import respectively. Import/export tax rates may vary subject to the imported/exported goods. Certain goods may be exempted from import duties.

OVERVIEW OF OUR HISTORY

In 1985, Q P Printing, our first operating subsidiary, was incorporated in Hong Kong by our founders, Mr. Cheng and Mr. Yeung. Since the commencement of our printing business, we had a production base in Hong Kong. In 1992, we expanded our business to Guangdong Province, the PRC and we established Dongguan Zensee. We relocated our production base to Dongguan, the PRC and set up our Dongguan Factory in 1994.

As our business began to grow, we have attracted customers overseas and we started to expand our business network globally. In 1997, we extended our footprints in the overseas market and exported our products to the U.S.. Since then, we commenced business relationships with international brand owners headquartered in the U.S., which include greeting cards publisher and educational products and toy companies. Over the years, we have continued to attract orders from customers overseas, including the U.S. and countries in Europe. The majority of our revenue are generated from the U.S. by destination of delivery, which accounted for 71.8%, 73.1%, 70.8% and 75.1% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. For details of our business relationships and background information of our major customers, see "Business – Sales and marketing – Customers".

To explore business opportunities in Northern China, we expanded our production to Tianjin, the PRC, by setting up our Tianjin Factory, which commenced operation in 2006. The operation of Tianjin Factory was ceased in January 2019 pursuant to an agreement to terminate the lease of Tianjin Factory. See "Business – Production – Production sites and facilities – Discontinuance of production of our Tianjin Factory" for further details.

In addition to the provision of OEM printing services to our customers, our Group started to utilise the Internet to extend the sales network. In 2010, we built and launched our first website, and customers are able to design and customise their own playing cards either in small quantities or in bulk purchase. As at the Latest Practicable Date, we had five major websites providing a wide range of personalised products, including but not limited to playing cards, tabletop games, puzzles, greeting cards, baby gifts, photo books, apparel, bags, phone cases and boxes. As at 30 November 2019, we had a total of approximately 332,000 registered user accounts.

Over the years, the majority of our production lines are located in our Dongguan Factory. Over the past years, we experienced an increase in our utilisation rate at our Dongguan Factory, our utilisation rate at our Dongguan Factory increased from 105.6% during FY2016 to 128.7% during FY2017, decreased to 107.2% during FY2018 and increase to 113.5% during 6M2019. During the Track Record Period, the utilisation rate had exceeded 100% as our printing presses operated overtime to meet the customers' demand during the relevant periods. Given the need for additional production lines to increase our production capacity and to optimise our product mix, in March 2018, we completed the acquisition of Taunus Printing, which owns the Heshan Factory. Our Directors are of the view that Taunus Printing, which has its own factory building and other ancillary buildings will allow our Group to increase our operational efficiency and reallocate our production capacity.

Since October 2018, as part of our Group's strategy to respond to the impending impact arising from the increased U.S. tariffs on our business and financial performance, we have expanded our production support to Vietnam by outsourcing some production processes of certain greeting cards products to subcontractors in Vietnam. We have further engaged subcontractors in Vietnam to perform end-to-end production of certain greeting cards products since June 2019.

KEY MILESTONES

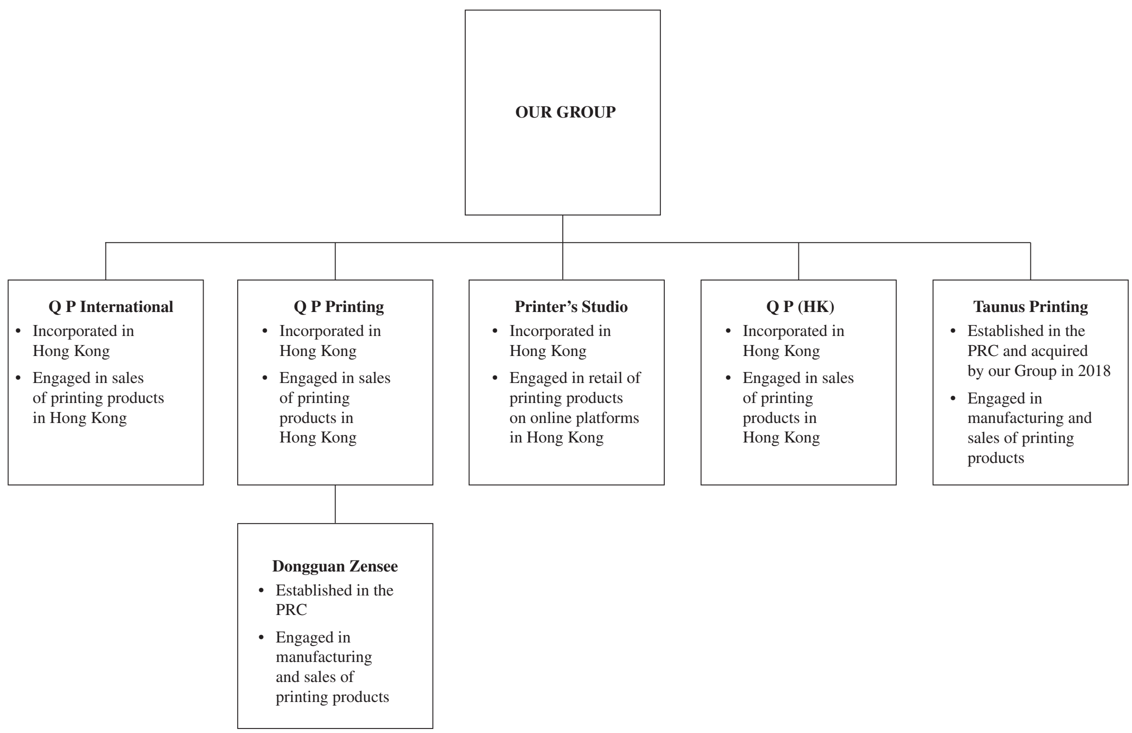
The following table outlines our key business development milestones:

Year	Events
1985	We incorporated Q P Printing in Hong Kong
1992	We established Dongguan Zensee, one of our major operating subsidiaries
1994	We relocated our printing factory to Dongguan, Guangdong Province, the PRC
1997	We entered into overseas market and exported our products to the U.S.
2001	We commenced sales to one of our major customers, namely Customer D, a multinational educational products company headquartered in the U.S.
2002	We commenced sales to our largest customer during the Track Record Period, namely Hallmark, a subsidiary of a company headquartered in the U.S. and principally engages in the sales of greeting cards, party goods, gift wraps and stationery
2003	We commenced sales to one of our major customers, namely Mattel, a subsidiary of a multinational toy company headquartered in the U.S. and listed on NASDAQ
2004	We commenced sales to one of our major customers, namely Customer B, a subsidiary of a global play and entertainment company headquartered in the U.S. and listed on NASDAQ
2010	We commenced our personalised online printing services
	We set up our laboratory within our Dongguan Factory for the provision of laboratory testing services
2018	We completed the acquisition of Taunus Printing, which owns the Heshan Factory
2019	We have been recognised by Dongguan People's Government as an enterprise under the Dongguan City Multiplier Programme (東莞市倍增計劃). We are awarded the Certificate of Industry 4.0 Maturity Recognition for achieving a maturity level 1i Real Time Information Generation (equivalent to Maturity Level 3 of the acatech Industry 4.0 Maturity Model) by Fraunhofer Institute of Production Technology IPT and Hong Kong Productivity Council

OUR GROUP

Our major operating subsidiaries

The chart below outlines the simplified corporate structure of our Group during the Track Record Period and as at the Latest Practicable Date. For details of our complete corporate structure, see "– Our corporate structure".



Our Group is principally engaged in paper product manufacturing and provision of printing services with the capability to offer value-adding and customised product engineering services and printing solutions to our customers for a wide spectrum of products. See "Business" for further details of our principal business. We conducted our business through our operating subsidiaries, all of them are our wholly-owned subsidiaries held directly or indirectly by our Company.

As at the Latest Practicable Date, we had 20 subsidiaries, six of them were our major operating subsidiaries in terms of the revenue contribution made to our consolidated financial results during the Track Record Period or prospects for development.

Other Group companies

During the Track Record Period and as at the Latest Practicable Date, all our major operating subsidiaries and other group companies were our wholly-owned subsidiaries and there were no significant changes in their shareholdings other than our Group's intra-group transfers and we completed the acquisition of the entire equity interest in Taunus Printing in March 2018. See "– Our acquisition – Taunus Printing" for details of the acquisition.

The table below sets out the details of all our subsidiaries as at the Latest Practicable Date:

No.	Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Paid-up capital/issued share capital	Effective shareholding/ equity interest attributable to our Group	Principal business
1.	Q P Holdings	BVI	10 March 1998	HK$50,000,000	100%	Investment holding
2.	Q P Printing	Hong Kong	5 July 1985	HK$37,000,000	100%	Trading of products and investment holding
3.	Q P International	Hong Kong	16 March 2006	HK$1.0	100%	Trading of products and investment holding
4.	Q P (HK)	Hong Kong	2 April 2002	HK$10,000	100%	Trading of products and investment holding
5.	Q P Sourcing	Hong Kong	2 April 2002	HK$10,000	100%	Sourcing of materials and products
6.	DPI Laboratory	Hong Kong	22 June 2010	HK$1.0	100%	Provision of laboratory testing services
7.	Product Innovator	Hong Kong	26 September 1996	HK$370,000	100%	Trading and retailing of merchandise and investment holding
8.	Printer's Studio	Hong Kong	19 October 2009	HK$10,000	100%	Sales of products on our website
9.	CS Works Corp	United States	16 May 2016	US$10.0	100%	Provision of customer services

No.	Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Paid-up capital/issued share capital	Effective shareholding/ equity interest attributable to our Group	Principal business
10.	Dongguan Zensee	PRC	15 January 1992	HK$211,167,245	100%	Manufacturing and trading of products
11.	DPI Laboratory (DG)	PRC	9 February 2010	RMB4,000,000	100%	Provision of laboratory testing services
12.	Tian Jin Zen See	PRC	19 May 2005	HK$30,000,000	100%	Trading of products
13.	Q P Enterprises	Hong Kong	16 November 2017	HK$10,000	100%	Investment holding
14.	Taunus Printing	PRC	17 November 2006	US$8,800,000	100%	Manufacturing and trading of products
15.	Q P (SZ)	PRC	9 May 2014	RMB100,000	100%	Provision of information technology support for web sales
16.	Q P Trading	Hong Kong	21 May 2013	HK$10,000	100%	Trading of products
17.	Multi International	Hong Kong	3 March 2015	HK$2.0	100%	Property holding
18.	Eternity Year	Hong Kong	24 October 2014	HK$2.0	100%	Property holding
19.	Archer Praise	Hong Kong	6 March 2015	HK$2.0	100%	Property holding
20.	Radiant Keen	Hong Kong	13 March 2015	HK$2.0	100%	Property holding

Note: During the Track Record Period, two of our wholly-owned subsidiaries, namely, Printer's Studio LLC and Well Communication Limited, which were incorporated in the U.S. and the BVI, were deregistered on 13 February 2017 and 23 October 2017, respectively.

MAJOR CHANGES IN OUR SHAREHOLDING STRUCTURE

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 April 2018 with an initial authorised share capital of HK$390,000 divided into 39,000,000 Shares of HK$0.01 each. On the date of its incorporation, (i) one Share was issued to the initial subscriber, which was transferred to Good Elite on the same day; (ii) 7,777 Shares were issued to Good Elite; (iii) 1,622 Shares were issued to Cypress Spurge; (iv) 500 Shares were issued to Dawn Gain; and (v) 100 Shares were issued to Welcome Mark, all credited as fully paid. On 24 December 2018, our Company had issued and allotted 52,426 Shares, 10,930 Shares, 3,370 Shares and 674 Shares to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark, respectively, all nil-paid. Prior to the Reorganisation, our Company was owned as to 77.78% by Good Elite, as to 16.22% by Cypress Spurge, as to 5.00% by Dawn Gain and as to 1.00% by Welcome Mark, respectively.

Our Company is an investment holding company and not currently engaged in any business activity.

Q P Holdings

Prior to the Reorganisation, Q P Holdings was held as to 38.89%, 38.89%, 16.22%, 5.00% and 1.00% by Mr. Cheng, Mr. Yeung, Ms. Liu, Mr. Chan and Mr. Mak, respectively. After the Reorganisation, Q P Holdings became a direct wholly-owned subsidiary of our Company. Please see " – Reorganisation" for further details.

OUR ACQUISITION

Taunus Printing

Pursuant to a sale and purchase agreement dated 23 November 2017, Taunus Printing (HK) agreed to transfer the entire equity interest in Taunus Printing to Q P Enterprises at a purchase price of RMB67.7 million (equivalent to HK$80.4 million), with reference to (i) the net book value of Taunus Printing as at 31 July 2017 (based on the unaudited management accounts prepares under PRC GAAP); (ii) the fair value of the land and factory buildings; (iii) the other liabilities mainly including the underpayment of social insurance and housing provident fund and accrued staff cost; and (iv) the operational benefits that was expected to be brought to the Group by Taunus Printing. Taking into account the assignment of the debt of HK$28.2 million owed by Taunus Printing to our Group prior to 21 March 2018 (i.e. date of completion of the acquisition), the total consideration of the acquisition amounted to HK$108.6 million. The acquisition was legally and duly completed in March 2018. As advised by the PRC Legal Advisers, the above acquisition of Taunus Printing by Q P Enterprises complied with all applicable PRC laws and regulations and the necessary legal procedures with the relevant PRC authorities have been completed.

We acquainted with the management team of Taunus Printing due to our business relationship which commenced in 2009. Back then, they were a subsidiary of one of our subcontractors for assembling and our business relationship continued over the years to include the provision of subcontracting services. Given (i) the utilisation rate of our Dongguan Factory had been saturated over the past years; (ii) the need to further enhance our automation capabilities to optimise our production mix; and (iii) cost effectiveness for recruitment of new staff in Heshan, our Directors are of the view that there is a need to acquire an additional factory to meet our production needs and to expand our market share. Through our long term cooperation with Taunus Printing, our Directors are of the view that it has the requisite production capabilities and manpower to meet our production needs. For details of the acquisition, please see "Business – Production – Production sites and facilities – Acquisition of Heshan Factory".

Immediately upon completion of the acquisition, Taunus Printing became a subsidiary of our Group.

OUR REORGANISATION

Our Group underwent the Reorganisation to rationalise our Group's structure in contemplation of the Listing, which involved the following steps:

1. On 19 April 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$390,000 divided into 39,000,000 Shares of par value of HK$0.01 each. On the same day, one subscriber's Share was transferred to Good Elite and 7,777 Shares, 1,622 Shares, 500 Shares, and 100 Shares were issued and allotted to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark, respectively;

2. On 24 December 2018, our Company allotted and issued 52,426 Shares, 10,930 Shares, 3,370 Shares and 674 Shares to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark, respectively, all nil-paid;

3. On 27 December 2018, our Company entered into a sale and purchase agreement with Mr. Cheng, Mr. Yeung, Ms. Liu, Mr. Chan and Mr. Mak pursuant to which our Company acquired 30,102 shares, 30,102 shares, 12,552 shares, 3,870 shares and 774 shares of Q P Holdings from Mr. Cheng, Mr. Yeung, Ms. Liu, Mr. Chan and Mr. Mak, respectively, at an aggregate consideration of HK$77,400, which the consideration was determined with reference to the par value of the entire issued shares of Q P Holdings. Such consideration was satisfied by the allotment and issue of 60,204 Shares, 12,552 Shares, 3,870 Shares and 774 Shares to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark, respectively, as fully paid; and

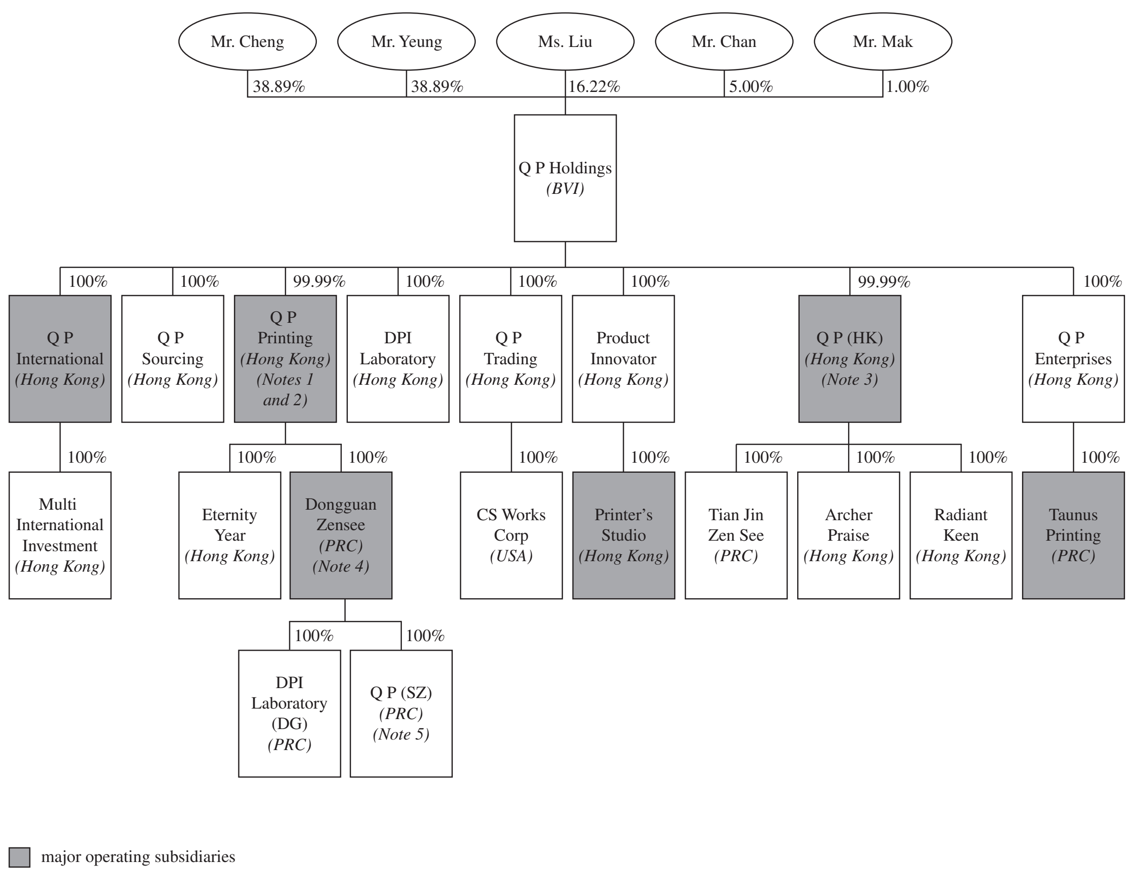
4. On 20 December 2019, the authorised share capital of our Company was increased from 39,000,000 to 2,000,000,000 by the creation of an additional 1,961,000,000 Shares with effect from the Listing Date.

GLOBAL OFFERING AND CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 20 December 2019, conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to issue a total of 398,845,200 Shares, credited as fully paid, at par to our Shareholders whose names appear on share register at close of business on 9 January 2020 in proportion to their then respective shareholding by way of capitalisation of the sum of HK$3,988,452 standing to the credit of the share premium account of our Company by applying such sum towards paying up in full at par (i) the issued and allotted to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark upon incorporation of our Company and the issue and allotment of Shares on 24 December 2018; and (ii) a total of 531,845,200 Shares for allotment and issue pursuant to the Global Offering, and the Shares to be issued pursuant to the Capitalisation Issue shall carry the same rights in all respects as the then existing issued Shares.

OUR CORPORATE STRUCTURE

The following chart sets out the corporate and shareholding structure of our Group immediately **before** the Reorganisation:



Notes:

1. Q P Printing has one branch office located in Taiwan, namely Q P Printing Limited Taiwan Branch (香港商雋思產品發展有限公司台灣分公司), which is established as a branch of a foreign company in Taiwan on 29 March 2017.

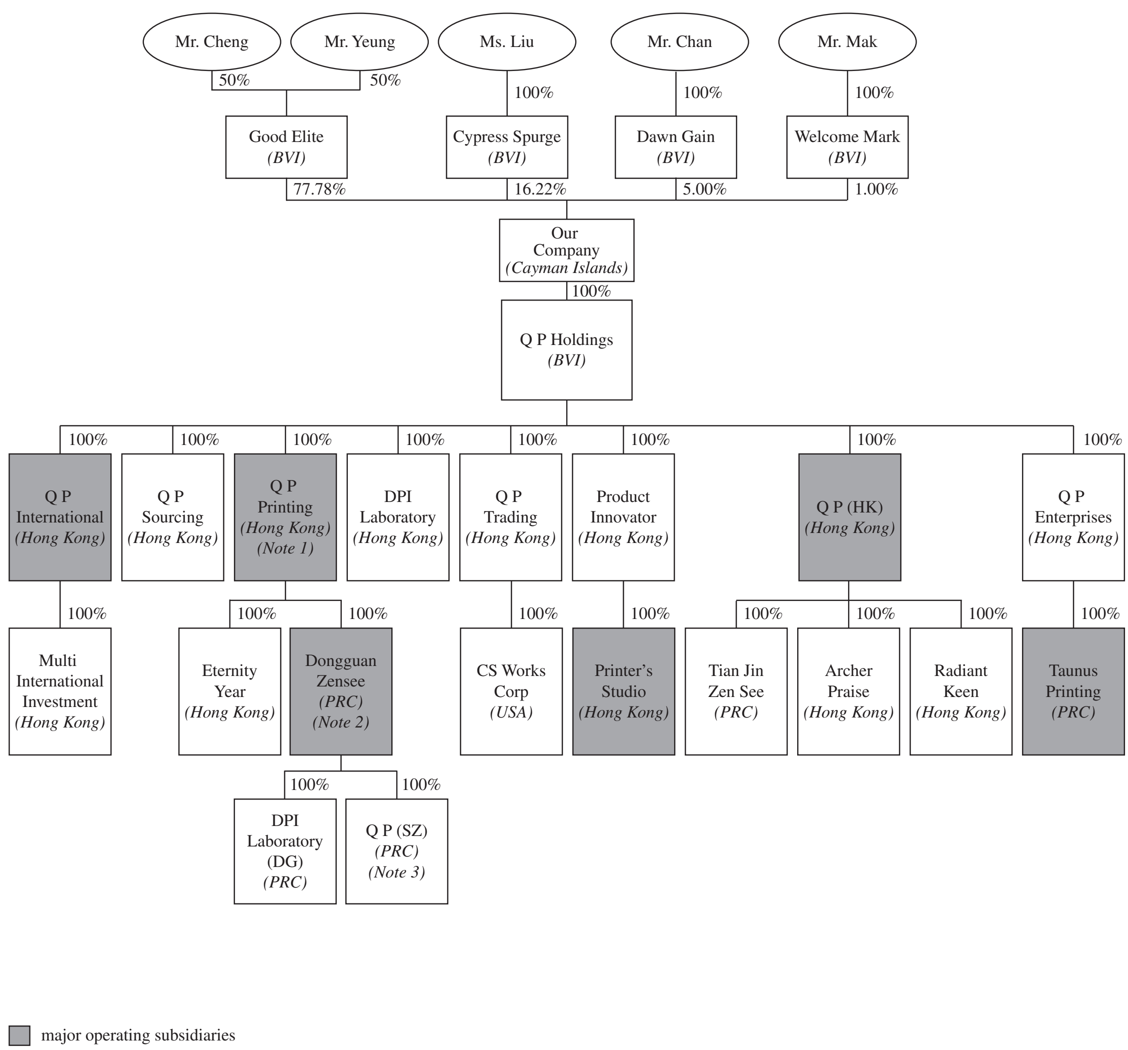
2. Immediately prior to the Reorganisation, Q P Printing has a registered share capital of 37,000,000 shares, which was owned as to 36,999,999 shares by Q P Holdings. The remaining one share was held on trust by Mr. Cheng for Q P Holdings pursuant to a declaration of trust dated 2 January 2010. On 24 December 2018, the one share held by Mr. Cheng was transferred back to Q P Holdings. Upon completion of the transfer, Q P Printing became wholly-owned by Q P Holdings.

3. Immediately prior to the Reorganisation, Q P (HK) has a registered capital of 10,000 shares, which was owned as to 9,999 shares by Q P Holdings. The remaining one share was held on trust by Mr. Cheng for Q P Holdings pursuant to a declaration of trust dated 28 March 2007. On 24 December 2018, the one share held by Mr. Cheng was transferred back to Q P Holdings. Upon completion of the transfer, Q P (HK) became wholly-owned by Q P Holdings.

4. Dongguan Zensee has two branch offices located in Shanghai and Beijing, namely Dongguan Zensee Printing Limited (Shanghai Branch) (東莞雋思印刷有限公司上海分公司) and Dongguan Zensee Printing Limited (Beijing Branch) (東莞雋思印刷有限公司北京分公司), respectively, which were established in the PRC on 10 January 2007 and 21 December 2006, respectively.

5. Q P (SZ) has one branch office located in Guangzhou, namely Q P (SZ) Limited (Guangzhou Branch) (深圳雋思信息科技有限公司廣州分公司), which was established in the PRC on 10 April 2017.

The following chart sets out the corporate and shareholding structure of our Group immediately **after** the completion of the Reorganisation:



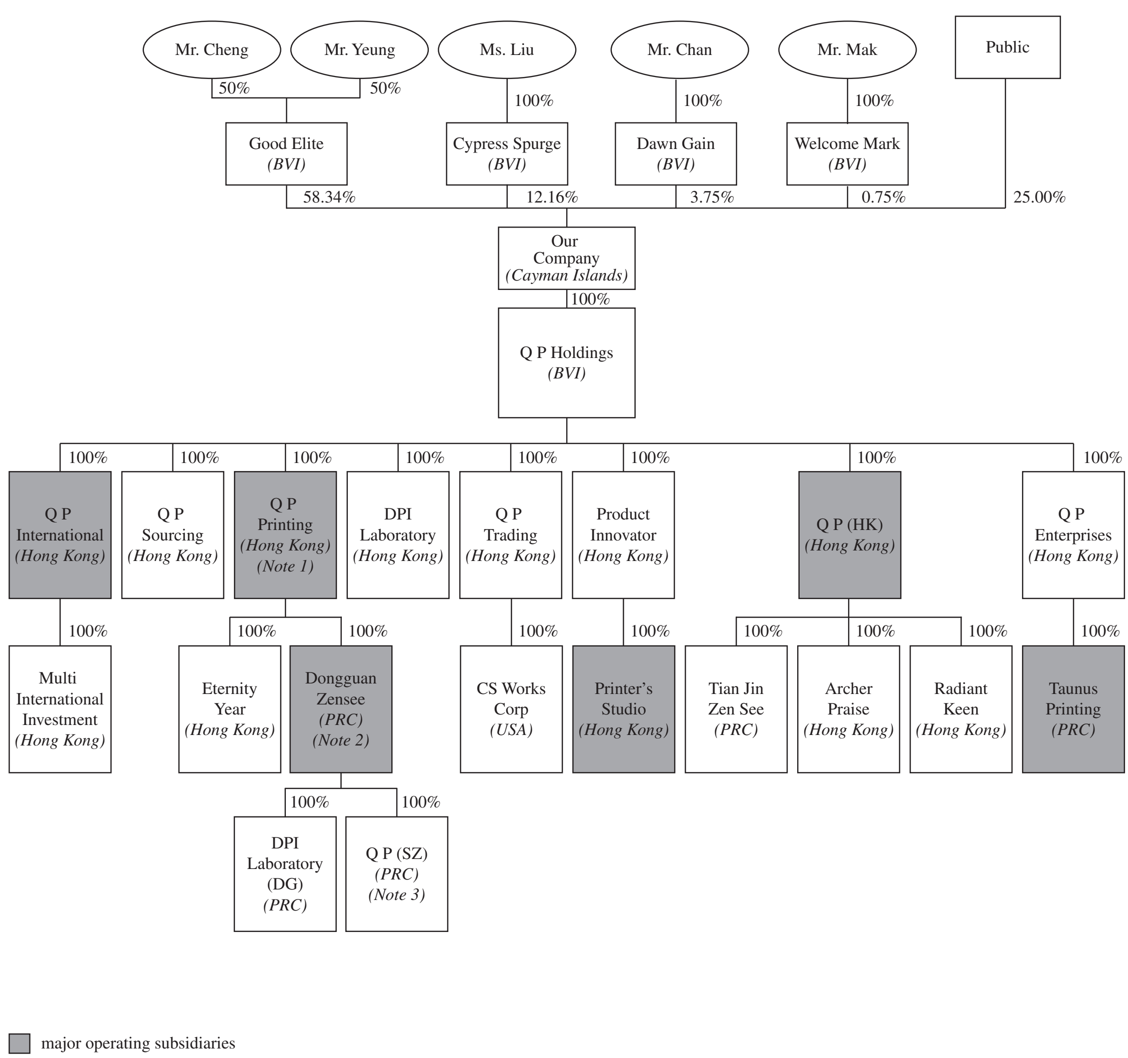
Notes:

1. Q P Printing has one branch office located in Taiwan, namely Q P Printing Limited Taiwan Branch (香港商雋思產品發展有限公司台灣分公司), which is established as a branch of a foreign company in Taiwan on 29 March 2017.

2. Dongguan Zensee has two branch offices located in Shanghai and Beijing, namely Dongguan Zensee Printing Limited (Shanghai Branch) (東莞雋思印刷有限公司上海分公司) and Dongguan Zensee Printing Limited (Beijing Branch) (東莞雋思印刷有限公司北京分公司), respectively, which were established in the PRC on 10 January 2007 and 21 December 2006, respectively.

3. Q P (SZ) has one branch office located in Guangzhou, namely Q P (SZ) Limited (Guangzhou Branch) (深圳雋思信息科技有限公司廣州分公司), which was established in the PRC on 10 April 2017.

The following chart sets forth our shareholding structure immediately following completion of the Global Offering and Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme):



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1. Q P Printing has one branch office located in Taiwan, namely Q P Printing Limited Taiwan Branch (香港商雋思產品發展有限公司台灣分公司), which is established as a branch of a foreign company in Taiwan on 29 March 2017.

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3. Q P (SZ) has one branch office located in Guangzhou, namely Q P (SZ) Limited (Guangzhou Branch) (深圳雋思信息科技有限公司廣州分公司), which was established in the PRC on 10 April 2017.

PRC LEGAL COMPLIANCE

As each of Mr. Cheng, Mr. Yeung, Ms. Liu, Mr. Chan and Mr. Mak, being the ultimate beneficial owners of our Company, is not a PRC domestic resident and does not habitually reside in the PRC due to reasons of economic interest, our PRC Legal Advisers advised that they are not required to carry out foreign exchange registration pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知).

OVERVIEW

We are a long-established paper product manufacturing and printing services provider with the capability to offer value-adding and customised product engineering services and printing solutions to our customers for a wide spectrum of products. Our products can be categorised into five principal product categories: (i) tabletop games, (ii) greeting cards, (iii) educational items, (iv) premium packaging, and (v) other products. According to the CIC Report, we ranked first in the paper-based tabletop game products and related products manufacturing market in the PRC with a market share of 2.7%, and ranked second in the paper-based greeting cards manufacturing market in the PRC with a market share of 8.1%, both in terms of export value in 2018. According to the CIC Report, in 2018, the total sales value of paper-based tabletop games and greeting cards manufacturing market in the PRC in terms of ex-factory price amounted to USD1,941.9 million, 58.3% of which was exported overseas. For FY2016, FY2017, FY2018 and 6M2019, the sales of tabletop games and greeting cards in aggregate accounted for 82.0%, 82.3%, 81.3% and 85.0% of our revenue, respectively.

Headquartered in Hong Kong, we have over 30 years of operating history, and have established stable business relationships with our major customers in the United States and countries in Europe.

Sales and our customers

Our products are sold to (i) OEM customers who generally order mass quantities for direct sales and distribution through their own sales network; and (ii) individual and corporate customers who generally order smaller quantities through our self-operated websites. As at the Latest Practicable Date, we had five major websites offering a wide spectrum of products, including but not limited to playing cards, tabletop games, puzzles, greeting cards, baby gifts, photo albums, apparel, bags, phone cases and boxes. For FY2016, FY2017, FY2018 and 6M2019, revenue derived from our OEM sales accounted for 92.2%, 92.5%, 92.3% and 92.0% of our revenue, respectively, while revenue derived from our websites accounted for 7.8%, 7.5%, 7.7% and 8.0%, for the corresponding period.

Our major OEM customers during the Track Record Period include an international greeting cards publisher, and multinational children educational products and toys brands, with whom we had established approximately eight to 18 years of business relationship as at the Latest Practicable Date. To cater for customers' demand in a timely manner, we assign specific sales personnel to serve and provide customised printing solutions to our OEM customers that strive to optimise product construction and design, functionality, quality, safety and production cost and monitor the production and delivery schedule.

Production

As at the Latest Practicable Date, we operated two key production sites, being the Dongguan Factory and the Heshan Factory, with an aggregate GFA of 108,009.91 sq.m.. We manufacture our products mainly in our production facilities located in the PRC. Our production sites are equipped with 17 major automated production machines, comprising offset and digital printing presses, slitting and collating machines, digital enhancement and glittering machines and digital cutting and creasing machines. The estimated maximum printing capacity of our Dongguan Factory during the Track Record Period was over 100 million of sheets per year, and our utilisation rate exceeded 100%. We outsource some of our production processes, including printing, die-cutting and assembling, to the subcontractors approved by us if such outsourcing will give us cost-saving, or when such outsourcing is needed because our production capacity has reached its peak.

We are committed to maintaining high quality of our products. We have implemented quality assurance procedures which comprises quality assurance, quality engineering, as well as quality control.

We have obtained certain patents in relation to production techniques developed by us to enhance the efficiency of our production processes.

Purchases and our suppliers

The principal raw materials involved in our operation are papers and other auxiliary accessories. During the Track Record Period, we purchased paper mainly from our approved suppliers located in the PRC, the U.S. and Taiwan. We do not enter into any long-term contract with supply obligations with our suppliers, including suppliers of paper.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths which differentiate us from our competitors:

We are a long-established paper product manufacturing and printing services provider with the capability to offer value-adding and customised product engineering services and printing solutions to our customers for a wide spectrum of products.

Since our establishment in 1985, we have accumulated over 30 years of experience in paper products manufacturing and printing. We have diversified product offerings to meet the different needs of our broad customer base, covering a wide spectrum of products, ranging from tabletop games (including board games, card games and puzzles), greeting cards (including everyday cards and seasonal cards), educational items (including classroom learning kits and activities books), premium packaging, gifts (including baby gifts, photo albums, apparel and boxes) and others (including bags and phone cases). According to the CIC Report, we are one of the few manufacturing and printing services providers in the PRC that are capable of producing a broad range of paper-based printing products which are able to meet our customers' needs.

Apart from manufacturing products based on their specifications, we also provide our OEM customers with value-adding and customised product engineering services which help them convert ideas into commercialised products. Depending on the design of the products, such value-adding services may cover (i) paper mechanics which refers to the creation of three-dimensional and pop-up designs with paper; and (ii) product construction which refers to the construction and structure of three-dimensional products such as board games and educational items. Based on our OEM customers' requirements and proposed product outcomes, we work together with our OEM customers to derive comprehensive and cost-effective manufacturing and printing solutions that strive to optimise product construction and design, functionality, quality, durability, safety and production cost. For instance, our engineering team developed handcrafting tools which allow standardised folding of printed sheets for greeting cards with three-dimensional structure, so as to achieve consistent quality and cost-effectiveness for mass production. We believe that such services can help our OEM customers achieve their desirable products and strengthen our business relationships and increase their loyalty.

We are also committed to research and development in order to enhance our production efficiency and provide customised solutions that strive to cater for our major OEM customers' needs and requirements. For instance, our in-house engineering department tailor-made an integrated automated card game production line that covers the entire production process, converting printed sheets into packaged card games that are ready for delivery. In relation to this production line, we developed and patented a card game automatic cartoning machine* (遊戲卡自動裝盒機), which enables full automation of the packaging process of card games. As a result, we were able to improve production efficiency and quality consistency, reduce our production cost, and therefore offer more competitive prices to such customer and maintain our business relationship. For details of our patents, see "Statutory and General Information – B. Further Information about our business – 2. Material intellectual property rights – (c) Patents" in Appendix V to this prospectus. We believe our engineering expertise and dedication have contributed to our long-established market position and stable and long-term business relationships with our major customers, which are international brand owners.

We have stable and long-term business relationships with our major customers, which comprise leading players in their respective market segments.

We believe that the long-term business relationships established with our major customers contributed a solid customer base and steady revenue streams to us. Our major customers during the Track Record Period included an international greeting cards publisher, and multinational children educational products and toys brands in the U.S. and countries in Europe, with whom we have established approximately eight to 18 years of business relationships as at the Latest Practicable Date.

In particular, our business relationship with (i) our largest customer, Hallmark, commenced in 2002. Hallmark purchased greeting cards from us, and is a subsidiary of an international greeting cards publisher, which ranked first in 2018 in terms of retailers of paper-based greeting cards, accounting for approximately 30.0% of the global retail market of paper-based greeting cards in terms of sales value[(Note)]; (ii) Mattel commenced in 2003. Mattel purchased tabletop games from us, and is a subsidiary of a global learning development and play company, which ranked second in 2018 in terms of retailers of toys, accounting for approximately 9.1% of the global retail market of toys in terms of sales value[(Note)]; and (iii) Customer B commenced in 2004. Customer B purchased tabletop games from us, and is a subsidiary of a global play and entertainment company, which ranked first in 2018 in terms of retailers of toys, accounting for approximately 9.2% of the global retail market of toys in terms of sales value[(Note)]. We believe that our stable business relationships with our major customers are attributable to the consistency of our product quality, production capabilities and engineering expertise and dedication. As our major customers have high requirements for their suppliers and require regular audit, we believe that we cannot be easily replaced within a short period of time after becoming their suppliers.

Our emphasis on and efforts in ensuring the quality of our products have been recognised by Hallmark, who awarded us the "Lean Manufacturing Supplier" in 2013 and 2014, and the "Supplier of the Year 2016" and "Supplier of the Year 2018", which commended us for our performance on quality, cost-effectiveness, efficiency and production innovation. We have also attained Hallmark's "Certified Quality Supplier" status as a recognition of our satisfactory performance since 2005. We believe that our commitment to high and consistent quality of our products constitutes a competitive edge over other printing service providers. We believe that our long-term business relationships with our major customers are able to enhance our reputation in the printing industry and continue our proven track record, and hence increase our ability to attract new customers.

We believe that our product engineering services, solid printing experience, stable quality of products and market reputation have enabled us to maintain long-term relationships with our customers, and will also help us to continue to expand our customer base.

We have solid manufacturing and printing experience with comprehensive production capability.

Currently, we operate two key production sites and we had over 1,700 production workers as at the Latest Practicable Date. Our factories are equipped with a comprehensive range of machinery which includes pre-press computer-to-plate and colour proofing systems, printing presses and post-press processing machines for coating and lamination, foil stamping, embossing and debossing, spot UV, glittering, die-cutting, binding and envelope-making. To cope with the market needs for high-variety-low-volume orders and capture the growth in Internet retailing, we have also established a digital production hub with digital printing and

Note: According to the CIC Report.

processing machines, which enables us to handle orders of small quantities at short lead time while enjoying higher gross profit margin from low volume orders. We also possess automated production lines tailor-made for some of our major OEM customers to cater for their particular products, such as the automated card game production line and the automated greeting card assembly line. With such comprehensive production capability, we are able to provide diversified product offerings while maintaining a high level of quality and efficiency that helps solidify our market position.

We have also achieved a number of international standards and qualifications in relation to our manufacturing and printing services. For details, see "– Certifications and awards".

We are committed to technological development and the adoption of management tools to strengthen our competitiveness.

We are committed to technological development and have been adopting an online digitalised business model in order to keep up with constantly changing technological development, expand our market share and broaden our customer base.

With our in-house IT capabilities, we have developed our own websites, allowing web-based order and production processing. To achieve this, our in-house IT team has developed a range of pre-defined product parameters and standardisation, such as sizes, materials and designs, for our customers to personalise their products based on such parameters. Using these pre-defined parameters, our online system processes order data and transfer it to the backend directly for production with minimal manual handling. Such online system shortens production lead time and also enhances operation efficiency and transparency.

We also adopt different management tools to optimise our production process and enhance efficiency and productivity, including lean manufacturing and quick response manufacturing. Lean manufacturing refers to a systematic method for waste minimisation within a manufacturing system without sacrificing productivity, and focuses on streamlining production, eliminating unnecessary and non-value-adding work processes and reducing work-in-progress and inventory, whereas quick response manufacturing refers to a manufacturing approach which emphasises the reduction of internal and external lead times. We believe that the adoption of such management tools has helped us to improve production efficiency and reduce production lead time and costs, as evidenced by the relevant awards we received. For details, see "– Certifications and awards".

We have a comprehensive quality management system which ensures high product quality and manufacturing and printing services.

We place strong emphasis on the high and consistent quality of our manufacturing and printing services and impose a comprehensive quality management system, which covers quality assurance, quality engineering and quality control. Our quality assurance system focuses on preventive plans and actions that manage quality throughout the production operations, from product development, material sourcing, manufacturing to delivery, to ensure that the designated standards will be met. In respect of quality engineering, we formulate testing and inspection plans for product safety testing on raw materials and products which are conducted by our wholly-owned subsidiary, DPI Laboratory (DG). DPI Laboratory (DG) is capable of conducting laboratory tests including chemical analytical tests, physical and durability tests, and product risk assessments, and is accredited by different international professional bodies and qualified to conduct tests in accordance with international standards, such as U.S. and countries in the European Union standards and directives for toys, packaging and general goods. With our accredited in-house laboratory, we are able to conduct testing services for our products more efficiently, allowing shorter order turnaround time for our production. Our Directors believe that having an in-house laboratory with various capabilities and both international and local accreditations increases our customers' confidence in us and promotes our brand name.

Our commitment to providing high and consistent quality of manufacturing and printing services can be evidenced by the fact that we are generally entrusted by our major customers to conduct final quality control before delivery of finished products to the designated warehouses or departure ports.

We have an experienced and dedicated management team with proven track record of leadership and execution.

We have a dedicated and experienced management team with an in-depth understanding of the paper product manufacturing and printing industry. Our senior management has significant experience and is committed to improving and maintaining operational excellence by utilising their extensive knowledge of the printing industry. Our founders, Mr. Cheng and Mr. Yeung, each has more than 30 years of experience in the printing industry, and have together led our Group to become a long-established paper product manufacturing and printing services provider. Their vision and insight in the printing industry have significantly contributed to our growth. In addition, we have built a loyal, experienced and capable senior management team with a proven track record as well as a team of committed and well-trained frontline staff. Our senior management has, on average, over 20 years of relevant experience with our Group. See "Directors and Senior Management" for further information on our Directors and senior management.

OUR BUSINESS STRATEGIES

We plan to develop and strengthen our Group's paper product manufacturing and printing business and increase our market penetration in the paper-based products industry. To achieve these goals, we plan to implement the following strategies:

Enhancing our production capacity and operational flexibility by (i) developing our production support in Southeast Asia through subcontracting arrangement; and subsequently (ii) establishing our business presence in Southeast Asia through setting up our own production site in Vietnam

During the Track Record Period, we manufactured our products mainly in our production facilities in the PRC. As at the Latest Practicable Date, we operated two key production sites located in the PRC, being the Dongguan Factory and the Heshan Factory. Since 2018, there has been continuing trade war between the U.S. and the PRC, and the U.S. government has imposed additional tariffs on top of the normal tariff rates on certain products imported from the PRC into the U.S.. For FY2016, FY2017, FY2018 and 6M2019, 71.8%, 73.1%, 70.8% and 75.1% of our revenue were derived from the U.S. by destination of delivery, respectively. Although the increase in cost resulting from increased U.S. tariffs is theoretically payable by our customers as our U.S. sales are on FOB basis, the increased U.S. tariffs would significantly increase our U.S. customers' purchase costs of our products manufactured at our production sites in the PRC, and our customers located in the U.S. may look for alternative suppliers who manufacture their products at production sites located in countries other than the PRC which are not subject to the increased U.S. tariffs. For further details of the recent trade war and the risks associated with our sales to the U.S., see "– Recent trade war between the U.S. and the PRC" and "Risk Factors – Risks relating to our business – Our sales are geographically concentrated in the U.S. which are subject to higher tariff rates under the trade war between the U.S. and the PRC, which could adversely affect our sales volumes, profitability and results of operations".

With an aim to maintain the long established business relationship with our customers, it is essential for us to enhance our operational flexibility and lower our operational risks in order to mitigate the potential adverse impact that may be brought by the continuing trade war between the U.S. and the PRC, we intend to expand our operational capability and presence outside the PRC by exploring business opportunities with manufacturers and production facilities owners in Southeast Asia which are currently not affected by the trade war between the U.S. and the PRC.

(i) developing our production support in Southeast Asia through subcontracting arrangement

Our Directors believe to promptly develop our production support in Southeast Asia through subcontracting arrangement is a prudent strategy for our Group to respond to the impending impact arising from the increased U.S. tariffs on our business and financial performance in a timely manner before we can identify a suitable factory building outside the PRC for setting up our own production site. As we expect the establishment of our own production site in a new region outside the PRC requires significant time and capital, we have outsourced some production processes of certain greeting cards products to two subcontractors in Vietnam since October 2018. We have further engaged these subcontractors to perform end-to-end production of certain greeting cards products since June 2019 in order to diversify our operational risks. We will continue to identify and engage subcontractors with production facilities in Vietnam and Hong Kong to carry out production process of our certain products. We intend to relocate the end-to-end production of the majority of our principal products, including but not limited to those which are subject or maybe subject to U.S. tariff from the PRC to Vietnam through subcontracting arrangement by the end of 2020. For details, see "– Recent trade war between the U.S. and the PRC – Immediate measures being adopted in response to the recent trade war between the U.S. and the PRC".

We select our subcontractors based on, among others, their locations, reliability, price, and production quality. During the Track Record Period, we had conducted feasibility studies and on-site visits of various manufacturers to compare the background and information of different manufacturers, among others, their infrastructure, price, location of facilities, production capacities and quality assurance standards for the purpose of evaluating whether the manufacturer could satisfy our production needs and standards. With the experience of engaging subcontractors in Vietnam and the information obtained from our feasibility studies and on-site visits, we are able to obtain a more thorough understanding of the business practice and environment relating to the paper product manufacturing and printing industry in a new market before establishing our own production site. We are also exploring business opportunities with manufacturers in Southeast Asia countries in identifying our potential subcontractors.

(ii) establishing our business presence in Southeast Asia through setting up our own production site in Vietnam

Leveraging on the knowledge and experience we have gained through subcontracting certain of our production process to subcontractors located in Vietnam and information obtained from our feasibility studies of various manufacturers in Southeast Asia, we intend to set up our own production site outside the PRC. Our Directors believe that setting up our own production site will provide cost-saving opportunities, greater operational flexibility and better control over quality and delivery of our products relative to outsourcing in the long term. To complement our existing production capability in the PRC and gradually reduce the amount of subcontracting work required by our Group outside the PRC for our U.S.-sales products, we plan to acquire a factory building in Vietnam by the end of 2021 and equipped it with the complementary machineries as well as recruiting managerial and technical staff with specific skills and knowledge to perform end-to-end production of the majority of our principal products, allowing us to convert more of our outsourcing to in-house production to further strengthen our position as a manufacturer.

In arriving at the above plan, we have conducted a cost and benefit analysis of acquiring an existing factory building in Vietnam and equipped it with the complementary machineries for our production against the alternative of acquiring a land parcel for constructing a new factory, the breakdown of which is shown in the table below:

	Acquiring an existing factory building and equipping it with the complementary machineries	Acquiring a land parcel and construct a new factory building
	HK$'000	*HK$'000*
Initial Investment		
Acquisition of land	–	17,919
Acquisition or construction of building	25,857 *(note)*	24,202
Auxiliary area	–	6,464
Setup of company	291	291
Perform due diligence	69	69
Acquisition of machineries and equipment	56,743	56,743
Total	82,960	105,688

Note: The costs for the acquisition of land and auxiliary area have been included in the costs for the acquisition of an existing factory building.

As shown in the above table, after considering the publicly available information on the value of a parcel of land with similar planned site area of approximately 10,000 to 15,000 sq.m. as our potential factory building in Vietnam, our Directors estimate that the acquisition of an existing factory building in Vietnam would result in an one-off initial investment cost saving of a maximum of HK$22.7 million. The one-off cost saving primarily represents the difference in the value of a land parcel with similar planned site area as our potential factory building in Vietnam. Further, our Directors estimate that the total estimated time required for setting up our own production site by acquiring an existing factory building and acquiring a land parcel for constructing a new factory from scratch would be 21 months and 33 months, respectively. By acquiring an existing factory building in Vietnam, we could save time, resources and costs required for designing and constructing the factory buildings from scratch, supervising the construction progress of the new factory building on the acquired parcel of land as well as applying for the necessary licences, approvals and permits before we could commence the construction, which enabled us to relocate production of the majority of our principal products for our U.S. customers outside the PRC within a relatively shorter period of time after the acquisition. On the basis of the above, our Directors consider that it is in the interests of our Group as a whole to set up our own production site in Vietnam by acquiring a factory building and equipped it with the complementary machineries for our production, rather than acquiring a parcel of land to construct a new factory building from scratch. However, it also depends on whether suitable factory buildings can be identified as acquisition target.

We intend to set up the production site once we have identified and acquired a suitable factory building in Vietnam. As at the Latest Practicable Date, our Group is in the process of identifying potential factory building for acquisition. We seek and select potential factory building for acquisition based on our industry experience and the following selection criteria:

- *Location and transport accessibility*: We plan to explore factory building for setting up our production site in Southeast Asia, where we can continue to take on orders from U.S.-based customers without being affected by the trade war between the U.S. and the PRC and the production cost, such as labour cost, is expected to be comparable or lower than the PRC. In particular, we primarily look for a factory building situated in Vietnam as our Directors believe that we can leverage on our previous subcontracting experience in outsourcing our certain production to subcontractors in Vietnam. We also explore factories with a convenient location which allows easy and efficient access to various means of transportation for delivering raw materials and finished products to and from the production site.

- *Target site area and scale of operation:* We primarily look for factory building of site area of around 10,000 to 15,000 sq.m. with workshop for production and warehouse and office for administrative purposes. We expect the factory building can accommodate a workforce of around 500 to 800 staff.

- *Availability of infrastructure and utilities*: The factory building shall be readily accessible to electricity, water, power sustainability, internet, fire prevention and all other resources and support necessary for normal operation of a production site for paper product manufacturing and printing services.

- *Production capability:* We expect the factory building can achieve an estimated annual printing capacity of over 30 million of sheets upon its full commercial operation.

- *Compliance record*: We target to acquire the factory building from an owner which has obtained all licences, permits and approvals necessary for operation, and have good compliance with relevant laws and regulations.

Once identified, we intend to conduct on-site visit of the factory building to assess the condition of the production facilities, environmental protection policies, compliance, etc. We also intend to conduct other due diligence processes on the acquisition target to ascertain their compliance status and industry reputation. We seek and select potential factory building for acquisition through recommendations and referrals by our network of industry participants as well as real estate service providers. As at the Latest Practicable Date, we have consulted an international real estate service provider with business presence in Vietnam to enquire about and obtain quotations for several factory buildings located in Vietnam but no legally binding agreement has been reached yet. We have yet to identify any acquisition target or enter into any formal negotiation or sales and purchase agreement in relation to any potential target as at the Latest Practicable Date.

Further, we have consulted our Vietnamese Legal Advisers that are specific to setting up a production site in Vietnam, which include, among others, (i) whether any legal restrictions are imposed on foreign investors in relation to its equity rights in an investment; (ii) the licensing and approvals required for setting up a legal entity as well as establishing and operating a production site in Vietnam; (iii) whether there are any restrictions or legal requirements regarding the import of materials into and the export of products outside Vietnam; (iv) whether any applicable tax is payable; (v) whether there are any foreign exchange control; (vi) the major labour regulations and social security requirements; and (vii) the export and import tariffs levied on the importer and exporter of goods. For details relating to the relevant regulatory regime in Vietnam, see "Regulatory Overview – Laws and Regulations in Vietnam". Having considered the aforesaid regulatory regime in Vietnam, both the Vietnamese Legal Advisers and our Directors are of the view that it is legally feasible to set up our own production site in Vietnam for production of certain of our products and there are no relevant restrictions on foreign ownership of investment in Vietnam that may have material impact on our Group's financial or operational performance. Our Directors confirm that we will consider to seek further advice from the Vietnamese Legal Advisers as appropriate upon identifying the suitable factory building.

We intend to utilise 52.5%, or HK$63.4 million of our net proceeds from the Global Offering, for the above purposes, of which (i) 10.8%, or HK$13.1 million, will be used for developing our production support in Southeast Asia through subcontracting arrangement; and (ii) 10.8%, or HK$13.1 million, will be used for setting up our own production site in Vietnam by the end of 2021; and (iii) 30.9%, or HK$37.2 million, will be used for acquiring new machines. For details, see "Future Plans and Use of Proceeds – Use of proceeds". The actual capital expenditure and timing for implementation of our Group's planned expansion strategy through setting up our own production site in Vietnam are subject to various factors such as the identification of appropriate targets, commercial negotiation with the vendors or business partners, the then market conditions, our Group's then cash flows and capital requirements. When implementing the expansion plan, our Group will from time to time review its financial position and cash flows and adjust its expansion strategy and implementation plans where appropriate to ensure that it will have sufficient funding and its financial position and cash flows will not be adversely affected. In addition to the net proceeds from the Global Offering and its internal resources, our Group may also explore other means of fund-raising methods to finance the set up as and when appropriate.

Optimise our product mix and production specialisation by (i) reallocating our production capacity to Heshan and enhancing our operational efficiency and (ii) enlarging our customer base in the tabletop games and educational items segments

(i) rellocating our production capacity to Heshan and enhance our operational efficiency

During the Track Record Period, the utilisation rates of our Dongguan Factory exceeded 100%. For details, see "– Production – Production capacity and utilisation rate". This hindered our ability to optimise our product mix to produce products of higher gross profit margins since our production capacity was already maximised. To ensure that we have sufficient production capacity to optimise our product mix and improve our profitability, it is vital for us to reallocate our production capacity and increase our operational efficiency.

According to the CIC Report, in the U.S., which is our main sales market, (i) the total retail sales value of the paper-based tabletop games and educational items increased from USD2,277.0 million in 2014 to USD2,703.1 million in 2018; (ii) the total import value of these products increased from USD632.5 million in 2014 to USD763.0 million in 2018; and (iii) the total import value of educational items and tabletop games is expected to continue to grow at a CAGR of 4.2% and 0.9%, respectively, from 2018 to 2023. Given the considerable market size of these products and the anticipated market growth, we believe that demand for our products and services will increase, and we will be able to better optimise our product mix if we have sufficient printing capacity and factory space. As such, we intend to optimise our product mix and production specialisation by reallocating our production capacity to Heshan and enhancing our operational efficiency through (i) the construction of an additional factory building in our production site in Heshan; and (ii) the acquisition of new machines to facilitate future business expansion and capture business opportunities.

We have been operating our current major production plant, the Dongguan Factory since 1994. Throughout the years, we expanded the scale of our business operations significantly and we encountered certain limitations in the layout of our Dongguan Factory. Due to limited space available, our production processes for one product have to be conducted on separate floors within a factory building, and/or in separate factory buildings, as printing presses are located on one floor/factory building while other production machines are located on another floor/factory building. This creates inefficiency to our production processes due to the logistics involved in packing and moving semi-finished products to the next production process. Additional time and logistical effort is involved when packing and moving semi-finished products between factory buildings. Additional space will allow us to revamp and streamline our production flow to reduce the logistical effort for semi-finished products between printing and post-press processes. To achieve a better focus of production specialisation in our different production sites, we intend to centralise our production of greeting cards in our Dongguan Factory and tabletop games and educational items in our Heshan Factory to enhance operational efficiency. We expect that we will able to improve the precision level of the products we produce and shorten the production time per product. Nevertheless, since (i) there are limited production space available in our Dongguan Factory and (ii) the fact that certain buildings in our Dongguan Factory lacked the necessary real estate ownership certificates or immovable property title certificates and planning permits for construction project, construction permits for construction project and/or certificates of completion inspection record of works has led to our suspension of usage of, and cessation of leases of, the unauthorised buildings which further limited the space in our Dongguan Factory, our Directors considered that relocation of our production of tabletop games and educational items to our Heshan Factory would be a better option. In October 2018, we started reallocating the production capacity between our Dongguan Factory and Heshan Factory by relocating some of our production facilities for tabletop games and educational items from our Dongguan Factory to our Heshan Factory. Barring unforeseen circumstances, we intend to substantially complete such relocation by December 2020. For details, see "– Production – Production sites and facilities – Relocation of some production facilities from Dongguan Factory to Heshan Factory".

We believe that the reallocation of our production capacity and enhancement of our operational efficiency are essential to optimising our product mix and production specialisation, increasing our market penetration and strengthening our market position in the PRC.

We intend to utilise 25.0%, or HK$30.2 million of our net proceeds from the Global Offering, for the above purposes, of which (i) 16.9%, or HK$20.4 million, will be used for constructing an additional factory building with a planned GFA of 23,444.35 sq.m. in our production site in Heshan; and (ii) 8.1%, or HK$9.8 million, will be used for acquiring new machines. For details, see "Future Plans and Use of Proceeds – Use of proceeds".

In carrying out our expansion plan, we expect our depreciation expenses and operational expenses including repair and maintenance cost, staff cost and insurance cost to increase, which may adversely impact our net profit in the short term. In the long term, we expect our revenue and net profit to increase as a result of the increase in production capacity. For associated risk, see "Risk Factors – Future expansion plans are subject to uncertainties and risks and may lead to increase in our costs in the future".

(ii) enlarging our customer base in the tabletop games and educational items segments

In order to optimise our product mix to produce products of higher gross profit margins, namely tabletop games and educational items, we intend to expand our OEM customer base for such products by increasing our marketing effort in attending international trade shows, exhibitions and conventions in more countries to look for new opportunities in new geographical locations and expand our geographical coverage. During the Track Record Period, we participated in selected exhibitions, trade shows and conventions in the U.S., Germany, Japan and the United Kingdom, and we intend to continue to participate in these events. We also intend to act as event sponsor to increase our brand awareness. During the Track Record Period, we engaged a few sales representatives in countries where we intend to explore or penetrate our market share, such as the U.S., since they can leverage their geographical proximity to our target customers and their industry knowledge to establish new business relationships for us. They refer customers to us, as well as facilitate and manage business relationships and exchange market information. In March 2019, we appointed a sales representative in Europe to explore the European market and cultivate business relationships in the region. As at the Latest Practicable Date, our Group has secured purchase orders from a new customer for tabletop games products based in Netherlands through referral by such sales representative in Europe and the secured orders from the new customer amounted to HK$0.7 million. We intend to continue to explore opportunities to work with sales representatives in different geographical locations. We believe our successful relationships with international brand owners provide important validation for cultivating new business relationships. We will continue to provide customised manufacturing solutions for both existing and new customers. We also intend to set up our own production site in Vietnam, which may also enlarge our customer base in the tabletop games and educational items segments, as we may have access to the customer base of the acquired business or joint venture partner.

We intend to broaden our customer base and diversify our revenue streams through promoting our websites. We plan to continue to use an extensive range of digital marketing strategies such as search engine optimisation, search engine marketing, social media as well as traditional marketing strategies such as sponsorships and participation in related events to promote our brands and increase the exposure of our websites to our target audiences. We are in the process of including more language options on our websites to broaden our target customer base, and intend to increase our product offerings so as to meet the needs of potential customers.

Leverage our technological capability to capture more business opportunities in Internet retailing and upgrade our IT infrastructure

We target to capture more sales opportunities from our websites and OEM sales channels with our technological capability.

We believe that, with the increasing popularity of Internet retailing, the continuing development and enhancement of our websites will effectively allow us to reach out to a wider customer base without geographical limitation and to generate greater sales. Accordingly, we plan to continuously enhance the features and interfaces of our websites and design functions with a view to facilitating our online sales and attracting customers to make purchases online. For instance, we intend to enhance the online simulation function of final products, as well as the dynamic size production function for board games for our websites, which allows our customers to produce personalised board games in desirable size.

In addition to capturing growth in Internet retailing, we intend to continue to seek new business opportunities with corporate customers with our technological capability. During the Track Record Period, we collaborated with companies in different industries with the use of our self-developed application programming interface, to launch a series of personalised items, such as puzzles, on their online sales platforms, where their customers could personalise certain items and place orders. The application programming interface developed by our in-house IT team connected these companies' online sales platforms with our production backend, so that orders could be processed real time without human effort. With reference to such successful collaborations, we intend to explore business opportunities with corporate customers, in particular fast-moving consumer brands in this regard.

Furthermore, we have developed a web-to-print system that allows a digital file to be converted and transfer to backend production directly, therefore facilitating online ordering and pre-production process. We intend to apply a web-to-print pre-production process for our OEM business. By digitalising the pre-production process, such system will reduce pre-production lead time, shorten products' time to market and optimise customers' flexibility to respond to the market, and therefore strengthening customers' competitiveness and reliance on us.

In view of the growing trend of automation and data exchange in manufacturing technologies and to further enhance our automation in our operating processes, we intend to strengthen our competitiveness through the introduction of Industry 4.0, also known as the fourth industrial revolution, which allows the creation of a "smart factory". The operation of Industry 4.0 factory includes an IoT system which allows data-driven operations with real-time data of ordering, planning, production, logistics and other aspects for quicker decision making and response. The operation will also include process automation which helps optimise our productivity, efficiency and cost-effectiveness while reducing lead time and manpower needed. We intend to upgrade certain of our key production machines, such as die-cutting machines and purchase new equipment in connection with the introduction of Industry 4.0. This includes, among others, installing smart sensors to certain of our existing production machines to integrate them into the IoT system. These sensors work real time to transfer production data to a local server or a cloud server, allowing people to have access to real time data of the production process from remote locations, increasing transparency in the production process and automation.

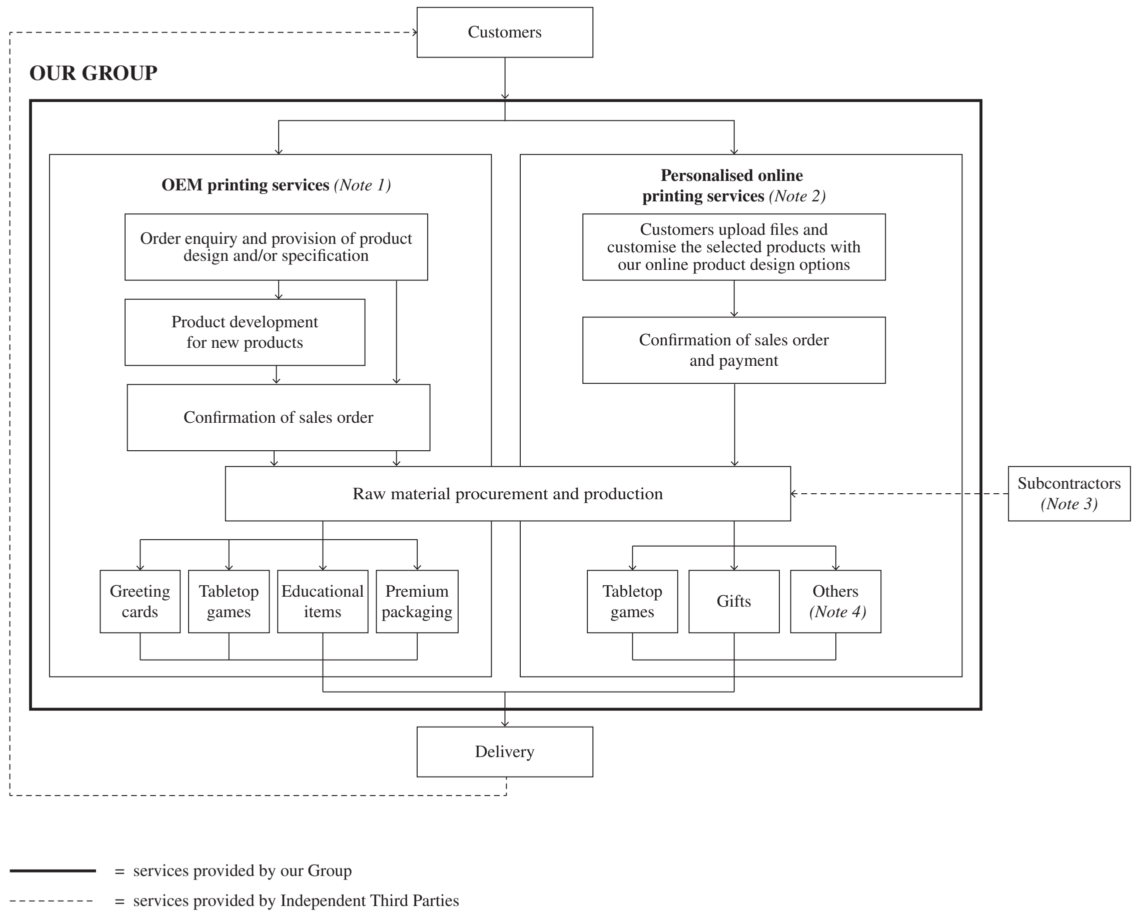
We also intend to upgrade our IT infrastructure to cater for an anticipated increase in data transmission from production processes and machines pursuant to, among others the introduction of Industry 4.0 and the increase in workload arising from our expanding business. To achieve this, we plan to, among others, (i) establish a cloud system which collects and shares real time data of orders and operations, allowing us to make use of such data for better decision-making and strategic planning; (ii) upgrade our existing IT infrastructure in Hong Kong and the PRC, such as firewall and Wi-Fi, to strengthen network security and control and tablet/mobile device usage range; (iii) set up data warehouse in Dongguan, Guangdong Province, the PRC, to facilitate the collection of big data from production processes and machines pursuant to the introduction of Industry 4.0; and (iv) migrate our servers to data centres in Hong Kong and the PRC for higher availability and data security.

We intend to utilise 11.7% or HK$14.1 million of our net proceeds from the Global Offering for the above purposes.

OUR BUSINESS MODEL

We are a long-established paper product manufacturing and printing services provider with the capability to offer value-adding and customised product engineering services and printing solutions to our customers for a wide spectrum of products. We offer products ranging from tabletop games (including board games, card games and puzzles), greeting cards (including everyday cards and seasonal cards), educational items (including classroom learning kits and activities books), premium packaging, gifts (including baby gift, photo albums, apparel and boxes) and others (including bags and phone cases). Our products are sold either on an OEM basis or through our websites. During the Track Record Period, we operated five major websites for the provision of personalised printing services. Sales orders on an OEM basis are generally in mass quantities that have longer print run and turnaround time generally ranging from three to 10 weeks, while the sales orders through our websites are generally in small quantities that have shorter print run and quick turnaround time generally ranging from two to seven days from payment to delivery. We generate a majority of our revenue from overseas sales, and our sales are primarily denominated in USD and HKD while our cost of sales are primarily denominated in RMB. For our overseas OEM sales, our sales function is primarily located in Hong Kong. We source major raw materials from the PRC, the U.S. and Taiwan and produce products in our production facilities located in the PRC. We deliver our products to the designated warehouses or departure ports in the PRC and our customers arrange the overseas delivery to the countries such as the U.S. and countries in Europe. For OEM sales in the PRC, we primarily receive orders, produce and deliver our products to our customers' warehouses in the PRC. For online sales, we primarily receive orders through our websites and produce products in the PRC, and arrange delivery of our products to addresses designated by our customers directly through logistics providers who are Independent Third Parties. We also outsource some of our production processes to our approved subcontractors in the PRC, including printing, die-cutting and assembly, for cost-effectiveness or supplement our production capacity during peak seasons. In order to diversify our operational risks, during the Track Record Period, we have outsourced some production processes of certain greeting cards products to two subcontractors in Vietnam and engaged them to perform end-to-end production since June 2019.

The following diagram illustrates our business model:



Notes:

1. The volume of the purchase orders for our OEM printing services are generally larger than the purchase order for our personalised online printing services.

2. Our personalised online printing services are generally provided to individual and corporate customers with no minimal order quantity requirement.

3. We outsource certain of our production processes to subcontractors, namely printing, die-cutting and assembling, for cost-effectiveness and to supplement our production capacity during peak seasons. For details, see "– Subcontractors".

4. Others comprise playing cards, greeting cards, photo albums, apparel, bags, phone cases and boxes.

Our OEM printing services

Our customers generally provide the product design and/or specifications for our quotation. Based on such product design and/or specifications, we provide our product development, product engineering and printing solutions to our customers for consideration. We then make prototypes or mock-up samples for customers' review and confirmation. Upon the confirmation of sales orders by our customers, we source raw materials according to the customers' specifications to be used for their products, and proceed to manufacture the products for our customers based on the approved design and specifications. We may outsource some of the production processes to our approved subcontractors. We undergo quality control testing and inspections on both raw materials and our products throughout the production process. We are generally entrusted by our major customers to conduct final quality control before delivery of finished products to their customers. The finished products are then packaged and delivered to the warehouses or departure ports designated by our customers. It generally takes three to 14 weeks from negotiation of sales orders to delivery.

Our personalised online printing services

Our customers will visit our websites, upload the digital files and customise the selected product with our product design options, then submit the order details including the product specifications and order quantity for instant quotation. We provide online simulation of the final products on our websites for our customers to preview the design of the customised products before proceeding to checkout. Upon confirmation of sales orders and receipt of payment from our customers, we then proceed to manufacture the customised products for our customers. We undergo quality control testing and inspections on both raw materials and our products throughout the production process. The finished products are then packaged and directly delivered to the designated address of our customers through third party logistics providers. It generally takes two to seven days from confirmation of sales order and payment to delivery.

For both OEM printing services and personalised online printing services, we conduct in-house screening of the photos or image files to be printed to check if such photos or image files may infringe any third party intellectual property rights or contain violent, political, religious, trademark, or other sensitive content. If we identify any suspected images, for example well-known cartoon characters, we will ask such potential customers for authorisation letter for printing of such images. Orders that do not pass our in-house screening process are refunded to the relevant customers. During the Track Record Period and up to the Latest Practicable Date, we have not received any claim on the infringement of intellectual property rights of our products from third parties, nor have we received any complaints on the violent, political, religious or other sensitive content of our products.

OUR PRODUCTS AND SERVICES

Our products can be categorised into five principal product categories: (i) tabletop games, (ii) greeting cards, (iii) educational items, (iv) premium packaging, and (v) other products. The following table sets out the breakdown of our revenue by product categories for the period indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Tabletop games	**399,871**	**45.2**	**400,753**	**37.1**	**503,278**	**43.3**	**201,903**	**39.7**	**222,928**	**39.5**
• Card games	168,919	19.1	204,852	19.0	242,452	20.9	96,587	19.0	132,298	23.4
• Board games	148,523	16.8	109,004	10.1	151,521	13.0	42,067	8.3	50,705	9.0
• Puzzles	35,747	4.0	32,784	3.0	43,867	3.8	19,825	3.9	18,747	3.3
• Others *(Note 1)*	46,682	5.3	54,113	5.0	65,438	5.6	43,424	8.5	21,178	3.8
Greeting cards	**326,240**	**36.8**	**488,127**	**45.2**	**442,681**	**38.0**	**204,174**	**40.1**	**256,968**	**45.5**
• Everyday cards	136,995	15.5	211,997	19.6	219,085	18.8	113,455	22.3	107,890	19.1
• Seasonal cards	136,613	15.4	169,484	15.7	204,964	17.6	79,848	15.7	123,610	21.9
• Others *(Note 2)*	52,632	5.9	106,646	9.9	18,632	1.6	10,871	2.1	25,468	4.5
Educational items	**73,778**	**8.3**	**95,343**	**8.8**	**122,989**	**10.6**	**55,483**	**10.9**	**41,989**	**7.4**
• Classroom learning kits	62,969	7.1	73,755	6.8	100,810	8.7	44,974	8.8	32,191	5.7
• Activities books	10,809	1.2	21,588	2.0	22,179	1.9	10,509	2.1	9,798	1.7
Premium packaging	**35,526**	**4.0**	**48,085**	**4.5**	**44,420**	**3.8**	**23,529**	**4.6**	**18,292**	**3.2**
Others *(Note 3)*	**50,928**	**5.7**	**47,322**	**4.4**	**49,611**	**4.3**	**24,017**	**4.7**	**24,681**	**4.4**
Total	**886,343**	**100.0**	**1,079,630**	**100.0**	**1,162,979**	**100.0**	**509,106**	**100.0**	**564,858**	**100.0**

Notes:

1. Others mainly comprise game pieces and other miscellaneous game sets.

2. Others comprise cards for expression of encouragement, new born baby, retirement, etc..

3. Others mainly comprise other products from our websites and third-party online market places such as apparel, bags and other accessories, booklets, baby photo frames, baby books, baby teeth keepsake books and revenue generated from our laboratory testing services.

Tabletop games

The tabletop games we print mainly include (i) card games, (ii) board games and (iii) puzzles. As the range of our selling prices are different for the tabletop games produced for our OEM customers and through our websites, the following table sets out the range of our selling prices for each product sub-category and type of customers/sales channel during the Track Record Period.

		Range of our selling prices during the Track Record Period
Card games		
	OEM customers	From HK$2.0 to HK$450.0
	Web sales customers	From HK$1.7 to HK$2,650.0
Board games		
	OEM customers	From HK$3.0 to HK$645.0
	Web sales customers	From HK$9.0 to HK$4,480.0
Puzzles		
	OEM customers	From HK$14.0 to HK$220.0
	Web sales customers	From HK$14.0 to HK$1,450.0

Greeting cards

The greeting cards we print mainly include (i) everyday cards, covering birthdays, weddings, and thank-you cards; and (ii) seasonal cards, covering festive cards including new year, valentines' day, Easter, fathers' day, mothers' day, Halloween, Thanksgiving, Christmas, and graduation cards. The selling price of our greeting cards depends on order quantity, card size, design, materials, variable production processes and components. Accordingly, the selling prices of our greeting cards products vary significantly. Our selling prices of greeting cards during the Track Record Period ranged from HK$0.8 to HK$75.0.

Educational items

The educational items we produce include (i) classroom learning kits, and (ii) activities books. During the Track Record Period, our selling prices of classroom learning kits ranged from HK$1.9 to HK$928.0, while our selling prices of activities books ranged from HK$2.0 to HK$170.0.

Premium packaging

The premium packaging boxes we produce include boxes of various products, such as skin care, cosmetics and tea products. Our selling prices of premium packaging during the Track Record Period ranged from HK$0.9 to HK$385.0.

PRODUCTION

As at the Latest Practicable Date, we operated two key production sites, being the Dongguan Factory and the Heshan Factory, with an aggregate GFA of 108,009.91 sq.m.. During the Track Record Period, we operated the U.S. Workshop, which was mainly used as an office and production workshop for conducting simple production process where necessary; we also operated the Tianjin Factory which we ceased the production activities therein in January 2019. We manufacture our products mainly in our production facilities located in the PRC. As at the Latest Practicable Date, we had 1,788 production staff in total.

Production sites and facilities

Particulars of our production sites operated during the Track Record Period are set out below:

Facilities	Location	Description	GFA	Principal usage	Major products produced	Number of production staff as at the Latest Practicable Date
Current production facilities						
1. Dongguan Factory *(Note 1)*	Dongshan Industrial District, Zhangluo village, Zhangmutou town, Dongguan, Guangdong Province, the PRC (中國廣東省東莞市樟木頭鎮樟羅村東山工業區)	25 buildings, comprising five factory buildings (four owned and one leased) and 20 ancillary buildings such as dormitories, canteen and, warehouses (11 owned and nine leased)	73,709.41 sq.m. *(Note 3)*	Production plant, warehouse, office and dormitory	Greeting cards, tabletop games and educational items	1,212

Facilities	Location	Description	GFA	Principal usage	Major products produced	Number of production staff as at the Latest Practicable Date
2. Heshan Factory *(Note 2)*	No. 12, Chuangfu Road, Heshan C Industrial District, Gonghe Town, Heshan (鶴山市共和鎮鶴山市工業城C區創富路12號) *(Note 4)*	10 buildings, comprising one factory building, two warehouses and seven ancillary buildings such as dormitories, canteen and guests building, all of which are owned by our Group	51,625.16 sq.m.	Production plant, warehouse, office and dormitory	Tabletop games (namely card games)	575
3. U.S. Workshop	430 North Canal Street, #1, South San Francisco, California, U.S.	One room	2,400 square feet	Production workshop and office	Others (namely cut and sew products)	1

Discontinued production facilities

Facilities	Location	Description	GFA	Principal usage	Major products produced	Number of production staff as at the Latest Practicable Date
1. Tianjin Factory *(Note 5)*	Numbers 9 and 11, Tonghong Road, Industrial Zone, Tiedong Road, Huozui, Beichen District, Tianjin* (天津市北辰區霍咀鐵東路工業區通鴻路9號,11號)	Two buildings, both of which are factory buildings	6,928.56 sq.m.	Production plant, warehouse, office and dormitory	Educational items (namely classroom learning kits)	–

Notes:

1. Certain buildings in the Dongguan Factory have not obtained valid construction permit for construction project (建築工程施工許可證), planning permit for construction project (建設工程規劃許可證) and/or the certificate of completion inspection record of works (竣工驗收備案憑證). For details, see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan".

2. We acquired Taunus Printing, which owns the Heshan Factory, in March 2018 to, among others, expand our production capacity. For details, see "History, Reorganisation and Corporate Structure – Our acquisition – Taunus Printing" and "– Production – Production sites and facilities – Acquisition of Heshan Factory". Certain buildings of the Heshan Factory have not obtained valid planning permit for construction project (建設工程規劃許可證) and the certificate of completion inspection record of works (竣工驗收備案憑證). For details, see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Heshan".

3. The total GFA of 73,709.41 sq.m. includes (i) an aggregate of 51,943.32 sq.m. of buildings owned for our operation, which have several title defects. For details, see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan"; (ii) an aggregate of 4,441.43 sq.m. of dormitory buildings with no title defects (comprising two owned buildings used as dormitories with an aggregate GFA of 2,798.2 sq.m. and one leased building used as dormitory with GFA of 1,643.23 sq.m.); (iii) 1,050 sq.m., which has been demolished as at the Latest Practicable Date. For details, see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan – B. UV Workshop, Warehouse, Additional Part in Factory Block B, Additional Part in Dormitory 3, Power Generation House, Goods Shack, Storage 1, Hazardous Material Storage, Storage 2 and Additional Part in Factory Block D (items 3, 4, 5, 6, 9, 10, 11, 12, 13 and 14)"; and (iv) an aggregate of 16,274.66 sq.m. of buildings, the leases of which had ceased as at the Latest Practicable Date. The table sets out details of such buildings:

Item	Property description	GFA (sq.m.)	Principal usage during Track Record Period#	Reason for cessation of lease
1.	Warehouse, Block G	4,116.66	Storage of finished goods	This premises was destroyed in the fire incident as detailed in "– Occupational health and work safety – Fire incident during the Track Record Period". Subsequent to such fire incident, we continued to lease from the landlord the land of which this premises was located as temporary storage of finished goods.
2.	Factory Block E	10,158	Production and storage of finished goods	As the landlord of such premises was not able to provide the planning permit for construction project (建設工程規劃許可證) and the real estate ownership certificate or immovable property title certificate, we ceased to lease such premises as at the Latest Practicable Date, and the production facilities located in these premises had been relocated to our buildings in our Dongguan Factory.
3.	Factory Block F		Storage of our materials and laboratory	
4.	Dormitory 6		Dormitory	
5.	Dormitory 7		Dormitory	
6.	Maintenance and service yard		Repair and maintenance of office equipment	
7.	Administrative building		Office for administration department	
8.	Warehouse	1,000	Storage of finished goods	The lease expired and we did not continue to lease such storage facilities as it served as temporary storage after the fire incident as detailed in "– Occupational health and work safety – Fire incident during the Track Record Period", and such storage facilities in these warehouses had been relocated to our buildings in our Dongguan Factory.
9.	Warehouse	1,000	Storage of finished goods	

\# The principal usage during the Track Record Period is based on the confirmation of our Directors.

4. Such location used to be referred to as No. 12 Chuangfu Road, Heshan, C Industrial District, Gonghe Town, Heshan (鶴山市共和鎮鶴山市工業城C區創富路12號), of which house door (floor) card code had been changed to No. 13, Yutang Road, Gonghe Town, Heshan (鶴山市共和鎮玉堂路13號) pursuant to the House door (floor) card code certificate (Hegongmen [2019] 0253 hao) (房屋門(樓)牌編碼證明(鶴公門字[2019]0253號)) issued by the Heshan Public Security Bureau (鶴山市公安局) dated 27 March 2019 and such latest location has been registered in the relevant Immovable Property Title Certificates (不動產權證書) as at the Latest Practicable Date.

5. The Tianjin Factory, which we had ceased the production activities therein, were leased by our Group during the Track Record Period, and the landlord of such premises were not able to provide the relevant land use right certificate and real estate ownership certificate or immovable property title certificate for such premises.

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

	FY2016		FY2017		FY2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Dongguan Factory	848,398	95.7	1,023,937	94.9	1,058,083	91.0	474,576	84.0
Heshan Factory	–	–	11,290[(2)]	1.0	60,016[(2)]	5.1	84,521	15.0
Tianjin Factory	36,427	4.1	42,965	4.0	43,738	3.8	4,617[(3)]	0.8
Others[(1)]	1,518	0.2	1,438	0.1	1,142	0.1	1,144	0.2
	886,343	100.0	1,079,630	100.0	1,162,979	100.0	564,858	100.0

Notes:

1. Others includes revenue primarily derived from our laboratory testing services.

2. This includes revenue derived from the sales of products which involved subcontracting of production to Taunus Printing (HK) before our acquisition of Taunus Printing in March 2018.

3. The revenue was derived from our office in Tianjin which was leased from an Independent Third Party instead of the Tianjin Factory which had ceased operation in January 2019. The decrease in revenue for 6M2019 was attributable to the cease of operation of our Tianjin Factory in early January 2019.

Relocation of some production facilities from Dongguan Factory to Heshan Factory

As we intend to centralise our production of tabletop games and educational items in our Heshan Factory to enhance operational efficiency and due to the fact that certain buildings in our Dongguan Factory lacked necessary ownership certificates and relevant construction permits, in October 2018, we started relocating some of our production facilities for tabletop games and educational items from our Dongguan Factory to our Heshan Factory. We have chosen to relocate such production facilities from our Dongguan Factory to our Heshan Factory, instead of to our other factory buildings in our Dongguan Factory because there is not sufficient space for us to revamp and streamline our production flow in our Dongguan Factory, since we demolished an additional part of our factory building in our Dongguan Factory, and ceased to lease certain buildings in our Dongguan Factory, the GFA of which amounted to an aggregate of 17,324.66 sq.m. For reasons for cessation of lease, see note 3 to "– Production – Production sites and facilities". During the Track Record Period, we had to outsource certain of our production processes to subcontractors as our production capacity was unable to meet our customers' demand during peak seasons. Upon relocation of some of our production facilities for tabletop games and educational items to our Heshan Factory, our production sites in the PRC will be used primarily for (i) our non-U.S. sales, (ii) products for sales through websites, (iii) production processes other than printing and die-cutting (which we engage our subcontractor in Hong Kong to conduct under Immediate Measure 1B) of greeting card being sold through our OEM sales channel for U.S. sales, (iv) provision of laboratory testing services by DPI Laboratory (DG) and (v) other non-manufacturing core functions such as sales order management, quotation and product development, material and production planning and information technology support and our Directors expect that our Group's operational efficiency will be enhanced as the management will be able to perform better operational planning and more effective allocation of resources to support our production capacity with the increased production space and new machines in our Heshan Factory. Combined with our future plans to acquire new machines to support our post-press production processes, we expect that our Dongguan Factory and Heshan Factory will possess a greater operational efficiency to take up additional orders for non-U.S. sales products in the future and accordingly, the amount of subcontracting work required in the PRC will gradually decrease. For details, see "Future Plans and Use of Proceeds – Use of proceeds – Increase in our Group's overall printing capacity".

The following table sets out the key details of the relocation of production facilities from Dongguan Factory to Heshan Factory:

Progress	**Time/number of machines/ printing capacity**
Commencement of relocation	October 2018
Expected completion date of relocation	December 2020
Expected commencement of full production of the printing presses to be relocated	January 2021
Number of production machines being relocated	105
Estimated printing capacity of the printing presses being relocated	82.3 million of sheets*(Note)*

Note: As at the Latest Practicable Date, printing presses with an aggregate printing capacity amounting to 65.1 million of sheets had been relocated.

As at the Latest Practicable Date, we had relocated 94 out of 105 of the relevant production machines, including but not limited to printing presses, paper cutting machines, automatic packing machines, creasing machine, folding machines, silk screening machine, spot UV machine, spine slitting machine, paper flipping machines, automatic box making machines, binding machine and automatic puzzle packing machines. The remaining 11 production machines which we plan to relocate mainly include printing presses, spot UV machine and laminators. The printing presses and a paper cutting machine are expected to be relocated to our Heshan Factory by FY2020 in order to allow production and minimise disruption to our production during peak season, while the remaining machines are expected to be relocated by December 2019 to complement the planned production layout of our Heshan Factory for 2020 after the production for tabletop games and educational items are substantially moved to our Heshan Factory. We engaged relocation companies for the provision of logistics services. The relocation of machines from Dongguan Factory was and will be carried out in parallel with the operations of our other machines in order to minimise any adverse effect or disruption to our production operations.

In FY2018, due to a total loss of 45 days of production arising from the uninstallation, transportation and reinstallation of three machines from Dongguan Factory to Heshan Factory, we experienced an estimated printing capacity loss of approximately 3.0 million sheets, being 1.8% of the total estimated maximum printing capacity of Dongguan Factory and Heshan

Factory for FY2018 *(Note 1)*. In FY2019 and FY2020, due to an estimated total loss of 51 days and 30 days of production arising from the uninstallation, transportation and reinstallation of one and two machines from Dongguan Factory to Heshan Factory, respectively, we estimate that we will experience an estimated printing capacity loss of approximately 2.7 million and 1.0 million of sheets, being 1.3% and 0.5% of the total estimated maximum printing capacity of Dongguan Factory and Heshan Factory for FY2019 and FY2020, respectively *(Note 2)*.

For FY2018, we incurred approximately HK$0.6 million in relation to the uninstallation, transportation and reinstallation of machines from Dongguan Factory to Heshan Factory, which was funded by our internal resources. We estimate that we will incur approximately HK$0.9 million and HK$0.3 million for FY2019 and FY2020, respectively, in this regard, which is expected to be funded by internal resources.

Given that the relocation was and will be carried out in stages and the estimated total printing capacity loss and cost in such respects are considered not material, as at the Latest Practicable Date, the Directors considered that such relocation had no material impact on our business operations and financial performance for FY2019 and FY2020.

Acquisition of Heshan Factory

We acquired the entire equity interest in Taunus Printing, which owns the Heshan Factory in March 2018. For details, see "History, Reorganisation and Corporate Structure – Our acquisition – Taunus Printing". Our business relationship with a group company of Taunus Printing started in 2009, when we engaged it as a subcontractor for assembling. Our business relationship continued over the years to include the provision of subcontracting services for printing and die-cutting as well.

Notes:

1. For the purpose of assessing the extent of loss in printing capacity as a result of relocation, the total estimated maximum printing capacity of Dongguan Factory and Heshan Factory for FY2018 is calculated by assuming that the relevant relocation did not take place and is based on the following major assumptions: (i) a practical production capacity in Dongguan Factory and Heshan Factory of 35,197 and 10,704 sheets per hour, respectively, including the down time required for the change of printing plates and for colour adjustment; (ii) 16 production hours per day; (iii) 250 average production dates for Dongguan Factory and 127 average production dates for Heshan Factory, respectively, taking out Saturdays, Sundays and statutory holidays; and (iv) the respective number of printing presses operated by us for Dongguan Factory and Heshan Factory, respectively. Such estimated maximum printing capacity is only to provide an illustration of our Dongguan Factory and Heshan Factory's total printing capacity for FY2018.

2. For the purpose of assessing the extent of loss in printing capacity as a result of relocation, the total estimated maximum printing capacity of Dongguan Factory and Heshan Factory for FY2019 and FY2020 is calculated by assuming that the relevant relocation will not take place in the relevant year (but taking into account the relocation that took place in FY2018 and FY2019, respectively) and is based on the following major assumptions: (i) an aggregate practical production capacity in Dongguan Factory and Heshan Factory of 51,467 sheets per hour, including the down time required for the change of printing plates and for colour adjustment; (ii) 16 production hours per day; (iii) 250 average production dates, taking out Saturdays, Sundays and statutory holidays; and (iv) the respective number of printing presses operated by us for Dongguan Factory and Heshan Factory, respectively. Such estimated maximum printing capacity is only to provide an illustration of our Dongguan Factory and Heshan Factory's total printing capacity for FY2019.

Reasons for acquisition of Taunus Printing

The acquisition was made after taking into account the following factors:

1. Our Dongguan Factory reached its maximum printing capacity and its utilisation rate increased from 105.6% in FY2016 to 128.7% in FY2017 as a result of our business growth. We considered that it was in our Group's interest to expand our production capacity to allow us to take on additional orders from customers and to optimise our product mix;

2. As detailed in "– Our business strategies – Optimise our product mix and production specialisation by (i) reallocating our production capacity to Heshan and enhancing our operational efficiency and (ii) enlarging our customer base in the tabletop games and educational items segments – (i) reallocate our production capacity to Heshan and enhance our operational efficiency", we have been operating our current major production plant, the Dongguan Factory since 1994, and encountered certain limitations in the layout of our Dongguan Factory due to the continuous expansion in our scale. Our Directors considered that re-layout of our production facilities was necessary for revamping and streamlining our production flow, and additional space, through the acquisition of Taunus Printing (including the unused parcel of land), would allow us to achieve this.

3. In view of the growing trend of automation and data exchange in manufacturing technologies and to further enhance our automation in our processing processes, such as the introduction of Industry 4.0 which allows the creation of a "smart factory" by integrating cyber-physical systems, we wanted to increase our factory space to allow us to plan the layout of our production facilities with an aim to maximise efficiency and optimise our adoption of Industry 4.0; and

4. As the industrial development in Dongguan is relatively more mature than that in Heshan, labour is relatively more easily available and at lower cost in Heshan than in Dongguan.

Further, at the time of the acquisition, our Group was fully aware of Taunus Printing's failure to comply with the land grant contracts of the relevant land parcel pursuant to the relevant PRC laws and regulations. However, our Directors decided to proceed with the acquisition with the following considerations and intended plan to rectify such non-compliance:

i. Before the execution of the sales and purchase agreement of the acquisition, our Directors confirmed that they had approached the relevant government authorities to understand the possible rectification measures of the non-compliance and the possible time frame, they had on-going communication with the relevant government authorities and intended to rectify such non-compliance as soon as practicable after the acquisition;

ii. Before the completion of the acquisition, our Group had prepared the work schedule and arrangement of construction on the relevant land parcel in Heshan as well as the relevant documentation to apply for the relevant permits to commence the construction once the acquisition was completed;

iii. Immediately after the acquisition in March 2018, our Group started acting in accordance with such intended plans, including seek quotations from various design companies and contractors for the construction work, made filings to the relevant government authorities in respect of the construction work, and made applications for the relevant construction permits. As at the Latest Practicable Date, Taunus Printing has obtained all the relevant permits, being the Guangdong Province Enterprise Investment Project Record Certificate* (廣東省企業投資項目備案證) on 20 June 2018, three Planning Permits for Construction Project (建設工程規劃許可證) on 19 September 2018 and one Construction Permit for Construction Project (建築工程施工許可證) issued by Heshan Housing and Urban Rural Construction Bureau (鶴山市住房和城鄉建設局) on 17 January 2019 for the construction work to be carried out on the relevant land parcel of Heshan; and

iv. In the event that the relevant land parcel is regarded as idle land by the relevant government authority and Q P Enterprises is imposed idle land fees and/or the relevant land use right is confiscated, or otherwise resulting in the inability of Q P Enterprises to occupy, use, construct on or otherwise deal with such parcel of land, pursuant to the sale and purchase agreement dated 23 November 2017 entered into between Taunus Printing (HK) and Q P Enterprises, Taunus Printing (HK) agreed to fully indemnify Q P Enterprises, for a period of one year from the completion date, for all losses suffered by Q P Enterprises. In addition, pursuant to an interview with the relevant representative of Heshan City Land Resources Bureau (鶴山市國土資源局), being the competent authority according to our PRC Legal Advisers, on 18 January 2019, it stated that, among others, Taunus Printing shall commence the construction on the relevant parcel of land in Heshan on or before 30 May 2019, and it would not impose fees (including idle land fees) on Taunus Printing. However, our Group was only able to complete the pre-construction work of bulldozing and installing temporary hoarding on the relevant land parcel in mid-June 2019 as a result of delay due to the unstable weather over the months that adversely affected the construction progress. Pursuant to an interview with the relevant representative of Heshan Land Bureau, being the competent authority according to our PRC Legal Advisers, on 30 May 2019, the representative was notified of the current construction work progress at the Heshan Land No. 3 and the representative of Heshan Land Bureau stated that, among others, Taunus Printing shall commence and carry on with the construction on the Heshan Land No. 3 as soon as practicable, and Heshan Land Bureau would not confiscate such land use right or impose fees (including idle land fees) on Taunus Printing. Pursuant to an interview conducted by our PRC Legal Advisers with the representative of Heshan Land Bureau on 29 September

2019, the representative stated that, (i) Heshan Land No. 3 has not been regarded as idle land; and (ii) in practice, the bureau had never regarded land, of which construction work on it had commenced, as idle land and exercise its power for confiscation of such land use right without compensation. In addition, it was also confirmed that Taunus Printing had not been subject to any fees in relation to idle land. Our Group has commenced the installation of retaining walls for construction safety purpose according to the conditions stated on the relevant permits on 30 June 2019 and as at the Latest Practicable Date, we have commenced our installation work on the retaining walls. The expected completion date of the installation work was delayed as high level of underground water was found during the installation work. We have engaged qualified professionals to provide feasible plans to complete the installation work. We expect to complete the installation of retaining walls by 31 March 2020 for the relevant government authority to examine and certify. Our Group will then carry on with the construction work of Heshan Land No. 3 according to the requirements set out by Heshan Land Bureau. For details, see "– Properties – Owned properties – Owned properties in the PRC – Land – Idle land in Heshan". Our Directors were of the view that there was no imminent risk of loss of relevant land use rights or payment of idle land fees at the time of the acquisition.

In addition to the above, we also considered that the benefits of acquiring Taunus Printing and constructing an additional factory building on the Taunus Printing Unused Land (as defined hereunder) against the alternative of purchasing a land parcel only for constructing a new factory and continuing the subcontracting arrangements with Taunus Printing in both quantitative and qualitative terms:

After considering the publicly available information on the value of a parcel of land with the same area as the unused parcel of land owned by Taunus Printing ("**Taunus Printing Unused Land**") in Heshan and Dongguan, our Directors estimate that the acquisition of Taunus Printing would result in (i) an one-off cost saving of a maximum of HK$8.7 million; and (ii) an annual cost saving of not less than HK$4.9 million. The one-off cost saving represents the difference in the value of a land parcel in Heshan or Dongguan with the same area as the Taunus Printing Unused Land. We could also achieve annual cost saving, which is the difference between (i) bearing all cost and expenses of Taunus Printing after it becomes our subsidiary; and (ii) continuing subcontracting arrangements with Taunus Printing.

In addition, by acquiring Taunus Printing, we could save management attention and cost, as Taunus Printing held valid Printing Operational Licence and its existing production facilities were certified by international standards, which enabled us to commence production of our Group's products at the Heshan Factory for our customers within a short period of time after the acquisition. As such, we do not need to spend much longer time and resources to apply for the necessary licences, design and construct factory buildings from scratch, acquire and install machinery and equipment, and apply for the necessary certifications requested by our major customers. Furthermore, since Taunus Printing has already been certified by one of our major customers as an approved supplier prior to our acquisition, it was able to handle the purchase orders placed by such major customer to our Group immediately after our acquisition without having to obtain additional written approval from such major customer. This allowed us to commence production of purchase orders for such major customer immediately after the acquisition. As Taunus Printing has been a subsidiary of one of our subcontractors during the Track Record Period prior to the acquisition, its workers were equipped with the necessary skills that met our Group's stringent quality requirements and standards, and we were able to save time, resources and costs to recruit and train new workers for production.

On the basis of the above, our Directors consider that it was in the interests of our Group as a whole to acquire Taunus Printing, rather than acquiring a comparable parcel of land in Heshan or Dongguan to construct new buildings from scratch and continuing the subcontracting arrangements with Taunus Printing.

Background information of Taunus Printing

Before the acquisition in March 2018, the entire equity interest of Taunus Printing was held by Taunus Printing (HK), which, based on publicly available information, is a company incorporated in Hong Kong with limited liability on 23 January 1981, and was held as to 99.9998% by Cheung Shu Ho ("**Mr. Cheung**"), and 0.0002% Cheung Lap Wan, Carey, both of whom being Independent Third Parties.

To the best knowledge of our Directors after making reasonable enquiries, prior to the acquisition, both our Group and Taunus Printing were a paper product manufacturing and printing service provider as well as an approved supplier certified by one of our Group's major customers. During the Track Record Period, our Group and Taunus Printing supplied different models of a tabletop games product to such major customer. Accordingly, our Group and Taunus Printing were engaged in competing business for supplying similar tabletop games products to the same customer prior to the acquisition.

Selected financial information of Taunus Printing

The table below sets forth the details of certain financial information of Taunus Printing (before elimination of intragroup transaction arising from consolidation) for the periods indicated:

	FY2016(1)	**FY2017**(1)	**FY2018**(1)	**6M2019**(2)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	58,587	36,501	68,454	54,841
Gross profit	9,417	5,144	6,550	14,271
Net profit/(loss)	179	(2,282)	(2,503)	6,575
Total assets	131,572	133,785	136,523	191,844
Total liabilities	(73,803)	(80,106)	(85,346)	(134,353)
Net assets	57,769	53,679	51,177	57,491
Operating cash inflow	21,788	17,546	87,115(3)	39,247
Investing cash outflow	(20,933)	(2,724)	(40,789)	(36,224)
Financing cash outflow	(3,782)	(12,033)	(48,010)	–
Net cash (outflow)/inflow	(2,927)	2,789	(1,684)	3,023

Notes:

(1) Based on the audited report of Taunus Printing which was prepared in accordance with accounting principles generally accepted in the PRC ("**PRC GAAP**").

(2) Based on the unaudited management accounts of Taunus Printing prepared under PRC GAAP.

(3) The operating cash flow for FY2018 mainly included subcontracting fee income of approximately RMB51.1 million received in advance from Dongguan Zensee.

For each of FY2016 and FY2017, which was prior to the acquisition of Taunus Printing, Taunus Printing had two printing presses and the estimated maximum production capacity was 43.0 million and 42.8 million of sheets per annum. Following the acquisition, Taunus Printing had five and seven printing presses as at 31 December 2018 and 30 June 2019, respectively, and the estimated maximum printing capacity was 28.1 million and 47.8 million of sheets, for the six months from 1 July 2018 (being the time when commercial production and economies of scale are achieved in our Director's opinion) to 31 December 2018 and for the six months ended 30 June 2019, respectively.

Our other relationship with Taunus Printing

Factory leasing arrangement

After the fire incident on 20 July 2017 which destroyed a warehouse of finished goods (for details, see "– Occupational health and work safety – Fire incident during the Track Record Period"), and taking into account our Group's then current needs and future development, our Directors considered that the production and storage space available at the Dongguan Factory was insufficient. As our general subcontracting arrangements only supported production services but not storage of raw materials and finished goods, we discussed with Taunus Printing, which we had established years of business relationships with, regarding such concern. Our Directors were verbally informed by the owner of Taunus Printing of his intention to dispose of Taunus Printing due to his retirement and family matters. In order to satisfy our Group's then needs and see if the production and operations of Taunus Printing could be integrated with our Group, as a temporary arrangement, Taunus Printing (HK) (i.e. the then holder of the entire equity interest of Taunus Printing) and Q P Printing agreed to enter into a factory leasing agreement dated 31 July 2017, pursuant to which Taunus Printing (HK) agreed to lease the factory building(s), machineries and labour force of Taunus Printing to Q P Printing in return for a monthly factory leasing fee, which commenced on 31 July 2017 and ended on 21 March 2018. The average monthly factory leasing fee amounted to HK$2.9 million for the period from 31 July 2017 to 21 March 2018. The average monthly factory leasing fee was determined on a cost-plus basis according to a 5.0% net profit margin taking into consideration the total monthly expenditure of the factory in relation to (i) the use of the factory, machineries and direct labour; and (ii) other manufacturing overhead expenses incurred from the production process, which was mutually agreed and considered by both our Group and the then owner of Taunus Printing to be comparable with the average net profit margin of other printing companies in the industry based on their best knowledge and experience. According to the CIC Report, the net profit margin of private unlisted printing companies comparable to our Group and Taunus Printing in the PRC are generally within 10%, indicating that the factory leasing fee based on a 5.0% net profit margin of the factory was consistent with the prevailing market rates.

The factory leasing arrangement could be considered as a transitional arrangement made between our Group and Taunus Printing (HK) in allowing our Group to better assess whether to carry out the acquisition. Prior to entering into the factory leasing agreement, our Group subcontracted to Taunus Printing only certain production processes such as printing, die-cutting and assembly work. From 31 July 2017 to 21 March 2018, our Group expanded the scope of work and scale of production undertaken by Taunus Printing under the factory leasing arrangement, through which our Group could assess if the production facilities of Taunus Printing could meet our Group's production needs and standards. To the best knowledge of our Directors after making reasonable enquiries, Taunus Printing (HK) only agreed to enter into the factory leasing agreement because of our Group's intention to acquire Taunus Printing. In light of the uniqueness of such arrangement, our Group was unable to obtain any comparable quotations for similar arrangement from other Independent Third Parties. However, in assessing whether such leasing fee was comparable to those charged by other Independent Third Parties on an arm's length basis, our Group compared such leasing fee with quotations obtained from other Independent Third Party subcontractors engaged by us during the Track Record Period for their subcontracting fees that would be charged for the similar scope of works assigned to Taunus Printing from November 2017 to March 2018 (being the relevant period prior to the acquisition when actual production was performed by Taunus Printing pursuant to the factory leasing arrangement). Based on (i) the type of production process assigned to Taunus Printing during the relevant period prior to the acquisition; (ii) the average subcontracting fees charged by the major Independent Third Parties subcontractors which were engaged by our Group during the Track Record Period for the relevant production process; and (iii) the actual production volume of Taunus Printing during the relevant period prior to the acquisition for the relevant production process, it is estimated that the average monthly subcontracting fees to Taunus Printing or other Independent Third Party subcontractors would range from approximately HK$2.8 million to HK$3.0 million. Our Directors therefore consider that such factory leasing arrangement was entered into on normal commercial terms and arm's length basis.

Accordingly, if our Group had continued to subcontract such production to Taunus Printing at prevailing market rates from 31 July 2017 to 21 March 2018 instead of entering into the factory leasing arrangement with Taunus Printing (HK), it is expected that there would not be any material impact on our Group's financial performance. Such arrangement ceased as we completed the acquisition of Taunus Printing on 21 March 2018. For reasons of our acquisition of Taunus Printing, see "– Production – Production sites and facilities – Acquisition of Heshan Factory – Reasons for acquisition of Taunus Printing".

Personal loan arrangement

As Mr. Cheung was in need of money at the material time, Mr. Cheng had advanced a personal loan for an amount of HK$10.0 million to Mr. Cheung before the completion of the acquisition given the close relationship built between them throughout the years of business cooperation. Pursuant to loan agreements dated 15 August 2017 and 4 September 2017 both entered into between Mr. Cheung and Mr. Cheng, Mr. Cheng provided an aggregate of HK$10.0 million loan to Mr. Cheung, which were unsecured, interest-free and repayable within a prescribed period of time. Such loans were fully settled by cash on 21 September 2018. The loan was advanced to Mr. Cheung from the personal savings of Mr. Cheng and was solely for the purpose of supporting Mr. Cheung to ride out the difficulties in his family. Our Directors confirmed that the loan was not related to the acquisition.

Save for the aforementioned loan agreements, each of Taunus Printing (HK) and the shareholders of Taunus Printing (HK) has no past or present relationship, including but not limited to, business, employment, financing or family relationship, with our Group, our Directors, Shareholders or senior management, or any of their respective associates.

Reasons for delaying construction at Heshan Factory

At the time of the acquisition of Taunus Printing in late 2017, we considered the overall development plan in Heshan, and decided to construct an additional factory building on the unused parcel of land in Heshan which can reallocate our production capacity and enhance the overall production efficiency of our Group, which will allow us to optimise our product mix, for reasons detailed in "Our business strategies – Optimise our product mix and production specialisation by (i) reallocating our production capacity to Heshan and enhancing our operational efficiency and (ii) enlarging our customer base in the tabletop games and educational items segments – (i) rellocating our production capacity to Heshan and enhance our operational efficiency". However, due to the reasons below, we decided to commence the construction of the additional factory building until 2019 with the net proceeds from the Global Offering: (i) after the acquisition, our priority was to rectify the breach of the land grant contract in Heshan. For details, see "– Production – Production sites and facilities – Acquisition of Heshan Factory – Reasons for acquisition of Taunus Printing"; (ii) with an aim to achieve best production efficiencies for our Dongguan Factory and Heshan Factory to maximise the return from such acquisition, we had taken time to manage the re-layout of the production facilities in the Heshan Factory and the relocation of machines in order to ensure that our Heshan Factory would be able to adapt to our business and production workflow and therefore achieve optimal consolidation of productions and operations with our Dongguan Factory; (iii) additional time was given to our Heshan Factory to kickstart and operate in order to collect its operational data and evaluate the further planning of the parcel of land in Heshan, such as the number of floors of the additional factory buildings, the planned size, the connection with our existing factory building in Heshan and the intended layout of the machines and the factory buildings; and (iv) after the acquisition of Taunus Printing and the substantial amount of capital expenditures incurred during the Track Record Period, we lack sufficient funds to carry out the construction of an additional building. Our level of borrowings displayed an increasing trend, amounting to HK$10.0 million, HK$137.7 million, HK$228.0 million and HK$219.9 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively, and our gearing ratio increased accordingly, at 4.9%, 32.1%, 49.9% and 45.8% for the corresponding period. At the same time, our cash and cash equivalents displayed a decreasing trend, amounting to HK$116.2 million, HK$64.0 million, HK$59.9 million and HK$56.4 million, as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. As our average monthly operating expenses for the 12 months ended FY2018 and the six months ended 6M2019, including payment for purchase of raw materials, subcontracting fees and staff costs, amounted to HK$67.1 million and HK$74.0 million, respectively, our Directors consider that our cash and cash equivalents for FY2018 was unable to support the construction of an additional factory building immediately after the acquisition of Taunus Printing. As such, we intend to utilise 16.9%, or HK$20.4 million, of the net proceeds from the Global Offering, for constructing an additional factory building in our production site in Heshan. For details, see "Future Plans and Use of Proceeds – Use of proceeds".

Discontinuance of production of our Tianjin Factory

The Tianjin Factory had been leased by our Group during the Track Record Period and the landlord of such premises were not able to provide the relevant land use right certificate and real estate ownership certificates or immovable property title certificates for such premises. On 13 December 2018, Tian Jin Zen See and the relevant landlord in respect of the Tianjin Factory entered into a termination agreement, pursuant to which the parties agreed to terminate the lease in respect of the Tianjin Factory with effect from 31 March 2019, and we ceased our production in the Tianjin Factory in January 2019. In order to continue our sales in the region, on 29 November 2018, we entered into a tenancy agreement with an Independent Third Party in relation to the rental of an office in Tianjin. As at the Latest Practicable Date, we were in the process of disposing the machines previously used in the Tianjin Factory to Independent Third Parties and/or other companies in our Group. The expenses incurred in relation to such discontinuance amounted to approximately HK$0.6 million, which included but not limited to relocation costs and costs of reinstating the leasehold property. For FY2018, we incurred severance payment to our employees as a result of dis-continuance of our Tianjin Factory of HK$1.5 million. The remaining severance payment of HK$2.6 million have been fully paid as at the Latest Practicable Date. During the Track Record Period, our Tianjin Factory had contributed to less than 5.0% of our total revenue. After the shutdown of our Tianjin Factory and the set up our Tianjin sales office, we have engaged subcontractors for production in Tianjin, and will closely monitor the facility of moving certain production process originally carried out by the Tianjin Factory to Heshan Factory. Our Directors confirmed that such discontinuous has no material adverse effect on our Group. As advised by our PRC Legal Advisers, there is no PRC law or regulation which imposes administrative penalties on lessees due to the lessor's failure to provide land use right certificates and real estate ownership certificates or immovable property title certificates for leased properties. We confirm that in respect of Tian Jin Zen See, during the Track Record Period, save as disclosed in "– Legal compliance and proceedings – Non-compliance incidents", there was no other material non-compliance incident, and Tian Jin Zen See had not received any administrative punishment or notification from relevant government authorities. Based on the above and the legal due diligence work conducted by our PRC Legal Advisers, save for the failure to make full contributions to the social security funds and housing provident funds as disclosed in "– Legal compliance and proceedings – Non-compliance incidents", our PRC Legal Advisers were not aware of any material non-compliance by Tian Jin Zen See in respect of the its production during the Track Record Period, and our PRC Legal Advisers advised that Tian Jin Zen See will not face any material risk of administrative fine or penalty due to cessation of its production in respect of the period the Tianjin Factory was in production during the Track Record Period.

Major production machines and equipment

Our production sites are equipped with 17 major automated production machines. As at the Latest Practicable Date, we had a total of 12 printing presses, three slitting and collating machines, one digital enhancement and glittering machine and one digital cutting and creasing machine which are material for our operations. The following table sets forth details of our major machines at the Latest Practicable Date:

Type	Model	Estimated annual maximum printing capacity *(in million of sheets)* *(Note 1)*	Location of machinery installed at: Dongguan Factory	Location of machinery installed at: Heshan Factory	Approximate age (years)	Estimated remaining useful life (years) *(Note 2)*
8-colour offset printing press	RA106-4+LTT+4+L SWT FAPC ALV2	20.6		√	1	9
4-colour offset printing press with inline coater	KBA D-01439 Radebeul RA105-4+L	13.5	√		13	N/A *(Note 3)*
4-colour offset printing press with inline coater	KBA D-01439 Radebeul RA105-4+L CX RAPIDA105	14.6		√	13	N/A *(Note 3)*
4-colour offset printing press with inline coater	KBA RA74-4+L ALV2 PWHA	7.5	√		14	N/A *(Note 3)*
4-colour offset printing press with inline coater	KBA D-01439 RA142-4	15.7		√	16	N/A *(Note 3)*
5-colour offset printing press with inline coater	KBA RAPIDA105 RA105-5+L	16.8	√		12	N/A *(Note 3)*
5-colour offset printing press with inline coater	RA106-5+L SW1 FAPC ALV2 D-01439	15.2	√		4	6
5-colour offset printing press with inline coater	D-01439 Radebeul RA142-5+L	13.5		√	18	N/A *(Note 3)*
6-colour offset printing press with inline coater	D-01439 Radebeul RAPIDA 105-6+L UV	9.7	√		12	N/A *(Note 3)*
6-colour offset printing press with inline coater	D-01439 Radebeul RA105-6+L PWHA	21.4		√	18	N/A *(Note 3)*
Digital printing press	HP Indigo 10000	N/A	√		6	N/A *(Note 3)*
Digital printing press	HP Indigo 5500	N/A	√		10	N/A *(Note 3)*

Type	Model	Estimated annual maximum printing capacity *(in million of sheets)* *(Note 1)*	Location of machinery installed at: Dongguan Factory	Location of machinery installed at: Heshan Factory	Approximate age (years)	Estimated remaining useful life (years) *(Note 2)*
Digital enhancement and glittering machine	SCODIX S75	N/A	√		5	–
Automatic card slitting and collating machine	FQ1020	N/A		√	4	6
Automatic card slitting and collating machine	FQ1020	N/A		√	3	7
Automatic card slitting and collating machine	FQ1020	N/A		√	2	8
Digital cutting and creasing machine	BEAM No. 15-170305	N/A	√		2	8
Total number of machines			**9**	**8**		

Notes:

1. The estimated annual printing capacity of our major machines was the annualised printing capacity as at 30 June 2019 calculated based on the following major assumptions: (i) a practical production capacity of the relevant machine per hour including the down time required for the change of printing plates and for colour adjustment as at 30 June 2019; (ii) 16 production hours per day; and (iii) 250 average production dates for a full financial year, taking out Saturdays, Sundays and statutory holidays. The average production days was the average of the production days of the number of printing presses operated by us for a full financial year on an annualised basis. Such estimated annual maximum printing capacity is only to provide an illustration of the typical capacity of our major machines.

2. The remaining useful life is estimated by our Directors based on their experience of the actual useful life of machine of similar nature and functions, after taking into account the following factors, including but not limited to the expected utilisation rate and expected wear and tear. We may be able to continue to use our production machines after their respective expected useful life if we have maintained our production machines in good working conditions.

3. We use this major printing press beyond its estimated useful life since such machine was functional as at the Latest Practicable Date, which our Directors believe is attributable to our regular repair and maintenance which extended its useful life. For details of our repair and maintenance, see "– Production – Repair and maintenance".

All of our major machines are owned by our Group. All of our major printing presses, digital enhancement and glittering machine, digital cutting and creasing machine were imported from Germany and Israel, and our slitting and collating machines originated from the PRC. Apart from the above major machines, we also use other machines and equipment for our production process.

As at the Latest Practicable Date, we operated three fully automated production lines for the production of card games, which were located in our Heshan Factory, and one fully automated production line for the production of greeting cards, which was located in our Dongguan Factory. Although we have tailor made automated card game production lines and an automated greeting card assembly line for certain of our OEM customers, our other production machines, such as printing presses, are not specifically designed to cater solely for specific customers. As such, our Directors are of the view that our existing production facilities can be transferred to produce different types of products.

We adopt a straight-line depreciation policy for our plant and machinery. For details of the relevant accounting policies and estimates, see note 2 of the Accountant's Report set out in Appendix I to this prospectus.

During the Track Record Period, we purchased approximately 406 production machines and equipment to maintain our production capacity, which included three printing presses, 21 digital cutting creasing, and hot stamping machines and other machines and equipment for pre-press and post-press processes. For FY2016, FY2017, FY2018 and 6M2019, our capital expenditures primarily comprising purchase of property, plant and equipment and deposits paid for property, plant and equipment amounted to HK$24.5 million, HK$159.2 million, HK$75.4 million and HK$28.6 million, respectively.

Production capacity and utilisation rate

Dongguan Factory

The table below sets forth the estimated maximum printing capacity and utilisation rates of our major offset printing presses installed in the Dongguan Factory during the Track Record Period:

(in million of sheets, except for percentages)	FY2016	FY2017	FY2018	6M2019
Estimated maximum printing capacity*(Note 1)*	141.5	140.8	130.1*(Note 5)*	41.5
Actual printing output*(Note 2)*	149.4	181.2	139.5	47.1
Estimated average utilisation rate*(Note 3 and 4)*	105.6%	128.7%	107.2%	113.5%

Notes:

1. The estimated maximum printing capacity was calculated based on the following major assumptions: (i) a practical production capacity of 35,197, 35,197, 35,197 and 22,715 sheets per hour including the down time required for the change of printing plates and for colour adjustment for FY2016, FY2017, FY2018 and 6M2019, respectively; (ii) 16 production hours per day for each of FY2016, FY2017, FY2018 and 6M2019; (iii) 251, 250, 235 and 114 average production days for each of FY2016, FY2017, FY2018 and 6M2019, respectively, taking out Saturdays, Sundays and statutory holidays. The average production days was the average of the production days of the number of printing presses operated by us for each of FY2016, FY2017, FY2018 and 6M2019; and (iv) the respective number of printing presses operated by us during the Track Record Period. Such estimated maximum printing capacity is only to provide an illustration of our Group's typical capacity.

2. The actual printing output was calculated based on the actual sheets printed during the relevant periods.

3. The estimated average utilisation rate was calculated based on the actual production volume of the relevant period divided by the estimated maximum printing capacity of the relevant period. As the utilisation rate was calculated based on the assumptions as disclosed in note (1) above, the estimated average utilisation rate set out above are for reference only and subject to change if the underlying assumptions are different.

4. The utilisation rate of our production capacity exceeded 100% because our printing presses operated for more than the typical 16 production hours per day to meet the higher demand during the relevant period.

5. The estimated maximum printing capacity reduced for FY2018 as certain of our major printing presses were relocated to our Heshan Factory in FY2018.

Our utilisation rate at our major production plant, the Dongguan Factory, increased from 105.6% in FY2016 to 128.7% in FY2017 as a result of business growth. Our utilisation rate decreased to 107.2% for FY2018, which was primarily due to our expansion in production capacity through the acquisition of Taunus Printing, which owns the Heshan Factory, in March 2018. After such acquisition, certain of our production was taken up by our Heshan Factory, which relieved the high utilisation rate of our Dongguan Factory. For details, see "– Production – Production sites and facilities – Acquisition of Heshan Factory" and "History, Reorganisation and Corporate Structure – Our acquisition – Taunus Printing".

Heshan Factory

The table below sets forth the estimated maximum printing capacity and utilisation rates of our Heshan Factory from 1 July 2018 (being the time when commercial production and economies of scale are achieved in our Director's opinion) to 31 December 2018 and for the six months ended 30 June 2019:

(in million of sheets, except for percentages)	**From 1 July 2018 to 31 December 2018**	**6M2019**
Estimated maximum printing capacity*(Note 1)*	28.1	47.8
Actual printing output*(Note 2)*	26.1	34.4
Estimated average utilisation rate*(Note 3)*	93.0%	72.0%

Notes:

1. The estimated maximum printing capacity was calculated based on the following major assumptions: (i) a practical production capacity of 21,528 and 32,120 sheets per hour including the down time required for the change of printing plates and for colour adjustment for each of the six months ended 31 December 2018 and 30 June 2019, respectively; (ii) 16 production hours per day for each of the six months ended 31 December 2018 and 30 June 2019, respectively; (iii) 71 and 90 average production days for each of the six months ended 31 December 2018 and 30 June 2019, respectively, taking out Saturdays, Sundays and statutory holidays. The average production days was the average of the production days of the number of printing presses operated by us for each of the six months ended 31 December 2018 and 30 June 2019, respectively; and (iv) the respective number of printing presses operated by us for each of the six months ended 31 December 2018 and 30 June 2019, respectively. Such estimated maximum printing capacity is only to provide an illustration of our Group's typical capacity.

2. The actual printing output was calculated based on the actual sheets printed during the relevant periods.

3. The estimated average utilisation rate was calculated based on the actual production volume of the relevant period divided by the estimated maximum printing capacity of the relevant period. As the utilisation rate was calculated based on the assumptions as disclosed in note (1) above, the estimated average utilisation rate set out above are for reference only and subject to change if the underlying assumptions are different.

Tianjin Factory

Before the discontinuance of production, our Tianjin Factory were equipped with two printing presses and other equipment and tools for our production process. The table below sets forth the estimated maximum printing capacity and utilisation rates of Tianjin Factory during the Track Record Period:

(in million of sheets, except for percentages)	**FY2016**	**FY2017**	**FY2018**	**6M2019** *(Note 4)*
Estimated maximum printing capacity*(Note 1)*	12.5	12.5	12.5	nil
Actual printing output*(Note 2)*	7.6	8.6	5.8	nil
Estimated average utilisation rate*(Note 3)*	60.6%	69.0%	46.8%	nil

Notes:

1. The estimated maximum printing capacity was calculated based on the following major assumptions: (i) a practical production capacity of 3,118 sheets per hour including the down time required for the change of printing plates and for colour adjustment for each of FY2016, FY2017 and FY2018; (ii) 16 production hours per day for each of FY2016, FY2017 and FY2018; (iii) 251, 250 and 250 average production days for FY2016, FY2017, FY2018, respectively, taking out Saturdays, Sundays and statutory holidays. The average production days was the average of the production days of the number of printing presses operated by us for each year; and (iv) the respective number of printing presses operated by us. Such estimated maximum printing capacity is only to provide an illustration of our Group's typical capacity.

2. The actual printing output was calculated based on the actual sheets printed during the relevant periods.

3. The estimated average utilisation rate was calculated based on the actual production volume of the relevant period divided by the estimated maximum printing capacity of the relevant period. As the utilisation rate was calculated based on the assumptions as disclosed in note (1) above, the estimated average utilisation rate set out above are for reference only and subject to change if the underlying assumptions are different.

4. The operation of our Tianjin Factory was ceased in early January 2019 pursuant to an agreement to terminate the lease of Tianjin Factory.

The relatively low utilisation rates of our Tianjin Factory was due to the fact that the Tianjin Factory was mainly used to cater for purchase orders from its neighbouring region, i.e. Northern China, which were mainly for premium packaging. Furthermore, we subcontracted certain of the purchase orders for the production of premium packaging to subcontractors in Tianjin as we consider it more cost-effective to subcontract than producing these products ourselves.

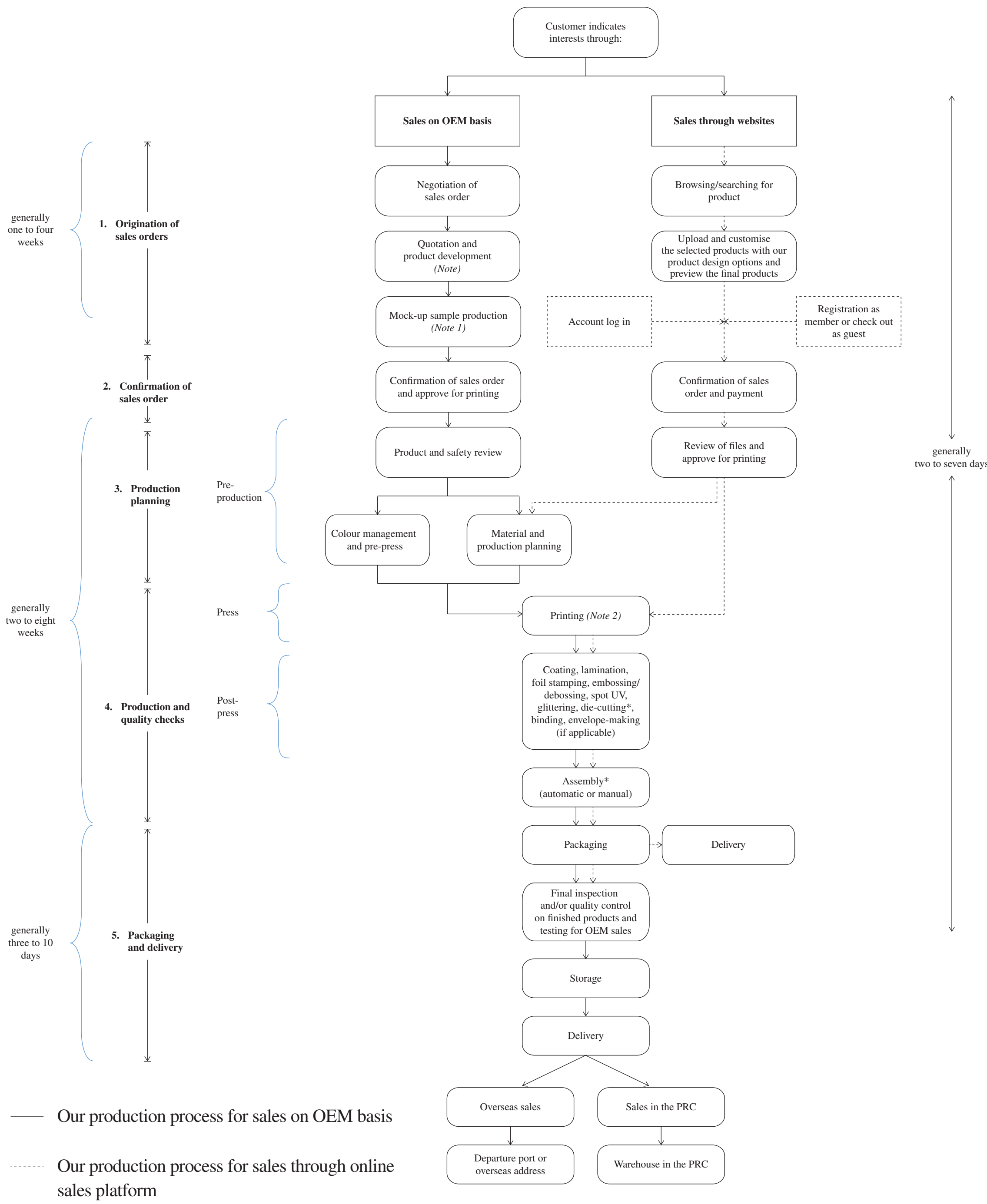
Repair and maintenance

We have implemented maintenance system for our production facilities and equipment, including scheduled downtime for maintenance and repairs, regular cleaning and routine inspections of our production machineries and equipment in order to ensure our production processes run smoothly and operate at optimal levels. Our repair and maintenance team keeps track with key operational parameters and other running status of our production machineries to ensure safe and stable operations. In addition, we also engaged a third party service provider to repair and maintain our offset printing presses on a regular basis and generally from time to time on an as-needed basis, and our in-house repair and maintenance team is mainly responsible for regular cleaning and repair and maintenance of our other machinery and equipment. For FY2016, FY2017, FY2018 and 6M2019, (i) the production downtime of our major offset printing presses comprising the duration of machinery malfunction and routine repair and maintenance amounted to 22.4, 18.3, 18.2 and 12.4 hours (within both production and non-production hours) per week, respectively; and (ii) we incurred repair and maintenance and technical maintenance support expenses of HK$15.0 million, HK$16.5 million, HK$17.7 million and HK$12.2 million, respectively. The relatively high downtime of our major offset printing presses was due to our regular repair and maintenance policies which help ensure stable and consistent quality of production, extend the useful lives of our printing presses, reduce the chance of malfunction or accident and therefore the occurrence of prolonged downtime. Our regular repair and maintenance includes (i) daily maintenance of checking and cleaning the main components and instruments of the printing presses; (ii) weekly maintenance of checking and cleaning the medium-sized components and instruments; and (iii) monthly maintenance of comprehensive checking, cleaning and repairing components and instruments. We believe that the resources and time spent on repair and maintenance are appropriate and beneficial, as evidenced by the fact that as at the Latest Practicable Date, more than half of our major printing presses were being used beyond their estimated useful lives as such machines were functional. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material work disruption due to the malfunction of our production machines.

Our Directors strive to maintain our production machines and equipment in good working conditions and have a cost-effective production schedule. We from time to time consider upgrading our existing production machineries and equipment to extend their useful lives, or purchasing new machineries to replace the depreciated machineries in order to reduce the repair and maintenance costs. As part of our business strategies, we intend to acquire additional major machines, namely offset and digital printing presses, and other machines to capture business opportunities. For details, see "– Our business strategies" and "Future Plans and Use of Proceeds".

Operation flow and production process

The following flow chart is an overview of the major steps involved in our typical production processes:



Notes:

1. Product development and mock-up sample production are only applicable for orders of new products.

2. We sometimes outsource these processes to subcontractors for cost-effectiveness and to supplement our production capacity during peak season. For details, see "– Subcontractors".

We conduct sales through OEM basis and our websites.

Sales on OEM basis

1. Origination of sales orders

We generate our OEM sales primarily through orders from our existing customers. We also generate OEM sales from new customers primarily by referrals and attending trade shows and exhibitions to reach out to potential customers. In trade shows and exhibitions, we promote our new and existing printing services and products. We also exchange market information and trends with potential and existing customers and receive orders from our recurring customers.

New customers who are interested in placing orders with our Group generally request to conduct on-site factory visit to inspect our production facilities, production plan, etc. They may also verify the international certifications we obtained for our printing and laboratory services. In some cases, our recurring customers may also conduct update on-site factory audit to ascertain whether we are able to continue to comply with their requested standards on the production facilities, production plan, etc.

Negotiation of sales orders

(i) Quotation and product development

Our OEM customers send order enquiries of new products with specific features on product design and specifications to our sales department, and our sales team reviews the specifications with our engineering team, including the type of product(s) to be produced, product/paper size and quality, design, colour, production volume and delivery requirements. Based on the complexity of designs, our sales and engineering teams may provide product development services, which may cover (i) paper mechanics, which refers to the creation of three-dimensional and pop-up designs with paper; and (ii) product construction which refers to the construction and structure of three-dimensional products such as board games and educational items. We may also advise our potential customers on the type of paper to be used, structure of the designs, etc., in order to ensure and/or enhance functionality and quality of the products, and durability during the delivery process, as well as during the course of usage. For order enquiries from our OEM customers for products which we have produced before, or similar products, our sales and engineering teams may not be required to provide product development services.

Our sales team then prepares quotation, which contains, among others, unit price, quantity and terms of delivery. Such quotations are based on several factors, mainly including the complexity of the products, the estimated raw materials and labour costs, quantity, expected delivery schedule, and our target profit margin, as well as other specific requirements from the customers.

(ii) Mock-up sample production

After consulting with the potential customers, we produce mock-up samples according to the agreed product specifications to demonstrate the material, size and shape of the final product to our OEM customers for their review and confirmation.

2. Confirmation of sales orders

Our sales team negotiates and confirms the terms of orders with our OEM customers, who generally confirm their orders by placing sales orders with us on an order-by-order basis via email. Once sales orders have been received and confirmed, they will be input into our MRP System for our operations team to determine the production plan and arrange the planning and scheduling of the production process.

3. Production planning

(i) Product and safety review

After purchase orders are confirmed, our engineering team will conduct a final review on the design of the product in terms of practicability of production and safety of the product. For further details, please see "– Quality management system – Quality engineering".

(ii) Material and production planning

Our key raw materials are paper with various types and weights, which we procure from our list of approved paper manufacturers and suppliers primarily in the PRC, the U.S. and Taiwan. We perform central procurement of the key raw materials for our Dongguan Factory and Heshan Factory, and the materials purchased are delivered and stored at the factory where the production is performed. Our procurement team, which is responsible for raw materials procurement and management, will quantify the amount of raw materials needed for each individual order, and check if the required raw materials are in stock and source the other raw materials from our approved suppliers to meet the specific needs of customers. Our quality control team will conduct sample checks on the raw materials and components according to our internal guidance and/or customers' standards. For further details, please see "– Quality management system – Quality control – Incoming quality control on raw materials and components". Our procurement team will then deliver all the required raw materials to our production plants for preparation.

Our production team, which is responsible for setting production schedules and planning the utilisation of the production capacity in a cost-effective manner, will determine the production plan with our customer's detailed specifications, and arrange the planning and scheduling of the production process.

(iii) Colour management and pre-press

Upon receiving the order specifications from our production team, our production staff will conduct pre-press activities including pre-flight, content accuracy checking, colour management and plate-making.

Sales through websites

1. Origination of sales orders

To promote our websites, we make use of various types of digital marketing channels, including search engine optimisation, search engine marketing and advertising through social media.

As part of our continuing effort to provide comprehensive and efficient printing solutions and services to our customers, we have developed multiple print-on-demand websites that provide online personalisation and ordering services. Through our websites, we can respond to sales orders by completing the process from point of sales inquiry to delivery of product to our customers. Our websites offer different range of products including but not limited to playing cards, board games, puzzles, greeting cards, baby gifts, photo books, apparel, bags, phone cases and boxes.

(i) Browsing/searching for product

Our web sales customers visit and browse our website(s) for the product(s) that suit their preferences.

(ii) Upload and customise the selected product with our product design options and preview the final products

After our customers have selected the desired product(s), they can personalise the selected products by uploading their selected images and using our text editing features on our website(s). Once they have submitted the order details, among others, the product specifications and order quantity, we will provide instant quotation(s) and preview of their customised products in three-dimensional view on our website(s) for further edit before confirmation. Once our customers confirm and submit the product design and specification via our website(s), we can convert the digital file(s) into ready-to-print document and directly proceed to printing, eliminating the proofing process and thereby reducing the turnaround time.

2. Confirmation of sales order and payment

Our web sales customers confirm their orders by proceeding to checkout where payment can be made through a variety of online payment methods, such as credit cards, debit cards, Paypal as well as bank transfers which are operated by Independent Third Parties.

3. Production planning

(i) Review of files and approve for printing

When we receive an order through our websites, our sales team will conduct in-house screening of the photos or image files to be printed to check if such photos or image files may infringe any third party intellectual property rights or contain violent, political, religious, trademark, and other sensitive content, by performing desktop searches. Based on our internal guidelines if we identify any suspected images, for example well-known cartoon characters, we will ask such potential customers for authorisation letter for printing of such images. Our sales team may also seek supervisors' further review, communicate with the relevant customers or conduct search for market information to determine if the suspected images could be printed based on the requirements in our internal guidelines. Orders that do not pass our in-house screening process are refunded to the relevant customers. We update our database based on such rejection records, our system will also alert our staff when customers who have past records of inappropriate files or other ordering issues place a new order, which allows our staff to be more cautious when reviewing such orders.

(ii) Material and production planning

For orders of smaller quantities placed through our websites, the photos or images to be printed are converted and transferred to our backend production directly.

In the event that orders placed through our websites are of larger quantities, we source raw materials from our list of approved paper manufacturers and suppliers. The raw materials purchased are delivered and stored at the factory where the production is performed. Our procurement team will quantify the amount of raw materials needed, and check if the required raw materials are in stock and source the other raw materials from our approved suppliers. Our quality control team will conduct sample checks on the raw materials and components according to our internal guidance and/or customers' standards. Our procurement team will then deliver all the required raw materials to our production plants for preparation. Our production team will determine the production plan and arrange the planning and scheduling of the production process.

4. Production and quality checks

(i) Printing

After the printing presses have been set up and calibrated, our production team will check the printed sheets against the proofs. Upon the checking is done, the bulk printing will commence. Our production technicians will monitor the output and check the printed sheets to ensure consistent print quality. Our quality control team will also conduct quality checks to examine the quality of our work-in-progress against the acceptance quality level standard at different stages of the production process. For further details, see "– Quality management system – Quality control – In-process quality control on semi-finished products".

Our printing products are printed by offset printing or digital printing. During the offset printing process, ink is applied on the printing plate and transferred to an intermediate blanket cylinder and then onto the paper that passes through the printing unit. When a sheet of paper passes through multiple printing units, different colours are printed onto the paper. We are equipped with multiple-colour printing presses, and our major machinery mainly comprise 4-colour to 6-colour with inline coating capacities to handle products of various colour specifications.

During the digital printing process, digital-based image is directly printed onto a piece of paper, and ink or toner is deposited onto a piece of paper by forming a thin layer on the surface. As no printing plate or set up is required for digital printing, digital printing requires less lead time. In addition, digital printing has relatively less wastage and lower production costs for small quantity, which enable us to achieve higher profit margin. As there is no minimum quantity for digital printing, we generally use digital printing for production of personalised products for web sales customers to cater for small-to-medium volume printing orders.

(ii) Post-press

Once printing is completed, our production team will deliver the printed sheets to undergo post-press and finishing processes based on the product specifications of each individual order. Post-press processes can enhance the products in terms of visual effects, durability and functionality, which may involve the followings:

	Post-press process	**Effects**
(i)	Coating	Enhancing the product's final appearance and creating a protection layer on the surface
(ii)	Lamination	Creating different finishing effects where customer can choose from a large variety of special film lamination to express the uniqueness of their designs, and serving as protection against abrasion and splashes from liquid substances
(iii)	Foil stamping (conventional hot foil stamping and digital foiling)	Transferring the foil with the colours and effects chosen by customers onto the products
(iv)	Embossing/Debossing	Raising the selected area of the paper/card surface; making the debossed part sunken into the substrate leaving the desired den on the papers/cards

	Post-press process	Effects
(v)	Spot UV	Enhancing contrast of the prints
(vi)	Glittering	Offering the shinning sparkles effects on the products
(vii)	Die-cutting	Producing designs with desirable shapes
(viii)	Binding	Producing books
(ix)	Envelope-making	Producing envelopes to supplement our greeting cards production
(x)	Assembly	Fitting together separate components of a product

We from time to time outsource certain processes, including printing, die-cutting and assembling, for cost-effectiveness and to supplement our production capacity during peak seasons. For details, see "– Subcontractors".

5. Packaging and delivery

(i) Packaging

Our finished products are packed into bags or boxes manually or by machines.

(ii) Final inspection and testing and/or quality control on finished products

After packaging, our quality team conduct final quality checks, including inspections and depending on the products, may conduct testing according to the quality plan, to examine the quality of our finished goods and ensure the exact specifications of the customers are met as well as certain applicable safety standards are complied with. For further details, please see "– Quality management system – Quality control – Final quality control on finished products". We place great emphasis on the quality and standards of our products and our senior management also closely monitors the operations at our production plants to ensure that our internal guidance and instructions are being strictly followed.

(iii) Storage

We store our products in our warehouses before delivery. For details, see "– Inventory management".

(iv) Delivery

We generally engage third-party logistics service providers to deliver our finished products to locations designated by our customers. For overseas sales on OEM basis, we generally deliver our products to our customers by sea and/or air freight. We send our products to the designated warehouses or departure ports in the PRC on FOB basis and our OEM customers arrange their overseas transportation. Our OEM customers are responsible for preparing the customs clearing forms and, together with the required documentation and information, submitting all the relevant documentation to the competent customs office. Once cleared, the goods will be delivered to the destinations indicated by our customers. For sales in the PRC on OEM basis, we generally deliver our products by road transit to the warehouses or other locations designated by our customers directly.

For our web sales, we generally deliver the products directly to the addresses designated by our customers by third-party logistics service providers.

After-sales services

Our sales team collects verbal and/or written feedback from our customers and discuss with operation team and quality control team in order to ascertain if any further improvement is required on our operations. Our sales team also reports the feedback from customers to our senior management. By doing so, we gain a better understanding on the needs and requirements of our customers and the demands for printing services in different industries.

QUALITY MANAGEMENT SYSTEM

We are committed to ensuring the quality of our products, and have implemented a stringent and comprehensive quality management system to meet the requirement of our customers, which comprises quality assurance, quality engineering, as well as quality control. Our quality management system covers our entire operation flow and production process in an attempt to ensure our raw materials used, semi-finished products and finished products produced by us are able to meet both our internal and customers' quality standards and expectations. As at the Latest Practicable Date, our quality team comprised 85 employees, which is led by our director of quality assurance and compliance who has over 25 years of experience in quality control and assurance management in the manufacturing industry.

Quality assurance

We place strong emphasis on quality assurance, which aims to prevent mistakes and defects in our production and finished products. Our quality assurance focuses on the process of product development, manufacturing and delivery. Our quality assurance team develops and executes audit plans to monitor and ensure work instructions and requirements are followed throughout the entire operational process. We monitor our process at different stages to ensure that our products have a low defect rate and meet our customers' requirements.

Our quality assurance procedures include the following areas:

(i) Supplier and subcontractor management and certification

To ensure raw material and components meet quality and safety standards, we have implemented a supplier management and certification program, whereby we conduct supplier assessment before qualifying new suppliers. Our quality assurance team is responsible for reviewing the supplier's production process, quality policies, social compliance and the supplier's capability in complying with product safety requirements. After a supplier is approved, our quality assurance team continues to monitor the supplier's performance through a monthly performance index, which rates the supplier in terms of its quality, safety, delivery and responsiveness. If any supplier fails to fulfill the monthly performance index, they will be requested to undergo corrective and preventive actions for improvement. Continuous failure to fulfill the monthly performance index may result in suspension of material purchase from such suppliers. Our subcontractors have also gone through our supplier assessment process being qualifying as our subcontractors. During the Track Record Period, we generally purchased raw materials from suppliers and engaged subcontractors on our approved suppliers' list, which have gone through our supplier assessment process, except for suppliers which are designated by our customers to purchase raw materials or semi-finished products from them. For details of our procurement, see "– Raw materials and procurement – Procurement". For details of our subcontracting arrangements, see "– Subcontractors".

(ii) Production mechanisms monitoring and control

Our quality assurance team oversees critical systems such as document control, process control, testing, training and corrective action. They conduct audit in operational processes according to the quality assurance plan to ensure procedures, work instructions, standards and requirements are met.

(iii) Inspection on behalf of customers

Our quality assurance team is accredited by ANSI-ASQ National Accreditation Board under ISO 17020, which is an international accreditation for an inspection body for demonstrating technical competence in the fields of calibration and testing. We are a certified vendor to represent some of our major customers, including Hallmark, Customer B and Mattel, to conduct inspection on their behalves. For details of such customers, see "– Sales and marketing – Customers".

Quality engineering

At the product and safety review stage, our quality engineering team works with our product engineering team, and is responsible for designing a testing and inspection plan for the relevant product based on the product's nature, functions, target age group, structure and production process, to set up testing and inspection criteria according to applicable safety standards and the customer's expectations. Before production commences, our quality engineering team will provide a checklist and work with the supply chain and production staff to ensure quality standards and safety requirements are met at every stage of the process.

Quality control

Our quality control measures cover incoming quality control (IQC), in-process quality control (IPQC) and final quality control (FQC), which focus on quality inspection of incoming raw materials and components, semi-finished products during production process and finished products before delivery, respectively. All inspections are conducted according to the Acceptable Quality Level (AQL) which either refers to customer's requirements or our internal standards.

Incoming quality control on raw materials and components

We conduct random sample checks on raw materials and components to ensure that they meet our quality requirements, and the sampling rate and frequency of inspection are set forth in the Acceptable Quality Level decided by our customers or our internal standards. If we consider that the quality does not meet the applicable standards, we will return it to our suppliers for replacement or refund. Only raw materials and components which have passed our incoming quality control will be utilised in our production. During the Track Record Period and up to the Latest Practicable Date, we did not have any material claims against our suppliers or subcontractors due to defective quality of raw materials or semi-finished products.

In-process quality control on semi-finished products

In-process quality control is conducted throughout our production process. Our quality control staff are generally stationed at each important stage of the production process to conduct sample checks based on the inspection plan.

If any quality defects are identified during the production process, we will immediately pause production and rectify the defect before resuming production. In situations where the semi-finished product does not conform to our quality controls, we either re-process them or dispose of the entire batch of unqualified products and re-print the entire order.

Final quality control on finished products

Final quality control is conducted on our finished products, either in accordance with our quality standards or our customers' prescribed quality standards. Visual inspection, functional check and destructive physical analysis are conducted on a sampling basis on each batch of finished products to ensure that our products meet the quality of the approved standards. Products which do not conform to our final proofs may be re-processed or discarded. During the Track Record Period, the defect rates of our products remained minimal and immaterial.

Before we became approved suppliers, most of our major customers conducted on-site audit of our production facilities to assess our the production facilities, production process, environmental protection policies, corporate social responsibility and compliance, etc.

We received the "Supplier of the Year 2016" and "Supplier of the Year 2018" awards from Hallmark, our largest customer during the Track Record Period, which commended us for our performance on quality, cost-effectiveness, efficiency and production innovation. We are also accredited with ISO 9001 certifications for our quality management system. For details, see "– Certifications and awards". During the Track Record Period and up to the Latest Practicable Date, we had not received any material claim or complaint from our customers in respect of the quality of our products, and we are in compliance our customers' quality and safety requirements and codes of conduct.

Our laboratory testing and analysis services

Our laboratory testing services are conducted by our in-house laboratory, DPI Laboratory (DG), which is accredited by different international professional bodies to conduct various tests. As at the Latest Practicable Date, it had obtained, among others, the Laboratory Accreditation Certificate issued by China National Accreditation Service for Conformity Assessment (CNAS), the Certificate of Accreditation issued by ANSI-ASQ National Accreditation Board and was accredited by Deutsche Akkreditierungsstelle GmbH (DAkkS) and United States Consumer Product Safety Commission (CPSC). For details, see "– Major licences, qualifications and accreditations". Our DPI Laboratory (DG) meets the requirements of international standards ISO/IEC 17025:2005 while demonstrating technical competence in the fields of calibration and testing, and is qualified to conduct tests in accordance with international standards, such as U.S. and countries in European Union standards and directives for toys, packaging and general goods. During the Track Record Period, our laboratory testing services had been mainly provided to our Group, for conducting various tests on our raw materials and finished products to ensure that they meet applicable safety standards and the customer's expectations. We also provide raw materials and finished products testing services for our OEM customers.

Our in-house laboratory is led by the director of DPI Laboratory, who obtained a Doctor of Philosophy (Ph.D.) from the Victoria University of Manchester, the United Kingdom, in July 1997. He has been admitted as a member of the Royal Society of Chemistry as a Chartered Chemist in 1994 and recognised as a Chartered Scientist by the Royal Society of Chemistry in

2004. He had been appointed as Temporary Lecturer and Visiting Research Scholar in the Department of Chemistry by universities in Hong Kong. As at the Latest Practicable Date, our laboratory comprised 37 staff, a majority of whom have obtained relevant academic qualifications, such as bachelor's degree in chemistry and chemical engineering and technology.

Safeguard the intellectual property rights of our products

We place great importance on safeguarding the intellectual property rights of our customers and prevent unauthorised duplication, illegal usage or distribution, or leakage of the designs, specifications and other intellectual properties of the printing products by our employees, our subcontractors and third parties. We implement the following security measures and procedures to manage our production process and monitor the files and other properties provided by our customers: (i) we archive digital files sent by our customers and soft copies of such files individually in a secure data room with restricted access to authorised personnel only; (ii) our designated staff keep all original documents provided by our customers and the corresponding hardcopies; (iii) we destroy all defective or redundant products; (iv) we discard all printing plates after we complete each printing job; and (v) we have 24-hour security guards for monitoring all our production facilities and warehouses to prevent unauthorised access to our properties, including our products and the files provided by our customers.

Furthermore, we have also implemented the following internal control measures to prevent our employees from unauthorised duplication and distribution of the designs and specifications of the products: (i) we have designated staff responsible for monitoring unauthorised production; (ii) we assign a code for each individual order and recorded in our system, and no production is allowed without such an order code; (iii) we provide regular trainings to our employee on the importance of protecting intellectual property rights and security measures; and (iv) we include confidentiality clauses in employment contracts we enter into with our employees, prohibiting the unauthorised utilisation and possession of any confidential information and documents obtained at work.

We also took steps to protect the designs, specifications and other intellectual properties of the products during the subcontracting process, and employ the following measures to manage our subcontractors: (i) we conduct on-site inspection to ensure the security procedures of our subcontractors are in place; (ii) we require our subcontractors to strictly follow our instruction and procedures in handling the intellectual properties of our customers, including logos, designs and specifications, and the working files and information we provide; and (iii) we only outsource part of the production processes to our subcontractors, making it harder for them to replicate the finished products.

Our Directors confirmed that we did not experience any infringement of the intellectual properties of our customers by our subcontractors, our employees and other third parties during the Track Record Period and up to the Latest Practicable Date.

SALES AND MARKETING

We sell our products through our own sales team and online channels. We generally provide paper products manufacturing and printing services to OEM customers through our own sales team, and personalised printing services to customers mainly through our self-operated websites. The following table sets forth breakdown of our revenue by sales channels during the Track Record Period:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
OEM sales *(Note)*	817,081	92.2	998,679	92.5	1,073,956	92.3	468,976	92.1	519,764	92.0
Self-operated websites	69,262	7.8	80,951	7.5	89,023	7.7	40,130	7.9	45,094	8.0
Total	886,343	100.0	1,079,630	100.0	1,162,979	100.0	509,106	100.0	564,858	100.0

Note: Revenue from OEM sales include an insignificant portion of revenue derived from sales from third-party online market places.

Our OEM sales channels

Our OEM sales channel refers to the provision of manufacturing and printing services to OEM customers who place orders with our sales department. For FY2016, FY2017, FY2018 and 6M2019, we had 49, 38, 29 and 10 new customers for our OEM sales, respectively, who placed orders with us for the first time. For our sales arrangement with OEM customers, see "– Our business model – Our OEM printing services", "– Production – Operation flow and production process – Sales on OEM basis" and "– Sales and marketing – Customers".

Our online sales channels

During the Track Record Period, we operated five major websites for the provision of personalised printing services. The table below sets forth details of our major websites:

No.	Websites	Product(s)	Year of launch
1.	www.printerstudio.com	Personalised photo gifts, cards and daily necessities with imprint of photos	2010
2.	www.makeplayingcards.com	Personalised card games	2012
3.	www.createjigsawpuzzles.com	Personalised puzzles	2013
4.	www.boardgamesmaker.com	Personalised board games	2015
5.	www.gifthing.com	Personalised baby gift products	2017

For details, see "Statutory and General Information – B. Further information about our business – 2. Material intellectual property rights – (b) Domain names" in Appendix V to this prospectus.

Our websites experienced rapid growth in user traffic during the Track Record Period. The following table sets out the aggregated user information of our major websites during the Track Record Period:

Information of customer traffic	FY2016	FY2017	FY2018	6M2019
	(million)			
Page views[1]	12.7	13.7	14.3	7.3
Unique views[2]	1.6	1.9	1.9	1.0
IP Addresses[3]	2.7	3.1	3.2	1.5

Notes:

(1) Page views refer to the number of visits to our websites.

(2) Unique views refer to the number of visits to our websites with a specific registered user account.

(3) Internet protocol (IP) address refers to the number of visits with a specific IP address to our websites (for clarification purpose, if an online user with a specific IP address visits our websites 100 times, it is recorded as 100 page views under one IP address).

Information of registered users	As at 31 December			As at	As at
	2016	2017	2018	30 June 2019	30 November 2019
Number of registered user accounts	194,000	240,000	287,000	309,000	332,000
Number of active registered user accounts[Note]	32,000	31,000	32,000	33,000	34,000

Note: The number of active registered user accounts refers to the number of registered user accounts with order(s) placed in our five major websites during the corresponding period.

Our Directors believe that the rapid growth in our user traffic was attributable to the increase in our number of websites, our introduction of new products on our websites and the popularity of online shopping and Internet retailing.

On our websites, customers can choose from our wide range of products, or use our search functionality to search for desired products, and personalise such selected item using our online editing and design functions based on our pre-determined parameters. Customers can upload their photos or image files onto our websites for printing on their chosen items using the online editing functions and add text as they wish.

We offer a variety of online payment options such as credit cards, debit cards, Paypal as well as bank transfers which are operated by Independent Third Parties. Customs are generally borne by our web sales customers. The cost of delivery is generally embedded in the selling price.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had not received any material claim or complaint regarding the sales of products on our websites, and there had been no litigation, arbitration or claim of material importance, and no litigation, claim, arbitration or complaint of material importance is known to our Directors to be pending or threatened against any member of our Group regarding the sales of products on our websites.

During the Track Record Period, we engaged a few sales representatives, who are Independent Third Parties located in countries where we intend to explore or penetrate our market share, such as the U.S. and Europe, since they can leverage their geographical proximity to our target customers and their industry knowledge to establish new business relationships for us. They refer customers to us, as well as facilitate and manage business relationships and exchange market information. Our Directors consider that it is in the interest of our Group to engage local sales representatives with established network instead of hiring team of sales given their market experience and exposure. We pay the sales representatives commission equal to a certain percentage of their sales. For FY2016, FY2017, FY2018 and 6M2019, commission paid amounted to HK$3.3 million, HK$3.1 million, HK$4.1 million and HK$1.7 million, respectively. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) such sales representatives were not our employees; and (ii) there was no principal-agent relationship between such sales representatives and our Group.

Laboratory testing services

See "– Quality management system – Quality control – Our laboratory testing and analysis services" for details of our laboratory testing services, which were mainly provided to our Group during the Track Record Period.

Sales markets

Majority of our sales are made to international brand owners headquartered in the U.S. The U.S. had been our major destination of delivery during the Track Record Period. Our direct sales to customers based in the U.S. accounted for 71.8%, 73.1%, 70.8% and 75.1% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively.

The following table sets out our revenue breakdown based on the destination of delivery during the Track Record Period:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
U.S.	636,325	71.8	788,828	73.1	823,934	70.8	358,252	70.4	424,297	75.1
Europe *(Note 1)*	112,766	12.7	102,877	9.5	148,470	12.8	56,128	11.0	63,436	11.2
Hong Kong	66,095	7.5	84,723	7.8	82,627	7.1	46,571	9.1	32,539	5.8
PRC	14,242	1.6	23,610	2.2	31,921	2.7	17,075	3.4	15,739	2.8
Others *(Note 2)*	56,915	6.4	79,592	7.4	76,027	6.6	31,080	6.1	28,847	5.1
Total	886,343	100.0	1,079,630	100.0	1,162,979	100.0	509,106	100.0	564,858	100.0

Notes:

(1) The countries in Europe that contributed to our Group's revenue mainly comprise France, Czech Republic, the United Kingdom, Germany, Netherlands, Switzerland, Belgium, Italy, Spain and Greece.

(2) Others mainly comprise Australia and Canada. Revenue derived from these countries was mainly through our websites.

For risks associated with our sales to the U.S., see "Risk Factors – Risks relating to our business – Our sales are geographically concentrated in the U.S. which are subject to higher tariff rates under the trade war between the U.S. and the PRC, which could adversely affect our sales volumes, profitability and results of operations".

Sales and marketing strategies

Our sales and marketing team is responsible for identifying new business opportunities, developing new businesses with new customers and maintaining relationships with our existing customers. As at the Latest Practicable Date, our sales and marketing team had a total of 88 staff, with 22 staff located in Hong Kong and 66 staff located in the PRC, and is led by Mr. Cheng, Ms. Liu and Mr. Chan.

We are familiar with the printing industry and are experienced in serving customers of different countries and regions, such as the U.S., Europe and Asia. In addition, we work closely with our customers on a regular basis through emails, phone calls and visits to foster customer relationship, understand our customers' needs and developments and exchange industry information, in order to explore business opportunities. Our designated sales team generally acts as the single contact point of particular customers to handle enquiries and follow up with purchase orders, so that our sales team can provide dedicated customer service with thorough understanding of customers' requirements and needs. Such designated sales team is also responsible for catering our customers' requests and providing consultation and advice for our customers when needed.

As part of our sales and marketing activities, we visit various international exhibitions and trade shows so as to better understand the market and industry trends as well as to showcase our products and services to potential customers and establish relationships with new customers. During the Track Record Period, we participated in selected exhibitions, trade shows and conventions, both international and local, as exhibitor, including the "Gen Con" game fair and the Origins Game Fair in the U.S., the "International Spieltage SPIEL" game fair in Germany, the Japan Game Market, the Game Market Spring and Game Market Osaka in Japan, the United Kingdom Games Expo, as well as the Hong Kong Trade Development Council (HKTDC) Hong Kong Baby Products Fair. We also participated in the Cardistry-Con in Hong Kong as an event sponsor and speaker. We also visited the Spielwarenmesse® International Toy Fair in Germany, the Seventh Annual Unpublished Games Festival in U.S., and the "DiceCon" Game Fair.

Customers

Our major customers include an international greeting cards publisher, and multinational children educational products and toys brands. According to the CIC Report, (i) Hallmark, an international greeting cards publisher, ranked first in 2018 in terms of retailers of paper-based greeting cards, accounting for approximately 30.0% of the global retail market of paper-based greeting cards in terms of sales value; (ii) Customer B, a subsidiary of a global play and entertainment company, ranked first in 2018 in terms of retailers of toys, accounting for approximately 9.2% of the global retail market of toys in terms of sales value; and (iii) Mattel, a subsidiary of a global learning development and play company, ranked second in 2018 in terms of retailers of toys, accounting for approximately 9.1% of the global retail market of toys in terms of sales value. For FY2016, FY2017, FY2018 and 6M2019, our five largest customers in aggregate accounted for 69.2%, 71.2%, 70.0% and 72.9% of our total revenue, respectively, and sales to our largest customer accounted for 36.9%, 44.4%, 37.6% and 45.1% of our total revenue, respectively, for the corresponding period.

We have established business relationship with our five largest customers from approximately eight to 18 years as at the Latest Practicable Date. We offer a general credit period within 90 days to our OEM customers, and we do not grant any credit period to customers from our websites. During the Track Record Period, we generally paid our five largest customers by telegraphic transfer, bank transfer and/or cheque.

The following tables set out details of our five largest customers during the Track Record Period:

For FY2016

Rank	Customer's name	Background	Key products provided by us	Business relationship since	Credit terms	Sales to the customer	
						HK$'000	*% of total revenue*
1.	Hallmark	A subsidiary of a company with headquarters in the U.S. and principally engages in the sales of greeting cards, gift wrap, party goods, stationery and related products in more than 100 countries and 100,000 retailer rooftops worldwide	Greeting cards	2002	30 days after shipment	326,927	36.9
2.	Customer B	A subsidiary of a global play and entertainment company whose shares are listed on the Nasdaq stock exchange, with headquarters in the U.S. and products ranging from toys and games to television, movies, digital gaming and consumer products	Tabletop games	2004	30 days after shipment; 60 days after shipment since September 2016	95,084	10.7
3.	Mattel	A subsidiary of a global learning, development and play company whose shares are listed on the Nasdaq stock exchange, with headquarters in the U.S. and business operation in 40 countries and territories and principally engages in the sales of toys and games including action figures, building sets, arts and crafts, dolls, card games and board games in over 150 nations	Tabletop games	2003	90 days after monthly statement credit	88,262	9.9
4.	Customer D	A company with headquarters in the U.S. which is a retailer with more than 60 retail locations across the U.S. and principally engages in the sale of educational materials for early childhood programmes, elementary schools and homes	Educational items	2001	35 days after shipment	75,119	8.5
5.	Customer E	A multinational toy company with headquarters in France, which is a toy company with its products distributed in specialist shops in over 60 countries and principally engages in the sales of toys, including jigsaws, role play toys, dolls, decorative items and stationery	Tabletop games	2011	30 days after delivery	28,103	3.2
					Total:	**613,495**	**69.2**

For FY2017

Rank	Customer's name	Background	Key products provided by us	Business relationship since	Credit terms	Sales to the customer	
						HK$'000	*% of total revenue*
1.	Hallmark	A subsidiary of a company with headquarters in the U.S. and principally engages in the sales of greeting cards, gift wrap, party goods, stationery and related products in more than 100 countries and 100,000 retailer rooftops worldwide	Greeting cards	2002	30 days after shipment	479,862	44.4
2.	Mattel	A subsidiary of a global learning, development and play company whose shares are listed on the Nasdaq stock exchange, with headquarters in the U.S. and business operations in 40 countries and territories and principally engages in the sales of toys and games including action figures, building sets, arts and crafts, dolls, card games and board games in over 150 nations	Tabletop games	2003	90 days after monthly statement credit	135,535	12.6
3.	Customer D	A company with headquarters in the U.S. which is a retailer with more than 60 retail locations across the U.S. and principally engages in the sale of educational materials for early childhood programmes, elementary schools and homes	Educational items	2001	35 days after shipment	90,667	8.4
4.	Customer B	A subsidiary of a global play and entertainment company whose shares are listed on the Nasdaq stock exchange, with headquarters in the U.S. and products ranging from toys and games to television, movies, digital gaming and consumer products	Tabletop games	2004	60 days after shipment	37,594	3.5
5.	Customer E	A multinational toy company with its headquarters in France, which is a toy company with its products distributed in specialist shops in over 60 countries and principally engages in the sales of toys, including jigsaws, role play toys, dolls, decorative items and stationery	Tabletop games	2011	30 days after delivery	25,343	2.3
					Total:	**769,001**	**71.2**

For FY2018

Rank	Customer's name	Background	Key products supplied by us	Business relationship since	Credit terms	Sales to the customer	
						HK$'000	*% of total revenue*
1.	Hallmark	A subsidiary of a company with headquarters in the U.S. and principally engages in the sales of greeting cards, gift wrap, party goods, stationery and related products in more than 100 countries and 100,000 retailer rooftops worldwide	Greeting cards	2002	30 days after shipment	437,674	37.6
2.	Mattel	A subsidiary of a global learning, development and play company whose shares are listed on the Nasdaq stock exchange, with headquarters in the U.S. and business operation in 40 countries and territories and principally engages in the sales of toys and games including action figures, building sets, arts and crafts, dolls, card games and board games in over 150 nations	Tabletop games	2003	90 days after monthly statement credit	205,323	17.7
3.	Customer D	A company with headquarters in the U.S. which is a retailer with more than 60 retail locations across the U.S. and principally engages in the sale of educational materials for early childhood programmes, elementary schools and homes	Educational items	2001	35 days after shipment	90,738	7.8
4.	Customer B	A subsidiary of a global play and entertainment company whose shares are listed on the Nasdaq stock exchange, with headquarters in the U.S. and products ranging from toys and games to television, movies, digital gaming and consumer products	Tabletop games	2004	60 days after shipment	48,927	4.2
5.	Customer E	A multinational toy company with headquarters in France, which is a toy company with its products distributed in specialist shops in over 60 countries and principally engages in the sales of toys, including jigsaws, role play toys, dolls, decorative items and stationery	Tabletop games	2011	30 days after delivery	31,153	2.7
					Total:	**813,815**	**70.0**

For 6M2019

Rank	Customer's name	Background	Key products supplied by us	Business relationship since	Credit terms	Sales to the customer	
						HK$'000	*% of total revenue*
1.	Hallmark	A subsidiary of a company with headquarters in the U.S. and principally engages in the sales of greeting cards, gift wrap, party goods, stationery and related products in more than 100 countries and 100,000 retailer rooftops worldwide	Greeting cards	2002	30 days after shipment	254,906	45.1
2.	Mattel	A subsidiary of a global learning, development and play company whose shares are listed on the Nasdaq stock exchange, with headquarters in the U.S. and business operation in 40 countries and territories and principally engages in the sales of toys and games including action figures, building sets, arts and crafts, dolls, card games and board games in over 150 nations	Tabletop games	2003	90 days after monthly statement credit	88,736	15.7
3.	Customer D	A company with headquarters in the U.S. which is a retailer with more than 60 retail locations across the U.S. and principally engages in the sale of educational materials for early childhood programmes, elementary schools and homes	Educational items	2001	35 days after shipment	32,287	5.7
4.	Customer B	A subsidiary of a global play and entertainment company whose shares are listed on the Nasdaq stock exchange, with headquarters in the U.S. and products ranging from toys and games to television, movies, digital gaming and consumer products	Tabletop games	2004	60 days after shipment	23,093	4.1
5.	Customer E	A multinational toy company with headquarters in France, which is a toy company with its products distributed in specialist shops in over 60 countries and principally engages in the sales of toys, including jigsaws, role play toys, dolls, decorative items and stationery	Tabletop games	2011	30 days after delivery	13,259	2.3
					Total:	**412,281**	**72.9**

We do not enter into long-term agreements with purchase obligations with our customers. Instead, our customers' orders are confirmed by placing purchase orders which set out product specifications, quantity, price and delivery details, etc. on an order-to-order basis. Our sales arrangements with certain of our major customers, namely Customer B and Mattel, are governed by legally-binding framework sales agreements. The terms of such agreements vary depending on the requirements of the customers. For the purpose of purchase orders, depending on whether licence from brand owners is required, we may enter into triparty framework agreements with Hallmark and the relevant brand owners for the licence for the right to produce products bearing trademark(s), concepts, ideas and artwork of the relevant brand owners. For details, see "– Sales and marketing – Our relationship with Hallmark – Business relationship and arrangement with Hallmark". During the Track Record Period, we did not enter into framework sales agreements with other major customers, namely Customer D and Customer E. The table below sets forth some of the major terms which may be included in the agreements with Customer B and Mattel.

Duration	:	Not stipulated or indefinite, unless terminated in accordance with the terms of the relevant agreement.
Purchase order	:	Purchase orders will be issued by the customers.
Delivery	:	Depending on the agreement, (i) all products awaiting shipment shall be stored by our Group, at our cost, unless otherwise agreed by the relevant customer and us in writing; (ii) products shall be delivered to the delivery point as set forth in the applicable purchase order and title and risk of loss to the products shall pass to the relevant customer as specified in the applicable purchase order.
Payment:	:	Depending on the agreement, the relevant customer will, after receipt of the relevant invoice, pay the prices for the products in the manner as stated in the relevant purchase order within 60 days from date of delivery and acceptance, or if delivery is postponed at the request of the relevant customer within the period after the date when the title in the products has passed to the relevant customer, whichever is later.
Subcontractors	:	Our Group is required to obtain prior written approval from the customers before engaging any subcontractor. Depending on the agreement, our Group is required to disclose to the relevant customer in advance the full legal name of the subcontractor, business address and contact information of the subcontractor, each facility address where the subcontractor will conduct the subcontracted operations, and the processes that are being performed at such facilities.

Intellectual property rights	:	Depending on the agreement, our Group acknowledges that the copyrights and all other intellectual property rights in and to the relevant customer are exclusively owned by and reserved to the relevant customer and/or its licensors (whether direct or indirect). Our Group will neither acquire nor assert copyright ownership or any other proprietary rights in the materials and intellectual property or in any deviation, derivation, adoption, variation or name thereof. All uses of the relevant customers' trademarks (including its licensed trademarks) by our Group under the agreement will insure to the relevant customer's or its licensors' benefit. Our Group acknowledges that the relevant customer or a licensor of such customer is the exclusive owner of each of the relevant customer's trademarks and the trademark rights created by such use.
Insurance	:	Depending on the agreement, our Group may be required to provide and maintain the insurance policies and minimum limits of coverage at its own expense as designated in the relevant agreement.
Indemnification	:	Depending on the agreement, our Group will indemnify and hold the relevant customer, and, among others, its officers, directors and employees, from and against all liabilities, claims, expenses, etc., arising from our Group's or our subcontractor's breach of default in the performance of services or the products produced, or obligations arising under or resulting from the relevant agreement. Depending on the agreement, our Group will not be liable for any claim to the extent arising out of or resulting from our Group or our subcontractor's compliance with the customer's designs, specifications and/or instructions, as they relay to intellectual property infringement, and the relevant customer will defend, indemnify and hold our Group harmless for any such claims.
Termination	:	Depending on the agreement, the agreement may be terminated by (i) either party without cause by providing 60 days prior written notice or with cause in accordance with the terms of the agreement; (ii) by the relevant customer by giving 180 days written notice, with or without reason provided that both parties will fulfil their respective obligations under any existing, open or current purchase orders. Depending on the agreement, subject to the terms of the agreements, the agreement may also be terminated by each party effective immediately by written notice in accordance with the occurrence of certain events, including but not limited to material breach without cure, insolvency and change of control.

Our Directors confirm that there had not been any material breach of the terms of the above agreements during the Track Record Period and up to the Latest Practicable Date.

Certain of our major customers provide us with non-binding forecasts to indicate their supply needs for certain products, but they have no obligation to place purchase orders with us pursuant to such forecasts. According to the CIC Report, such sales arrangement is in line with industry norm and reflects the commercial reality that it is not possible for customers to predict their sales volumes, and therefore their volume requirements, on a long-term basis.

All of our five largest customers during the Track Record Period were Independent Third Parties. None of the Directors, their close associates or any Shareholders (which to the knowledge of our Directors owned more than 5% of the issued share capital of our Company) had any interest in our five largest customers during the Track Record Period.

Our major customer who is also our supplier

During the Track Record Period, one of our major customers was also our supplier since we purchased certain items, such as packaging materials, from it pursuant to its request for the production of its products. Purchases from such major customer amounted to HK$4.6 million, HK$3.2 million, HK$3.9 million and HK$1.5 million for FY2016, FY2017, FY2018 and 6M2019, representing 1.4%, 0.8%, 0.9% and 0.8% of our total purchases for the corresponding period, respectively.

Our relationship with Hallmark

Background of Hallmark

Hallmark is the subsidiary of a company with its headquarters in the U.S. and principally engages in the sales of greeting cards, gift wrap, party goods, stationery and related products in more than 100 countries and 100,000 retailer rooftops worldwide. According to CIC Report, it ranked first in 2018 in terms of retailers of paper-based greeting cards, accounting for approximately 30% of the global retail market of paper-based greeting cards in terms of sales value.

Business relationship and arrangement with Hallmark

We have maintained a long-term business relationship with Hallmark since 2002.

In line with the usual arrangements with our customers, we do not enter into long term agreements which establish minimum purchase amount or volume with Hallmark. As advised by CIC, in the manufacturing market of selected paper-based printing products, it is not common for the manufacturers and their customers to enter into long term agreement establishing minimum purchase amount. Hallmark provides us with non-binding forecasts to indicate their supply needs for certain products, but it has no obligation to place purchase orders with us pursuant to such forecasts since these forecasts are non-binding. Orders are confirmed by placing purchase orders with us, which set out product specifications, quantity, price and delivery details, etc.. Our Directors confirm that, there had not been any material shortfall between the forecasts provided by Hallmark and the actual purchase orders placed by Hallmark with us during the Track Record Period. Credit period of Hallmark is 30 days after shipment. For the purpose of purchase orders, depending on whether licence from brand owners is required, we may also enter into triparty framework agreements with Hallmark and the relevant brand owners for the licence for the right to produce products bearing trademark(s), concepts, ideas and artwork of the relevant brand owners. Such framework agreements may set forth general terms that govern each purchase order, duration, quality and code of conduct. No minimum purchase amount is prescribed in such agreements as our orders are confirmed by individual purchase orders, some of which are based on the non-binding forecasts provided by Hallmark.

In addition to the above, we enter into several other agreements with Hallmark, including code of conduct agreement, confidential disclosure agreement and security agreement for digital material including lettering fonts. Pursuant to the code of conduct agreement, we agreed to, among others, comply with the terms and conditions of the supplier code of conduct of Hallmark, which sets out that we will allow full and open access by Hallmark or any third party audit firm representing Hallmark to conduct announced or unannounced audit under Hallmark's code of conduct, including the ability to interview employees in private, on-site or off-site, and to maintain and make available for inspection and copying during an audit, a full and accurate set of documents for the previous 12 months. Pursuant to the confidential disclosure agreement, we agreed that, subject to certain restrictions, all disclosures made by a group company of Hallmark, its affiliates and subsidiaries, agents and employees, to our Group shall be received and retained by our Group as confidential trade secrets, and the disclosures may not be used by our Group, or disclosed to others through any act or omission by our Group, except with the prior written consent of the group company of Hallmark, its affiliates and subsidiaries, agents and employees. Pursuant to the security agreement for digital material including lettering fonts, we agreed that we will not use the proprietary fonts, scanned sources, templates, resource files and other digital material or files accessed via Hallmark's group companies' digital archives for any purpose or on any product any time in the future other than what which is designated by Hallmark's group companies or pursuant to a licence from it. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group (i) had passed all the annual audits conducted by Hallmark and had not received any complaints of material non-compliance with its protocol from Hallmark; and (ii) had not incurred any material liability or assumed any material expenses arising from complaints, claims or legal actions brought by Hallmark in relation to these requirements, products manufactured and sold to Hallmark, and the aforementioned agreements.

We determine the prices of the products supplied to Hallmark based on the pricing guideline agreed between us and Hallmark, which sets out the basis for determining prices of cards and envelops. Such pricing guideline comprises four aspects, namely raw material (i.e. paper), component, assembly and post-press processes. For raw material and component, we add a mark-up rate on top of the material purchase costs; if the supplier of component is designated by Hallmark, we adopt a mark-up rate pre-agreed by Hallmark. For assembly and post-press processes, the pricing guideline specifies the prices of each of the assembly and post-press processes, which have already taken into account the cost and mark-up margin. We review the pricing guideline annually based on cost accounting reports and profit performance, while revision is subject to negotiation with Hallmark. During the Track Record Period, there were two pricing guideline revisions which took effect in mid-2016 and the fourth quarter of 2018.

Reliance on Hallmark

It is our Group's strategy to conduct business with customers with an established brand name, good reputation and creditworthiness. Our Directors consider that this would enhance our overall business performance and reputation. Hallmark had been our largest customer during the Track Record Period. Revenue derived from our sales to Hallmark amounted to HK$326.9 million, HK$479.9 million, HK$437.7 million, HK$201.0 million and HK$254.9 million respectively, representing 36.9%, 44.4%, 37.6%, 39.5% and 45.1% of our revenue for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively, for the corresponding period. The increase between FY2016 and FY2017 was primarily due to (i) increase in sales quantity pursuant to the 2017 Additional Orders from Hallmark for FY2017 (as defined in "Financial Information – Profitability during the Track Record Period – Analysis of our profitability – (C) Undertaking of orders with lower profit margin in order to optimise production capacity utilisation after decrease in purchase orders for tabletop games from one of our major customers in 2017"); and (ii) increase in average unit selling price. While the decrease for FY2018 was primarily due to decrease in sales quantity pursuant to the completion of the 2017 Additional Orders and the increase between 6M2018 and 6M2019 was primarily due to the increase in market demand for seasonal greeting cards products from Hallmark. For FY2016, FY2017, FY2018, 6M2018 and 6M2019, we derived 97.2%, 97.5%, 97.6%, 97.0% and 98.3%, respectively, of our total revenue from our greeting cards from Hallmark. For details of our concentration risks, see "Risk Factors – Our largest customer accounted for over 30% of our total revenue during the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be materially and adversely affected.".

Although Hallmark accounted for more than 30% of our revenue during the Track Record Period, our Directors are of the view that we will be able to control the risk of any potential reliance on Hallmark, and the contribution of Hallmark taken as a whole would not adversely affect our business operation or our financial performance based on the following reasons:

(i) Valued business partner and mutual benefits

Our Group has maintained the business relationship with Hallmark since 2002. This has enabled us to accumulate an in-depth understanding of the quality requirements of Hallmark. Based on our understanding of Hallmark's requirement and long-established relationship, we tailor-made an automated greeting cards assembly line for Hallmark. Such assembly line replaced some manual labour processes and reduced the labour involved, and therefore enhanced the cost-effectiveness and efficiency of the production processes. We believe that the above give our Group a competitive edge to secure orders from Hallmark on an ongoing basis. As evidenced by the continuous purchase orders placed by Hallmark, our Directors believe that our Group and Hallmark have cultivated mutual understanding, trust and ease of communication and operation over the years. Our Directors are of the view that Hallmark is a valued business partner and believe we have established a strategic relationship with mutual benefits. Our Directors believe that there is no compelling reason for Hallmark to end its business relationship with us. Our Directors also consider that sales on an order basis with Hallmark enables our Group to negotiate more flexible pricing terms than those of long-term contracts.

(ii) A relatively diverse customer base, and will continue to diversify our customer base in the tabletop games and educational items segments

We have established stable relationships with other major customers for the sale of tabletop games and educational items. For FY2016, FY2017, FY2018, 6M2018 and 6M2019, our revenue derived from the sales to our other major customers, namely Customer B, Mattel, Customer D and Customer E in aggregate amounted to HK$286.6 million, HK$289.1 million, HK$376.1 million, HK$145.0 million and HK$157.4 million, respectively, representing 32.3%, 26.8%, 32.4%, 28.5% and 27.8% of our revenue for the corresponding period. Our years of business relationships with these major customers range from approximately eight to 18 years as at the Latest Practicable Date. With our diverse customer base across different industries and solid manufacturing and printing experience and expertise, we believe that we can leverage our stable business relationships with various other major customers to further diversify our customer base in different industries.

Leveraging our Group's track record and experience in the paper product manufacturing and printing industry, we will continue to expand our customer base by strengthening our reputation as well as to establish preliminary contact with our potential customers. According to the CIC Report, between 2014 and 2018, the export value of greeting cards, tabletop games and educational items grew steadily from USD2,044.8 million to USD2,404.8 million, and is expected to continue to increase, reaching USD2,806.6 million by 2023. Considering the considerable market size of our major products, we believe that we will be able to find other customers and achieve comparable sales of that with Hallmark in the event of any material adverse change to our business relationship with Hallmark. Furthermore, although we ranked first in the paper-based tabletop games products and related products manufacturing market in the PRC, and second in the paper-based greeting cards manufacturing market in the PRC, both in terms of export value in 2018, according to the CIC Report, our market share was only 2.7% and 8.1%, respectively. We believe that there is room for increase in our market share. Even though there may be short-term adverse impact to our revenue, we believe that we will be able to find alternative customers and sustain our revenue in the event of any material adverse change to our business relationship with Hallmark.

(iii) Our manufacturing and printing capabilities are transferable to serve other customers

Although we have tailor made automated card game production lines and an automated greeting card assembly line for certain of our OEM customers, our other production machines, such as printing presses, are not specifically designed to cater solely for Hallmark or our other top five customers. In the unlikely event that our Group fails to secure new orders from Hallmark, or any of our major customers, our Group shall be able to serve other existing customers and new customers by allocating our production capacity. Our Directors are of the view that, provided that our Group has sufficient production capacity, our existing production facilities, employee's skills and production skills can be transferred to serve other potential new customers and satisfy their needs.

SEASONALITY

Seasonal fluctuations exist in our manufacturing and printing services. The demand for our services is generally higher in the second half of the year when our customers generally place orders to us to meet their sales demand mainly for Thanksgiving, Christmas and New Year holidays. Sales in the second half of a financial year generally accounted for over 50.0% of our revenue for the year.

PRICING

Our customers usually approach us and request for our quotations for printing services. In determining the selling prices, we take into account the following factors: (i) our business relationship with the relevant customers; (ii) the purchase volume by the relevant customers; (iii) the complexity of the products; (iv) cost of raw material and labour; (v) expected delivery schedule; and (vi) the history of payment of the relevant customers. Depending on our Group's bargaining power, we generally determine the price of our products and services on an order-by-order basis and adopt a cost-plus approach to set the unit prices of our products. Under this cost-plus pricing method, we add together certain direct costs, such as costs of raw materials and components, staff cost, subcontracting costs (if any), and a target profit margin. We also consider prices offered by our competitors, and may offer price adjustment on a case by case basis, to enhance our price competitiveness. See "– Sales and marketing – Our relationship with Hallmark" for details of our pricing arrangement with Hallmark.

Our pricing policies generally do not allow any adjustment to prices after a purchase order has been placed by our customers.

RAW MATERIALS AND PROCUREMENT

Raw materials

For FY2016, FY2017, FY2018 and 6M2019, purchases of raw materials for production of our products constituted our largest direct manufacturing costs, which amounted to HK$296.5 million, HK$387.5 million, HK$425.5 million and HK$190.4 million, representing 48.2%, 48.1%, 48.3% and 47.1% of our total cost of sales, respectively.

The following table sets out the breakdown of our cost of sales during the Track Record Period:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Raw materials	**296,458**	**48.2**	**387,478**	**48.1**	**425,514**	**48.3**	**183,625**	**45.9**	**190,363**	**47.1**
• Paper	123,971	20.1	169,938	21.1	199,325	22.6	86,201	21.6	88,882	22.0
• Auxiliary accessories	105,040	17.1	133,229	16.6	127,701	14.5	52,636	13.2	53,308	13.2
• Ink	9,328	1.5	10,765	1.3	10,574	1.2	4,905	1.2	5,739	1.4
• Others *(Note 1)*	58,119	9.5	73,546	9.1	87,914	10.0	39,883	9.9	42,434	10.5
Staff cost	141,427	23.0	177,507	22.1	207,943	23.6	96,628	24.2	92,288	22.8
Subcontracting fees	70,977	11.5	130,990	16.3	122,560	13.9	54,239	13.6	73,564	18.2
Depreciation	26,535	4.3	24,351	3.0	26,345	3.0	13,816	3.4	13,264	3.3
Utilities	15,643	2.5	16,281	2.0	18,184	2.1	8,543	2.1	8,392	2.1
Factory overhead	8,950	1.5	10,848	1.4	12,447	1.4	6,077	1.5	7,321	1.8
Others *(Note 2)*	55,332	9.0	56,512	7.1	67,919	7.7	36,729	9.3	18,926	4.7
Total	615,322	100.0	803,967	100.0	880,912	100.0	399,657	100.0	404,118	100.0

Notes:

(1) Others raw materials mainly comprise glue, packing materials, glitter, hot stamping materials and other miscellaneous materials.

(2) Others comprise consumables used, and testing fees, change in inventory position, technical maintenance support, VAT taxes and other miscellaneous expenses.

Our principal raw materials include paper and auxiliary accessories, which are semi-finished goods purchased from suppliers to incorporate mainly in certain products. We purchase raw materials, including paper, mainly from the PRC, the U.S. and Taiwan. The following table sets out the breakdown of our cost of raw materials included in cost of sales by geographical locations of delivery from suppliers during the Track Record Period:

	FY2016		**FY2017**		**FY2018**		**6M2019**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	236,222	79.7	307,545	79.4	373,640	87.8	164,589	86.5
U.S.	17,549	5.9	29,118	7.5	25,467	6.0	16,161	8.5
Taiwan	19,302	6.5	22,385	5.8	558	0.1	27	0.0
Others *(Note)*	23,385	7.9	28,430	7.3	25,849	6.1	9,586	5.0
	296,458	100.0	387,478	100.0	425,514	100.0	190,363	100.0

Note: Others include Germany, France, Japan, Hong Kong and Switzerland.

Among our principal raw materials, purchase cost of paper represented 20.1%, 21.1%, 22.6% and 22.0% of our total cost of sales, respectively, for FY2016, FY2017, FY2018 and 6M2019. The following table sets out the breakdown of our cost of paper included in cost of sales by geographical locations of manufacturing during the Track Record Period:

	FY2016		**FY2017**		**FY2018**		**6M2019**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
PRC	81,372	65.6	108,505	63.8	140,242	70.4	55,380	62.3
U.S.	17,953	14.5	30,993	18.2	26,609	13.3	17,355	19.5
Taiwan	19,600	15.8	25,071	14.8	25,593	12.8	13,567	15.3
Others *(Note)*	5,046	4.1	5,369	3.2	6,881	3.5	2,580	2.9
	123,971	100.0	169,938	100.0	199,325	100.0	88,882	100.0

Note: Others primarily include Germany and Japan.

Our major suppliers of paper in the PRC, U.S. and Taiwan include paper mills and paper trading companies. For details of our major suppliers, see "– Suppliers". Although our major production facilities are located in the PRC, we also source paper from U.S., Taiwan and other countries primarily due to requests from our customers to purchase specific brands of paper, and we sourced such brands directly from the paper mills and manufacturers. During the Track Record Period, our average procurement cost of paper from the U.S. was higher than our average procurement cost of paper from the PRC. Our average procurement cost of paper from Taiwan was higher than average procurement cost from the PRC for FY2016 and FY2017, but was lower than the same for FY2018. According to the CIC Report, the average market price of printing paper used in the manufacturing market of paper-based printing products (being the major type of paper sourced by our Group) from the PRC exhibited an increasing trend from 2016 to 2018 which led to a corresponding increase in our average procurement cost of paper from the PRC during the Track Record Period. The PRC remained and is expected to remain our main country of procurement of paper since (i) the average market price of printing paper used in the manufacturing market of paper-based printing products from the PRC is lower compared with the U.S. and Taiwan according to the CIC Report; (ii) with the geographical proximity of our suppliers of paper with our production facilities, we are able to save time, transportation costs and lower the risk of delay and interruptions to our production schedule caused by delay of delivery due to import/export procedures; and (iii) we have established relatively stable business relationships with our suppliers of paper in the PRC, and the quality of paper purchased from these suppliers have been accepted by our customers.

Other raw materials used in our production also include ink, printing plates and packaging materials. For a sensitivity analysis of our Group's cost of paper and auxiliary accessories, see "Financial Information – Key factors affecting our results of operations – Cost of raw materials". We formulate safety stock levels of frequently-used materials and materials with long order lead time, so as to ensure a sufficient inventory level of materials. For details, see "– Inventory management".

Procurement

We are generally responsible for sourcing and purchasing materials required for our production, except for certain customers which require us to purchase semi-finished products from them, or require us to purchase raw materials from their designated suppliers for the production of their products due to their specific requirements on raw materials and production management. During the Track Record Period, we purchased (i) paper from Supplier D at the request of Hallmark, and (ii) packaging materials from one of our major customers. For details, see "– Sales and marketing – Our major customer who is also our supplier". As at the Latest Practicable Date, we had a supply chain team comprising 229 staff, of which 27 staff are under our sourcing and purchasing team and are mainly for sourcing and purchasing raw materials and components.

Subject to our customers' specific requirements, we endeavour to work with FSC/CoC certified paper suppliers to ensure the paper purchased and used in our production of products for such customers are in compliance with applicable standards of environmental care and social responsibility. We have been assessed and our products are certified as meeting the requirements of Chain-of-Custody by SGS Hong Kong Limited.

We generally purchase raw materials and components from suppliers on our approved suppliers' list. We select our suppliers based on, among others, their production quality, quality control system, product safety standard, capability, code of conduct, service and price competitiveness. To become our approved vendors, potential suppliers have to go through our comprehensive vendor audit process, during which they are assessed based on, among others, overall conditions and background information, such as scale of operations, production facilities, certifications and production process control.

As we generally purchase paper on a back-to-back basis upon receipt of orders from our customers based on our customers' requests, the purchase prices of paper are generally subject to market prices. We from time to time monitor the fluctuation in paper prices for the purpose of preparing quotations to our customers. Save in circumstances when we are required by our customers to purchase raw materials from their designated suppliers for the production of their products, we generally obtain quotations from suppliers and compare and negotiate the prices and other conditions.

We do not rely on any single supplier for any type of principal raw material. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material shortage of, or material difficulties in procuring raw materials or components, and we had not experienced any significant delay in delivery of raw materials or components by our suppliers causing material disruption or delay to our production.

For the hypothetical sensitivity analysis on the impact of changes in our cost of inventories sold on our profit for FY2016, FY2017, FY2018 and 6M2019, see "Financial Information – Key factors affecting our results of operations – Cost of raw materials".

We had not adopted any arrangement to hedge any fluctuation in the price of our products and raw materials during the Track Record Period and up to the Latest Practicable Date.

SUPPLIERS

Our suppliers mainly include suppliers of paper and auxiliary accessories. For FY2016, FY2017, FY2018 and 6M2019, purchases from our five largest suppliers accounted for 24.6%, 23.5%, 31.8% and 35.5% of our total purchases, respectively, and purchases from our largest supplier accounted for 6.5%, 7.7%, 9.7% and 11.3% of our total purchases, respectively for the corresponding periods. All of our five largest suppliers during the Track Record Period were Independent Third Parties. None of the Directors, their close associates or any Shareholders (which to the knowledge of our Directors owned more than 5% of the issued share capital of our Company) had any interest in our five largest suppliers during the Track Record Period.

The following tables set out details of our five largest suppliers during the Track Record Period:

For FY2016

Rank	Supplier's name	Background	Key raw materials supplied to us	Business relationship since	Credit terms	Purchases from the supplier	
						HK$'000	*% of total purchases*
1	Dongguan Ruifeng Paper Company Limited* (東莞市瑞峰紙業有限公司)	A company established in the PRC, which principally engages in the sales of paper, packaging and printing materials	Paper	2010	30 days after monthly statement	21,416	6.5
2	Sky Brave Plastic Factory	An entity incorporated in Hong Kong with factory located in the PRC and approximately 170 employees for FY2018, which principally engages in the production of plastic products	Plastic components	2010	30 days after monthly statement	17,316	5.2
3	Supplier C	A company whose shares are listed on the Taiwan stock exchange, which primarily engages in the production and sales of paper products	Paper	2013	Letter of credit	16,065	4.9
4	Supplier D	A company whose shares are listed on the New York stock exchange, which engages in the manufacture of premium writing, text, cover, specialty and private watermark papers	Paper	2012	Letter of credit	13,777	4.2
5	Supplier E	A company established in the PRC, which principally engages in the sales of paper products	Paper	2011	30 days after monthly statement	12,761	3.8
					Total:	**81,335**	**24.6**

For FY2017

Rank	Supplier's name	Background	Key raw materials supplied to us	Business relationship since	Credit terms	Purchases from the supplier	
						HK$'000	*% of total purchases*
1	Dongguan Ruifeng Paper Company Limited* (東莞市瑞峰紙業有限公司)	A company established in the PRC, which principally engages in the sale of paper, packaging and printing materials	Paper	2010	30 days after monthly statement	32,936	7.7
2	Supplier C	A company whose shares are listed on the Taiwan stock exchange, which primarily engages in the production and sale of pulp and paper products	Paper	2013	Letter of credit	19,922	4.7
3	Dongguan Senhe Paper Company Limited (東莞市森和紙業有限公司)	A company established in the PRC, which principally engages in the production and sale of paper products	Paper	2011	30 days after monthly statement	16,569	3.9
4	Supplier G	A subsidiary of a company whose shares are listed on the Helsinki stock exchange, which principally engages in the production of paper, pulp and plywood	Paper	2014	Letter of credit	15,716	3.7
5	Supplier D	A company whose shares are listed on the New York stock exchange, which engages in the manufacture of premium writing, text, cover, specialty and private watermark papers	Paper	2012	Letter of credit	14,970	3.5
					Total:	**100,113**	**23.5**

For FY2018

Rank	Supplier's name	Background	Key raw materials supplied to us	Business relationship since	Credit terms	Purchases from the supplier	
						HK$'000	*% of total purchases*
1.	Dongguan Ruifeng Paper Company Limited* (東莞市瑞峰紙業有限公司)	A company established in the PRC, which principally engages in the sale of paper, packaging and printing materials	Paper	2010	30 days after monthly statement	43,276	9.7
2.	IPI international Paper Industry Limited	A company incorporated in Hong Kong, which principally engages in the wholesale distribution of printing and writing paper	Paper	2017	within 90 days after monthly statement	39,761	8.9
3.	Dongguan Senhe Paper Company Limited (東莞市森和紙業有限公司)	A company established in the PRC, which principally engages in the production and sale of paper products	Paper	2011	30 days after monthly statement	24,437	5.5
4.	Supplier D	A company whose shares are listed on the New York stock exchange, which engages in the manufacture of premium writing, text, cover, specialty and private watermark papers	Paper	2012	Letter of credit	20,397	4.5
5.	Supplier G	A subsidiary of a company whose shares are listed on the Helsinki stock exchange, which principally engages in the production of paper, pulp and plywood	Paper	2014	Letter of credit	14,460	3.2
					Total:	**142,331**	**31.8**

For 6M2019

Rank	Supplier's name	Background	Key raw materials supplied to us	Business relationship since	Credit terms	Purchases from the supplier	
						HK$'000	*% of total purchases*
1.	Dongguan Ruifeng Paper Company Limited* (東莞市瑞峰紙業有限公司)	A company established in the PRC, which principally engages in the sales of paper, packaging and printing materials	Paper	2010	30 days after monthly statement	21,672	11.3
2.	IPI international Paper Industry Limited	A company incorporated in Hong Kong, which principally engages in the wholesale distribution of printing and writing paper	Paper	2017	within 90 days after monthly statement	18,132	9.4
3.	Supplier D	A company whose shares are listed on the New York stock exchange, which engages in the manufacture of premium writing, text, cover, specialty and private watermark papers	Paper	2012	Letter of credit	12,311	6.4
4.	Dongguan Senhe Paper Company Limited (東莞市森和紙業有限公司)	A company established in the PRC, which principally engages in the production and sale of paper products	Paper	2011	30 days after monthly statement	8,428	4.4
5.	Samson Paper (Shenzhen) Company Limited (森信紙業(深圳)有限公司)	A subsidiary of a company whose shares are listed on the Hong Kong Stock Exchange, which principally engages in paper trading and paper manufacturing	Paper	2009	60 days after monthly statement	7,632	4.0
					Total:	**68,175**	**35.5**

Our relationship with our five largest suppliers range from approximately two to 10 years as at the Latest Practicable Date. The credit periods offered by our major suppliers range from letter of credit to 90 days after monthly statement. In most scenarios, we settle our suppliers' invoices by bank transfer in RMB and USD. During the Track Record Period, we generally paid our five suppliers by telegraphic transfer, bank transfer, letter of credit and/or cheque.

We typically purchase raw materials for our production through purchase orders to suppliers. Our purchase orders generally set out the key terms and conditions of each transaction, including the pricing terms, specification of the raw materials, quantity and delivery schedule. Such purchase orders are generally placed by email, and are legally binding once accepted by the suppliers. Once the purchase order is placed and accepted, the terms of purchase order will not be amended or supplemented without mutual consent.

We do not enter into any long-term contract with supply obligations with our suppliers and place purchase orders directly with our suppliers. We generally purchase paper and other raw materials and components for our production based on the orders we receive from our customers, after taking into account our current inventory level, delivery schedules and quantity, and anticipated sales demand. Our purchase orders to suppliers generally include terms such as the products or materials required with specifications, quantity, delivery date and delivery address.

SUBCONTRACTORS

We outsource certain of our production processes to subcontractors, including printing, die-cutting and assembling for cost-effectiveness and to supplement our production capacity during peak seasons. Our major subcontractors are located in Dongguan and Shanwei, Guangdong Province and Jiangxi Province, the PRC, which are relatively close to our Dongguan Factory. For die-cutting and assembly, which are relatively labour-intensive production processes, we outsource such production processes as our Directors consider that it is not cost-effective to expand our workforce significantly to handle limited production processes, and therefore it is more cost-effective and time-efficient to engage subcontractors for these production processes. Taunus Printing was a subsidiary of one of our subcontractors until we acquired them in 2018. In view of the continuing trade war between the U.S. and the PRC, during the Track Record Period, we have outsourced some production processes of certain greeting cards products to subcontractors in Vietnam and engaged them to perform end-to-end production since June 2019 to diversify our operational risks.

We select our subcontractors based on, among others, their locations, reliability, price, code of conduct and production quality. We enter into long-term framework subcontracting agreement without any purchase obligations with certain of our subcontractors setting out payment terms and rights and obligations of the parties, such as our right to send staff to the relevant production facilities for supervision and guidance. We may also enter into agreements with subcontractors setting out, among others, subcontracting fees by hourly rate, discretionary bonus to be paid by us for high production efficiency, and insurance costs to be borne by us for work injuries of certain staff. We generally engaged subcontractors based on our needs. We generally obtain quotations from subcontractors and compare and negotiate the prices and conditions of each subcontracting order for new products on a job-by-job basis with reference to the prevailing market terms and conditions and the delivery schedule of the order. Subcontracting orders are confirmed by purchase orders, which generally set out the subcontracting process needed, quantity, date of delivery, payment terms, unit price and total price. We generally supply the raw materials used by our subcontractors to maximise our control over the quality and cost of the products subcontracted to subcontractors. In addition, to ensure the quality of our subcontracted works, we send our staff, such as production management, quality control and engineering staff, to the site of our subcontractors to support and monitor their production process. Furthermore, we perform quality inspections on the semi-finished/finished products processed by our subcontractors before further using them in our production process and/or delivering the finished products to our customers.

For FY2016, FY2017, FY2018 and 6M2019, we engaged over 40, 50, 40 and 45 subcontractors, and the subcontracting fees amounted to HK$71.0 million, HK$131.0 million, HK$122.6 million and HK$73.6 million, respectively, representing 11.5%, 16.3%, 13.9% and 18.2% of our cost of sales, respectively. Our five largest subcontractors accounted for 85.9%, 76.1%, 84.9% and 85.4% of our total subcontracting fees for FY2016, FY2017, FY2018 and 6M2019, respectively, and the total fees paid to our largest subcontractor accounted for 47.9%, 34.9%, 29.4% and 37.9% of our total subcontracting fees, respectively, during the same periods. Among the five largest subcontractors we engaged during the Track Record Period, we have established one to 10 years of business relationship with them as at the Latest Practicable Date.

All subcontractors engaged by us during the Track Record Period and up to the Latest Practicable Date are Independent Third Parties. Our Directors confirmed that none of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owned more than 5% of the issued share capital of the Company) had any interest in any of our five largest subcontractors during the Track Record Period.

We and the Sole Global Coordinator have entered into a cornerstone investment agreement with Mr. Yeung Kam Chung, who operates with his father, the business of Longnan County Zhenghong Packaging Colour Printing Company Limited* (龍南縣正虹包裝彩印有限責任公司), one of our five largest subcontractors during the Track Record Period, pursuant to which Mr. Yeung has agreed to, subject to certain conditions, subscribe for at the Offer Price for a certain number of Offer Shares. See "Our cornerstone investors" for details.

The following tables set out details of our five largest subcontractors during the Track Record Period:

For FY2016

Rank	Subcontractor's name	Background	Key services provided to us	Business relationship since	Credit terms	Purchases from the subcontractor	
						HK$'000	*% of total subcontracting fees*
1	Longnan County Zhenghong Packaging Colour Printing Company Limited* (龍南縣正虹包裝彩印有限責任公司)	A company established in the PRC with registered capital of US$1.26 million and approximately 600 employees for FY2018, which principally engages in the provision of packaging, assembly and printing services	Assembly for semi-finished products	2011	30 days after monthly statement	33,976	47.9

Rank	Subcontractor's name	Background	Key services provided to us	Business relationship since	Credit terms	Purchases from the subcontractor	
						HK$'000	*% of total subcontracting fees*
2	Sky Brave Plastic Factory	An entity incorporated in Hong Kong with factory located in the PRC and approximately 170 employees for FY2018, which principally engages in the production of plastic products	Assembly for semi-finished products with plastic components	2010	60 days after monthly statement	7,789	11.0
3	Subcontractor A	A company incorporated in Hong Kong which primarily engages in wholesaling of belts, clothing accessories, handbags, travel bags and luggages	Acting as agent and refer subcontractors to Company to conduct assembly work for semi-finished products	2014	30 days after monthly statement	7,467	10.5
4	Enmei Printing (Hong Kong) Co., Limited	A company incorporated in Hong Kong with production site in the PRC and approximately 80 employees for FY2018, and principally engages in provision of paper product printing and packaging services	Printing	2014	30 days after monthly statement	6,544	9.2
5	Dongguan Yongyi Packaging Paper Company Limited* (東莞市永億包裝紙品有限公司)	A company established in the PRC with subscription capital contribution of RMB0.5 million and approximately 400 employees for FY2018, and principally engages in processing and selling of paper packaging products	Hot stamping, assembly and packaging	2014	30 days after monthly statement	5,150	7.3
					Total:	60,926	85.9

For FY2017

Rank	Subcontractor's name	Background	Key services provided to us	Business relationship since	Credit terms	Purchases from the subcontractor	
						HK$'000	*% of total subcontracting fees*
1	Longnan County Zhenghong Packaging Colour Printing Company Limited* (龍南縣正虹包裝彩印有限責任公司)	A company established in the PRC with registered capital of US$1.26 million and approximately 600 employees for FY2018, which principally engages in the provision of packaging, assembly and printing services	Assembly for semi-finished products	2011	30 days after monthly statement	45,694	34.9
2	Dongguan Yongyi Packaging Paper Company Limited* (東莞市永億包裝紙品有限公司)	A company established in the PRC with subscription capital contribution of RMB0.5 million and approximately 400 employees for FY2018, and principally engages in processing and selling of paper packaging products	Hot stamping, assembly and packaging services	2014	30 days after monthly statement	22,239	17.0
3	Taunus Printing (HK) *(Note)*	A company incorporated in Hong Kong with production site in the PRC and principally engages in the provision of packaging, assembly and printing services	Printing	2009	30 days after monthly statement	15,017	11.4
4	Enmei Printing (Hong Kong) Co., Limited	A company incorporated in Hong Kong with production site in the PRC and approximately 80 employees for FY2018, and principally engages in provision of paper product printing and packaging services	Printing	2014	30 days after monthly statement	9,642	7.4

Rank	Subcontractor's name	Background	Key services provided to us	Business relationship since	Credit terms	Purchases from the subcontractor	
						HK$'000	*% of total subcontracting fees*
5	Subcontractor A	A company incorporated in Hong Kong which primarily engages in wholesaling of belts, clothing accessories, handbags, travel bags and luggages	Acting as agent and refer subcontractors to Company to conduct assembly for semi-finished products	2014	30 days after monthly statement	7,091	5.4
					Total:	99,683	76.1

For FY2018

Rank	Subcontractor's name	Background	Key services provided to us	Business relationship since	Credit terms	Purchases from the subcontractor	
						HK$'000	*% of total subcontracting fees*
1	Longnan County Zhenghong Packaging Colour Printing Company Limited* (龍南縣正虹包裝彩印有限責任公司)	A company established in the PRC with registered capital of US$1.26 million and approximately 600 employees for FY2018, which principally engages in the provision of packaging, assembly and printing services	Assembly for semi-finished products	2011	30 days after monthly statement	36,070	29.4
2	Dongguan Yongyi Packaging Paper Company Limited* (東莞市永億包裝紙品有限公司)	A company established in the PRC with subscription capital contribution of RMB0.5 million and approximately 400 employees for FY2018, and principally engages in processing and selling of paper packaging products	Hot stamping, assembly and packaging services	2014	30 days after monthly statement	30,149	24.6

Rank	Subcontractor's name	Background	Key services provided to us	Business relationship since	Credit terms	Purchases from the subcontractor	
						HK$'000	*% of total subcontracting fees*
3	Lufeng Yingcai Paper Products Processing Factory* (陸豐市瑩彩紙製品加工廠)	A company located in Guangdong province with investment amount of RMB50,000 and principally engages in the provision of assembly work for semi-finished products	Assembly for semi-finished products	2013	5 days within monthly statement	13,859	11.3
4	Taunus Printing (HK) *(Note)*	A company incorporated in Hong Kong with production site in the PRC and principally engages in the provision of packaging, assembly and printing services	Printing	2009	30 days after monthly statement	12,574	10.3
5	Enmei Printing (Hong Kong) Co., Limited	A company incorporated in Hong Kong with production site in the PRC and approximately 80 employees for FY2018, and principally engages in provision of paper product printing and packaging services	Printing	2014	30 days after monthly statement	11,423	9.3
					Total:	104,075	84.9

For 6M2019

Rank	Subcontractor's name	Background	Key services provided to us	Business relationship since	Credit terms	Purchases from the subcontractor	
						HK$'000	*% of total subcontracting fees*
1.	Dongguan Yongyi Packaging Paper Company Limited* (東莞市永億包裝紙品有限公司)	A company established in the PRC with subscription capital contribution of RMB0.5 million and approximately 400 employees for FY2018, and principally engages in processing and selling of paper packaging products	Hot stamping, assembly and packaging	2014	30 days after monthly statement	27,858	37.9

Rank	Subcontractor's name	Background	Key services provided to us	Business relationship since	Credit terms	Purchases from the subcontractor	
						HK$'000	*% of total subcontracting fees*
2.	Longnan County Zhenghong Packaging Colour Printing Company Limited* (龍南縣正虹包裝彩印有限責任公司)	A company established in the PRC with registered capital of US$1.26 million and approximately 600 employees for FY2018, which principally engages in the provision of packaging, assembly and printing services	Assembly for semi-finished products	2011	30 days after monthly statement	17,251	23.5
3.	Enmei Printing (Hong Kong) Co., Limited	A company incorporated in Hong Kong with production site in the PRC and approximately 80 employees for FY2018, and principally engages in provision of paper product printing and packaging services	Printing	2014	30 days after monthly statement	6,712	9.1
4.	Lufeng Yingcai Paper Products Processing Factory* (陸豐市瑩彩紙製品加工廠)	A company located in Guangdong province with investment amount of RMB50,000 and principally engages in the provision of assembly work for semi-finished products	Assembly for semi-finished products	2013	5 days within monthly statement	6,701	9.1
5.	Right Source Manufacturing Limited (正誠工業有限公司)	A company incorporated in Hong Kong with production site in Vietnam and principally engages in toy product manufacturing services with printing and other secondary processing capabilities	Assembly for semi-finished products	2018	30 days after monthly statement	4,299	5.8
					Total:	**62,821**	**85.4**

Note: We acquired a wholly-owned subsidiary of Taunus Printing (HK), namely Taunus Printing, in March 2018. After such acquisition, Taunus Printing became an indirect wholly-owned subsidiary of our Company.

For FY2016, FY2017, FY2018 and 6M2019, subcontracting fees paid by our Group or sales to Taunus Printing (including the intragroup sales in FY2018) accounted for 0.3%, 22.1%, 95.8% and 97.1% of the revenue of Taunus Printing, respectively. The general increase was primarily due to increase in our subcontracting arrangements as a result of our business growth, and the increase in the utilisation rates of our Dongguan Factory which exceeded 100%. In FY2016, FY2017 and the three months ended March 2018 prior to the acquisition of Taunus Printing on 21 March 2018, our Group outsourced parts of the production processes such as printing, die-cutting, and assembly work to Taunus Printing according to our Group's product specifications and customer requirements. Apart from our Group, Taunus Printing had several other customers for FY2016, FY2017, FY2018 and 6M2019. Based on the market research conducted by CIC, the average subcontracting fees charged by our five largest subcontractors were comparable to such fees charged by subcontractors in the manufacturing market of paper-based tabletop games, greeting cards and educational items.

Save for the business relationships disclosed herein and our relationships with Taunus Printing (for details, see "– Production – Production sites and facilities – Acquisition of Heshan Factory"), our Group, our Shareholders, Directors, senior management members and any of their respective associate have no past or present relationships (including, without limitation, employment, business or other relationships) with any of our Group's five largest subcontractors, their respective shareholders/beneficial owners, directors or senior management members.

During the Track Record Period, we had not experienced any difficulties in procuring services from subcontractors, and we had not encountered any material delay in the provision of services by our subcontractors which caused material disruption to our operations. With these stable business relationships with our subcontractors and our experiences of transactions with them, we do not foresee any imminent risk of their failure to provide the subcontracting services to our Group. In addition, given there are numerous factories engaging in printing, die-cutting and assembling in Dongguan and Heshan, our Directors are of the view that we will not encounter any major difficulty in engaging substitute subcontractors on similar terms if we fail to secure these subcontractors to provide the subcontracting services to us.

INVENTORY MANAGEMENT

Our inventory mainly comprise raw materials, work-in-progress and finished goods. As at the Latest Practicable Date, our warehouses are located at our Dongguan Factory and Heshan Factory. Records on inventory movement are required to be updated on time in our MRP System and we review the inventory level on regular basis, and closely monitor and control our inventory levels of raw materials to ensure smooth supply for production. We have taken measures at our warehouses, such as fire safety, to ensure the quality and safety of our inventory.

We have an inventory management policy in place to monitor and maintain our inventory levels with the aim of optimising the inventory carrying cost and working capital level. We formulate safety stock levels of frequently-used materials and materials with long order lead time, so as to ensure a sufficient inventory level of materials. Such inventory levels are reviewed from time to time based on the actual usage, production schedule and sales forecast. We manage our inventory of frequently-used paper, which is the key raw material used in our production, taking into account market prices, our internal forecasts of paper price and the production schedule. We generally purchase paper on a back-to-back basis upon receipt of orders from our customers based on the customers' request and we may purchase additional paper to fulfil sudden or urgent orders or in anticipation of any significant increase in price.

We purchase other raw materials and components according to customers' orders. We arrange material delivery to our warehouses mainly according to our production schedule so that the materials are available just in time. Transactions, status and stock levels of materials are all recorded in the MRP System. Purchases of raw materials must be authorised by and approved by our management depending on the volume and amount, and recorded in our inventory management system. We store our finished products in our warehouses before delivering them to customers according to their fulfillment schedule.

In order to minimise our inventory carrying costs and the use of our working capital, we strive to maintain optimal inventory levels. We carry out physical inventory counts regularly for better control and management of inventories to ensure the accuracy and completeness of stock-in and stock-out information on record. For FY2016, FY2017, FY2018 and 6M2019, inventory allowance amounted to HK$2.5 million, HK$1.3 million, HK$1.5 million and HK$0.1 million, respectively was provided. Our average inventory turnover days for FY2016, FY2017, FY2018 and 6M2019 were approximately 34 days, 35 days, 35 days and 36 days, respectively.

DELIVERY AND LOGISTICS

We generally deliver our products (i) by sea and/or air freight to the designated locations specified by the customers to most of our overseas customers; and (ii) by road transit to the warehouses or other locations designated by the customers in the PRC directly through road transit logistics companies which are all Independent Third Parties. We engage delivery companies to deliver our products, and to reduce our capital investments in developing and maintaining an in-house logistics system. The risks relating to transportation and delivery of products are also transferred to the delivery companies. Orders are shipped door-to-door directly to the addresses designated by our customers around the world. As at the Latest Practicable Date, we entered into service contracts with eight road transit logistics companies; and three international courier companies.

For our overseas sales, we deliver our products through shipment primarily on a FOB basis. Under such arrangement, we are responsible for arranging the delivery of our products from our production facilities to specified departure ports in the PRC. Title and risks of our products pass to our customers when the products are on board of the vessel. For sales in the PRC, we generally deliver our products from our warehouses to the warehouses or locations specified by our customers. Title and risks of our products pass to our customers when the products are delivered to the destinations.

We enter into service agreements with road transit logistics companies for a term ranging from two years to over three years. We generally bear the risk of loss or damage relating to the transportation and delivery of our products unless the loss or damage is resulted from the fault of the road transit logistics companies, and in that case the road transit logistics companies shall indemnify us for the loss or damage incurred. In addition, if the products under transit were lost or damaged, and if such loss is not covered by any insurance policy, the road transit logistics companies would indemnify us for the loss. We also enter into service agreements with international courier companies. Depending on the agreement, (i) we enjoy discount if our transaction with the relevant courier company exceeds a certain amount; and (ii) the relevant courier company would bear the loss.

To mitigate the risks associated with transportation by third-party logistics service providers, we maintain insurance policies covering certain road transit, and air and sea freight to insure the losses or damages relating to the transportation and delivery of our products that are not attributable to our fault.

For FY2016, FY2017, FY2018 and 6M2019, our transportation expenses amounted to HK$32.7 million, HK$50.1 million, HK$52.2 million and HK$23.6 million, respectively. The cost of delivery services is generally reflected in the price that we charge to our customers. We mainly take into consideration the urgency of the relevant purchase orders to decide whether sea or air freight is optimal for timely and cost efficient delivery. During the Track Record Period and up to the Latest Practicable Date, we had not (i) experienced any delays in product delivery which had a material adverse impact on us; and (ii) sustained any major loss or damage of goods resulting from product delivery. Furthermore, there are sufficient replacement courier companies that offer similar terms as our existing ones, and we do not anticipate any shortage in logistics services in the foreseeable future.

PRODUCT RETURNS AND WARRANTY

We are exposed to potential product liability claims in respect of the safety of our products purchased by the end users although consumers often sue the retailers only as a matter of convenience and due to the fact that the end users often know only the retailers but not the other parties in the chain of sale. Our Directors consider that the risk of potential product liability claim is relatively low in view of the nature of our products. In order to protect our Group from product liability claims, we maintain product liability insurance for certain of our products, and according to the requirements of our OEM customers.

We recognise the importance of providing quality services and have put in place procedures to ensure that feedback from customers is handled in a timely and appropriate manner. As a general policy, we accept any product returns made due to defects caused by us and bear the costs of such products returned to us after conducting investigation to ascertain the cause of the defect. Depending on the circumstances of each case, we may replace the defective products or may refund to our customer if the defect is caused by us. If we receive a defective product complaint from our OEM customer, we will conduct an investigation to ascertain the cause of the defect and may seek compensation from any third party supplier or subcontractor if they are at fault. For our web sales, our customers may report their feedback or request for returns by calling our customer services team, or by fax or email, who would then conduct preliminary investigation and analysis, and prepare a report, for our sales managers. Our sales managers are required to promptly analyse the reasons for returns and discuss with the quality assurance managers to determine proper solutions, including replacement or refund.

During the Track Record Period and up to the Latest Practicable Date, we did not (i) receive any fine, product recall order or other penalty from any regulatory body; (ii) receive any material product return request from our customers; (iii) incur any material warranty expenses for our products; (iv) receive any material complaints from our consumers; or (v) receive any requests from our customers to terminate the transactions which had a material adverse impact on us taken as a whole. For the risk of potential product liability to which we may be exposed, see "Risk Factors – Product defects resulting in a large-scale product recall or product liability claims against us could materially and adversely affect our business, results of operations and reputation."

RESEARCH AND DEVELOPMENT

We are dedicated to improving our technical knowledge and production capability. Our research and development functions can be categorised into two categories, namely research and development, and research and application. Our research and development function focuses on product development such as design of new products for our websites. Our research and development function may also provide product development services to our OEM customers which may cover paper mechanics to convert customers' product ideas from a simple graphic design or sketch into three-dimensional products with movable paper parts. Furthermore, we also provide printing solutions to our OEM customers, such as developing production tooling, machines or craftsmanship techniques to facilitate our production process so as to save production cost and enhance our product quality. We have applied for patents for some of our achievements from research and development function. Our research and development function also keeps itself abreast of technological advancement which may be applied for new production methodology for our products. Our research and application function focuses on the application of materials for production process, especially chemicals used during the production process, such as inks, glues and coating to enhance functional stability, cost-saving or to meet safety requirements. For instance, we developed a new mixture of chemicals including coating oils to be used for our production, and obtained a patent for such invention. For details, see "Statutory and General Information – B. Further Information About Our Business – 2. Material intellectual property rights – (c) Patents" in Appendix V to this prospectus. As at the Latest Practicable Date, our research and development department comprised 28 staff. For FY2016, FY2017, FY2018 and 6M2019, we incurred research and development expenses of HK$22.6 million, HK$23.6 million, HK$30.8 million and HK$13.6 million, respectively.

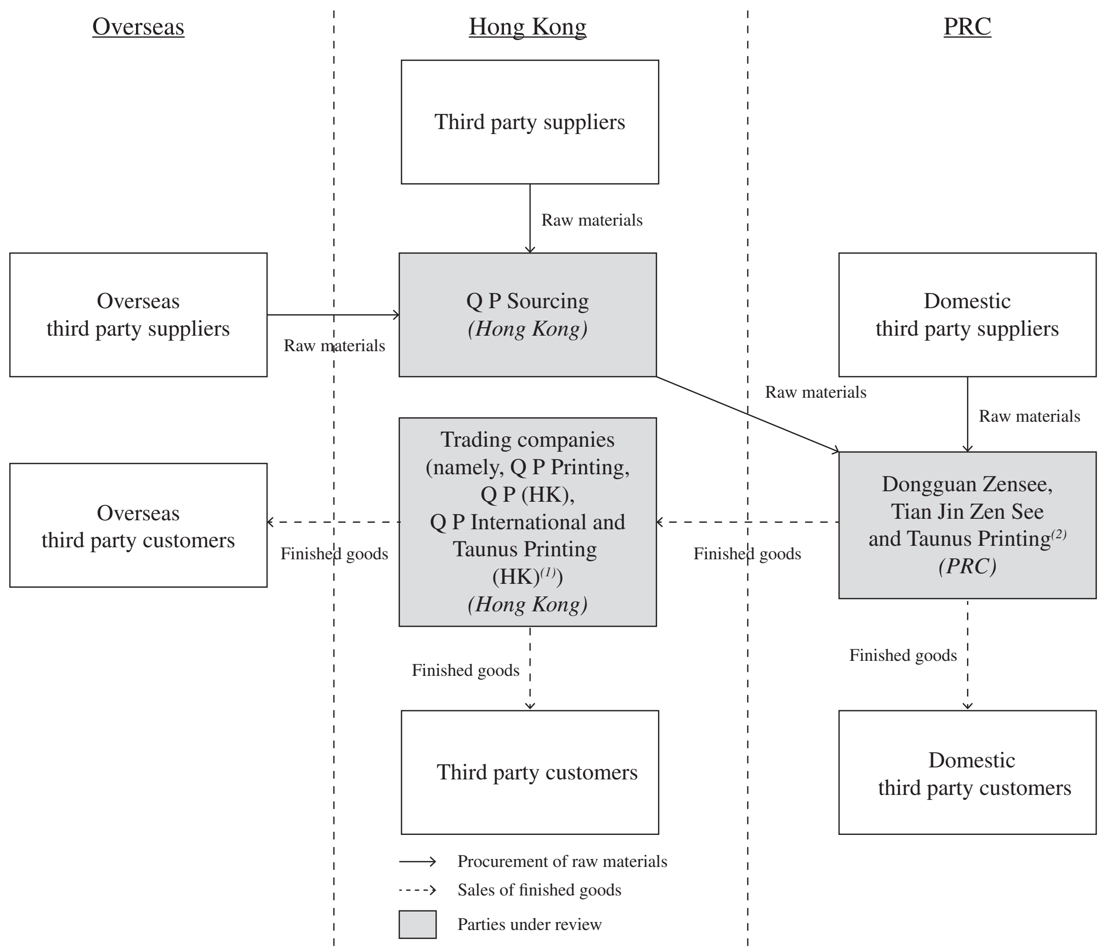
TRANSFER PRICING ARRANGEMENTS

Background

During the Track Record Period, our Group had three production factories in the PRC, namely (i) Dongguan Factory, our major production arm which was owned and operated by Dongguan Zensee; (ii) Tianjin Factory which was owned and operated by Tian Jin Zen See (which ceased operation in January 2019); and (iii) Heshan Factory which was owned and operated by Taunus Printing (collectively as the "**PRC Factories**"), which manufactured and sold the products mainly to Q P Printing, Q P (HK), Q P International and Taunus Printing (HK)[(1)] (collectively, the "**HK Trading Companies**"). The HK Trading Companies would then sell the products to overseas customers directly or through other related parties in Hong Kong.

The transactions

The flowchart below shows the business flow of our products among the parties under review during the Track Record Period:



Notes:

(1) Taunus Printing (HK) was the holder of the entire equity interest of Taunus Printing, which owns the Heshan Factory, prior to our acquisition in March 2018. Based on our Directors' understanding, before our acquisition, Taunus Printing (HK) and/or its other group company(ies) was also the trading company of Taunus Printing.

(2) Prior to our acquisition of Taunus Printing, Q P Sourcing was not a supplier of raw materials to Taunus Printing.

As illustrated above, the following transactions were regarded as our major intra-group transactions between group companies in the PRC and Hong Kong relating to our transfer pricing arrangements during the Track Record Period:

1. sales of raw materials from Q P Sourcing[(1)] to Dongguan Zensee and purchase of finished goods from Dongguan Zensee by Q P Printing, Q P (HK) and Q P International[(1)];

2. sales of raw materials from Q P Sourcing to Tian Jin Zen See and purchase of finished goods from Tian Jin Zen See by Q P (HK); and

3. sales of raw materials from Taunus Printing (HK)[(2)] and Q P Sourcing[(3)] to Taunus Printing and purchase of finished goods from Taunus Printing by Taunus Printing (HK)[(2)] and Q P Printing[(3)].

The major functions undertaken by the PRC Factories in the transactions include (i) production; (ii) quality control; (iii) procurement from domestic suppliers and HK Trading Companies; (iv) sales to domestic customers; (v) logistics and inventory management; and (vi) after-sales and warranty services. The major functions undertaken by the HK Trading Companies in the transactions include (i) procurement from overseas suppliers; (ii) sales to overseas customers; and (iii) logistics (out of the PRC).

We have adopted transfer pricing arrangements amongst our group companies to regulate intra-group transactions and have taken various measures to ensure our compliance with relevant transfer pricing laws and regulations in jurisdictions where we operate, including: (i) monitoring of implementation of internal control policy on tax-related matters; (ii) identification of updates on transfer pricing laws and regulations and assessment of related risks on our Group; and (iii) regular review on the transfer pricing policy and exposure.

Commercial rationale

Our Directors believe that such transactions enhance the effectiveness of our overall management and operations and avoid the concentration of our marketing and production functions into a single entity within our Group.

Notes:

(1) During the Track Record Period, Q P Sourcing sold raw materials to Dongguan Zensee and Q P Printing, Q P (HK) and Q P International purchased finished goods from Dongguan Zensee, while the import and export consignees were all in the name of Q P Printing.

(2) Taunus Printing (HK) was the holder of the entire equity interest of Taunus Printing, which owns the Heshan Factory, prior to our acquisition in March 2018. Based on our Directors' understanding, Taunus Printing (HK) and/or its other group company(ies) was also the trading company of Taunus Printing before our acquisition of Taunus Printing.

(3) During the Track Record Period, Q P Sourcing sold raw materials to Taunus Printing and Q P Printing purchased finished goods from Taunus Printing, while the import and export consignees were both in the name of Q P Enterprises.

Potential tax exposure

During the Track Record Period, the selling prices of our products to third party customers were determined based on a number of factors. For details, see "– Pricing". We determine the selling prices of the intra-group transactions described above, after taking into account their respective responsibilities for driving the economic activities, such as production and sales, to apportion reasonable profits amongst these entities according to their roles and functions within our Group and the costs incurred. For the selling prices of raw materials for intra-group transactions, we also took into account the cost of procurement of raw materials, while we generally adopted a cost-plus pricing method for the selling prices of finished goods for intra-group transactions.

In order to assess whether the sales between the trading companies in Hong Kong and PRC Factories were carried out on an arm's length basis, we engaged an independent tax consultant (the "**Tax Consultant**"), the tax department of an international auditing, tax and advisory firms, to review and evaluate our Group's transfer pricing arrangements in relation to the intra-group transactions described above by benchmarking the profit margin ranges derived from companies comparable to the PRC Factories during the Track Record Period. The Tax Consultant has performed a function and risk analysis on our relevant group companies involved, and the transactional net margin method is selected as the most appropriate transfer pricing method and full cost mark up ("**FCMU**") as the profit level indicator in performing the benchmarking studies to test the arm's length nature of the above transactions following the relevant transfer pricing laws and regulations in Hong Kong and the PRC. The analysis result suggests that (i) the transfer pricing arrangements between the PRC Factories and the HK Trading Companies were carried out on an arm's length basis in a material respect from FY2016 to FY2018; and (ii) with the consideration of the business factors and transfer pricing regulatory environment in the PRC, the practical risk that the transfer pricing arrangements between the PRC Factories and HK Trading Companies would be challenged by the PRC tax authorities solely based on the financial positions of 6M2019 is not considered as high.

Our Directors, after considering the analysis result and reviewing the transfer pricing reports prepared by the Tax Consultant, are of the view that our Group is in compliance with the applicable transfer pricing laws and regulations in Hong Kong and the PRC in all material respect during the Track Record Period.

Measures to ensure on-going compliance

Our Group's transfer pricing arrangements are part of a normal trading operation where a transaction price needs to be established. We have implemented a general policy in this area to follow the arm's length principle and to achieve an arm's length outcome. Our management had been and will continue to closely monitor our Group's transfer pricing arrangements including reviewing the reasonableness of the pricing policy of our intra-group transactions from time to time.

Our Directors confirmed that as at the Latest Practicable Date, there were no enquiry, audit or investigation by any tax authority in the PRC or Hong Kong with respect to the transfer pricing arrangements carried out by our Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our operations and facilities are subject to environmental laws and regulations in the PRC, including Environmental Protection Law of the PRC. For details, see "Regulatory Overview – Laws and regulations in the PRC – Relating to environmental protection".

There is no significant discharge of pollutants during production process. Nevertheless, certain wastes such as scrap materials generated from wasted papers, ink and thinner are discharged during our production process. We believe that it is crucial to comply with the relevant environmental laws and regulations for our long-term development and success. Any non-compliances of the environmental laws and regulations not only may subject our Group to penalties but also harm the environment in an irreversible way. Any penalty imposed by the relevant authorities may have an adverse impact on our financial position and create a negative corporate image on us, which may affect our future development.

Our Directors believe that responsible manufacturing practices is an important value of our Group. Accordingly, we have been pursuing an environmentally sustainable approach, as well as proper consideration of our social and economic responsibilities to the wider community. We are accredited with ISO 14001, ISO 50001, FSC/CoC certification and China Environmental Label relevant to environmental protection. Our Group has adopted policy which provides detailed guidelines on our Directors' responsibilities in monitoring our Group's strategy on the environmental, social and governance aspects. In particular, an environmental, social and governance sub-committee will regularly report to our Directors of any material issues. Our Directors confirm that upon Listing, they will closely monitor and ensure strict compliance of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and all relevant rules and regulations in relation to the environmental, social and governance aspects.

We have also implemented other policies in ensuring our compliance of all relevant environmental laws and regulations, including policies on aspects including paper usage, discharge of hazardous materials, discharge of sewage and treatment of waste gas, which aims to define the roles and responsibilities of our Directors in ensuring that our Group is able to comply with the relevant environmental laws and regulations. Set out below are some of the key procedures which have been adopted by our Group during the Track Record Period:

Reduction of paper usage

Paper is the principal raw material in our production and we also use papers for other administrative aspects of our operation. We have implemented a paper reduction programme which contains the following practices:

- Use of FSC/CoC certified paper in our production, as we have been assessed and our products are certified as meeting the requirements of Chain-of-Custody by SGS Hong Kong Limited;

- Use of environment-friendly paper during our production process;
- Engagement of qualified recyclers for recycling of our paper wastes produced in our production process;
- Promotion of paper reduction strategies, such as reusing and recycling of paper; and
- Adoption of electronic system for filing and documentation.

In addition, scrap materials are generated during our production from remaining paper parts which cannot be reused. The amount of scrap materials generated generally increases with our consumption of paper in our production. We endeavor to have all non-hazardous waste either recycled, re-used or disposed of in compliance with the national laws and regulations. During the Track Record Period, our scrap materials were mainly sold to companies which engage in the business of recycling of scrap materials. Our sales of scrap materials generated a portion of our other income during the Track Record Period, which amounted to HK$5.1 million, HK$8.4 million, HK$13.8 million and HK$5.2 million for FY2016, FY2017, FY2018 and 6M2019, respectively. See "Financial information – Description of selected items in consolidated statements of profit or loss – Other income, net" for details.

Discharge of hazardous materials

Ink is another essential raw material in our printing process. During the Track Record Period, we incurred approximately HK$9.3 million, HK$10.8 million, HK$10.6 million and HK$5.7 million on the cost of ink for FY2016, FY2017, FY2018 and 6M2019, respectively. See "Financial Information – Description of selected items in consolidated statements of profit or loss – Cost of sales" for details. Further, thinner is used for the dilution of ink in our printing process. The contamination of water with ink we used in our production process and the use of thinner may be hazardous to our staff or the environment in general. As such, we have adopted the following policies to reduce the impact for the use of such materials to the environment:

- Use of soybean oil-based ink in our printing presses for our production. Compared to the traditional solvent-based ink, the soybean oil-based ink is more environmentally friendly as it (i) substantially reduces the emission of volatile organic compound (VOC) to the atmosphere during the production process; (ii) is a renewable and biodegradable material; and (iii) is relatively easier to be removed during the recycling process. The Group will continue to use soybean oil-based ink going forward;
- Cleaning of the parts of the printing presses contaminated with color ink regularly;
- Installation of water purifying and recycling machines in our factories to process water contaminated with ink or other hazardous materials; and
- Encouragement of the use of non-hazardous and environmentally friendly raw materials in our production processes.

Recycling, Reuse and Discharge of sewage

We wash our printing presses and other machines from time to time and effluent is generated during the process as the water might be contaminated with ink, thinner, toner or other materials. We have adopted the following practices in recycling, reusing and discharging the effluent:

- Installation of water reuse and recycling systems in our factories to recycle water discharged from our production;
- Use of separate containers for storage and engage qualified third party to handle hazardous chemicals;
- Engagement of the qualified supervising organisation to conduct annual inspection on the effluent discharged by our factories; and
- Prohibition of discharge of solid wastes into the water pipes.

Waste Gas Treatment

Gas pollutant emissions are generated from processes with high temperatures such as coating and lamination. Dusts may also be generated during our printing process. We have adopted the following procedures to ensure that the waste gas emissions comply with national and regional waste gas emission standards:

- Monitoring of gas pollutant emissions against their respective regulatory maximum limits;
- Installation of waste gas treatment devices and ventilation system for purification of the waste gas;
- Regular inspection of waste gas treatment devices and ventilation system of our factories; and
- Arrangement of annual inspection of the waste gas treatment devices by qualified external organisations.

During the Track Record Period, we engaged waste management companies to handle dangerous and toxic wastes, such as ink and thinner, discharged during our production process. We incurred approximately HK$1.7 million, HK$1.0 million, HK$5.8 million and HK$3.9 million for FY2016, FY2017, FY2018 and 6M2019, respectively, to ensure compliance with applicable laws and regulations relating to environmental protection. We expect the annual compliance cost of compliance with applicable laws and regulations relating to environmental protection to remain comparable to such cost during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any environmental complaint or administrative penalties with respect to environmental violations which would have a material adverse impact on our business operations. Our PRC Legal Advisers are of the opinion that according to the written confirmations provided by the relevant competent environmental authorities of PRC and public online search on the relevant websites of PRC environmental authorities, save as disclosed in "– Legal compliance and proceedings – Non-compliance incidents", no administrative penalties have been found to be imposed on us for the violation of PRC environmental laws and regulations during the Track Record Period.

Social Responsibility

Operating ethically is a fundamental principle and we believe that our employees are important assets to our Group. Our goal is to provide employees with resources and an environment that encourages them to develop careers with us. We strive to provide a safe working environment to our employees. We have implemented work safety guidelines for all our employees which set out our work safety policies and promote safety on work sites. We offer remuneration packages to our employees, including discretionary bonuses and place significant emphasis on internal promotion as a means of offering long-term career development and performance incentives to our employees. We have a training centre which focuses on planning and implementing comprehensive training and continuing professional development programmes for different levels of staff so as to cater for the long-term development of our Group and our staff. For details, see "– Employees".

Governance

Our Group aims to build long-lasting relationships with our business partners, so we can share and meet each other's expectations. We consider our suppliers an integral part of our business and expect our suppliers to share our high expectations on ethical and sustainable practices. To ensure raw material and components meet quality and safety standards, we have implemented a supplier management and certification program, whereby we conduct supplier assessment before qualifying new suppliers. We also continuously monitor our existing suppliers through a monthly performance index, which rates the supplier in terms of its quality, safety, delivery and responsiveness. Our subcontractors have also gone through our supplier assessment process being qualifying as our subcontractors.

Our Group also views business integrity as the framework of our long-term development. Without it, we cannot build long-term relationships with our customers and suppliers, or the mutual trust of our employees. We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. Our internal control system and procedures are designed to meet our specific business needs and to minimise our risk exposure. We have adopted enhanced policies to strengthen our internal governance. For details, see "– Internal control and corporate governance measures".

OCCUPATIONAL HEALTH AND WORK SAFETY

Our business operations in the PRC are subject to various laws and regulations relating to occupational health and work safety. For details, see "Regulatory Overview – Laws and regulations in the PRC – Relating to production safety".

We have implemented safety measures at our production sites and established guidelines for work safety and occupational health safety covering fire, warehouses, facilities, electricity and emergency procedures to minimise the risk of injury of employees. We maintain a general register with records of accidents and dangerous occurrences, and have installed fire safety equipment. We require our staff to possess necessary knowledge of occupational, health and work safety through internal induction training programme, regular refresher training and thematic training on specific safety topics. Besides, we arrange staff to attend external safety licence training such as fire safety and lift operation to ensure those staff possess the skills required by the safety licence authorities. We are also accredited with OHSAS 18001 for our conformity to international occupational health and safety management system specifications. For details, see "– Certifications and awards". As advised by our PRC Legal Advisers, according to the written confirmations provided by the relevant competent production safety authorities of PRC and public online search on the relevant websites of production safety authorities, during the Track Record Period, no administrative penalties have been found to be imposed on us for violation of relevant work safety laws and regulations.

During the Track Record Period, certain employees had claimed against us for compensation for personal injury caused during the course of their employment, however, none of such claims could have a material adverse effect on our financial conditions and results of operations. For FY2016, FY2017, FY2018 and 6M2019, our expenditure in connection with the compliance with the relevant laws and regulations in respect of occupational health and work safety responsibility amounted to approximately HK$1.0 million, HK$1.7 million, HK$7.2 million and HK$3.5 million, respectively.

Fire incident during the Track Record Period

On 20 July 2017, a fire occurred in a warehouse of our Dongguan Factory located in Dongguan Zhangmutou Dongshan Industrial Zone Guanlin Electronics Factory (東莞市樟木頭東山工業區冠林電子廠). The incident destroyed the warehouse and all the finished good stored therein but had not resulted in any injury of staff or damage of books and accounting records of our Group. Our Group's production processes and order deliveries had not been materially affected by the fire incident. The warehouse had a GFA of 4,116.66 sq.m. which was leased by our Group from an Independent Third Party.

The Dongguan Public Security Fire Bureau Zhangmutou Brigade* (東莞市公安消防局樟木頭大隊) conducted an investigation into this incident and issued a report on 7 September 2017 (the "**Report**"). The Report stated that the fire was caused by short circuit in the storage area of finished products, which ignited sparks and caused fire to the inflammable products nearby. The estimated loss on finished goods was HK$14.9 million, which was covered by our insurance policies. Based on our inventory system which enables us to track the movement and location of our inventory, we were able to estimate the value of the inventory stored in the relevant warehouse. We also conducted stock take on our other warehouse in Dongguan Factory, and compared the value of such inventory against our record on overall inventory, in order to ensure the accuracy of the estimated loss on finished goods. Except for an administrative penalty amounting to RMB30,000 imposed on Dongguan Zensee, no criminal liability and/or other administrative penalty was imposed on any member of our Group or any of its directors. After the incident, we enhanced our fire prevention equipment in our factory buildings, including but not limited to installing sprinklers, fire-proof doors, fire hydrant boxes, fire hydrants and smoke ventilation systems. In addition, we engaged a qualified fire safety system company, which is an Independent Third Party, to conduct site visit and review our facilities in order to identify areas of high risk of fire. We also installed a smoke detection system which allows remote monitoring of the relevant facilities.

Our PRC Legal Advisers are of the opinion that, according to the written confirmations provided by the relevant competent fire protection authorities of PRC and/or public online search on the relevant websites of PRC fire protection bureaus, during the Track Record Period, saved for the above disclosed, no administrative penalties have been found to be imposed on us for the violation of relevant fire protection laws and regulations.

Our Directors confirm that there were no incident that resulted in death or serious injury of our employees during the Track Record Period. Although we have maintained insurance policy relating to our production facilities and the safety of our employees working in our production plants, there is no assurance that our insurance policies will be adequate to cover all losses incurred in the event of an incident or other unexpected event in the future. In such event, if the coverage of our existing insurance policies is not adequate, our financial condition and results of operations may be materially adversely affected. For the associated risks, see "Risk Factors – Risks relating to our business – Our insurance coverage may not be adequate.".

INFORMATION TECHNOLOGY

We rely on our integrated IT systems to support the important aspects of our business. As at the Latest Practicable Date, we had two sets of information systems in place, namely MES and the MRP System, which were developed by ourselves.

Our MRP System and MES support the daily operations of our Group by gathering data related to order processing, engineering, procurement, material and production planning, production, quality control, delivery, inventories and finance. The systems also enable us to monitor the operational processes and order status real time, which allow transparency and facilitate management of our operation.

Our MRP System regulates our supply chain and financial management, collects and combines data in relation to procurement of raw materials, production, product delivery and inventories. Our MES supports production and materials tracking which allows us to trace the use of raw materials in production and check the production status of each purchase order we receive. All of the operational information can be monitored in real time and updated through our MRP System and MES, which allow transparency and control of our production processes. These systems are managed by our information technology team, which comprised 49 staff as at the Latest Practicable Date.

Q P (SZ) is responsible for supporting our websites, including the development of our websites and online personalisation and design features, online ordering management and automatic imposition processes for digital printing. Linking up online ordering and manufacturing management, the websites feature online personalisation and ordering functions and enable automatic imposition processes for digital printing. The websites are integrated with our MRP System so that the online orders are processed with minimal human effort.

In 2019, Q P Printing was awarded the Certificate of Industry 4.0 Maturity Recognition for achieving a maturity level 1i Real Time Information Generation (equivalent to a Maturity Level 3 of the acatech Industry 4.0 Maturity Model) for its achievement in having real-time information in the digital production shop floor for playing card business including web to print operation, production processes including cutting, priming, digital printing, coating and kitting.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material malfunction of our IT systems.

As part of our business strategies, we intend to leverage our technological capabilities and upgrade our IT infrastructure. For details, see "– Our business strategies – Leverage our technological capability to capture more business opportunities in Internet retailing and upgrade our IT infrastructure" and "Future Plans and Use of Proceeds".

EMPLOYEES

As at the Latest Practicable Date, our Group had a total of 2,617 full-time employees based in Hong Kong, the PRC and the U.S.. Set out below is the breakdown of our employees by function and geographical locations:

Function	PRC	Hong Kong	U.S.	Total number of employees
Corporate administration and management	162	18	–	**180**
Engineering	127	–	–	**127**
Executive management	–	6	–	**6**
Information technology	45	4	–	**49**
Laboratory	36	1	–	**37**
Production	1,787	–	1	**1,788**
Quality	85	–	–	**85**
Research and development	20	8	–	**28**
Sales and marketing	66	22	–	**88**
Supply chain	228	1	–	**229**
Total	**2,556**	**60**	**1**	**2,617**

We offer our staff remuneration that includes salary and other benefits. For FY2016, FY2017, FY2018 and 6M2019, our staff cost amounted to HK$221.3 million, HK$262.6 million, HK$313.1 million and HK$154.0 million, respectively.

We are subject to laws and regulations in the PRC relating to our employees. For details, see "Regulatory Overview – Laws and regulations in the PRC – Relating to employment and social securities". During the Track Record Period, we failed to open housing provident fund accounts and make sufficient contributions of social insurance and housing provident funds for our employees as required under the applicable PRC laws and regulations. For further details, see "Business – Legal compliance and proceedings – Non-compliance incidents".

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material strike or labour dispute with our employees, receive any complaints, notices or orders from relevant government authorities or third parties, or experience any claims relating to social insurance or housing provident funds, which would have a material adverse impact on our operations.

We strive to provide a safe working environment to our employees. We have implemented work safety guidelines for all our employees which set out our work safety policies and promote safety on work sites.

Recruitment

We believe that our employees are important assets to our Group. Our goal is to provide employees with resources and an environment that encourages them to develop careers with us. We offer remuneration packages to our employees, including discretionary bonuses. When we make hiring decisions, we take into account factors such as our development strategies, expansion plans, industry trends and labour market environment. We place significant emphasis on internal promotion as a means of offering long-term career development and performance incentives to our employees. We employ employees through advertisements and referrals, taking into account of the candidates' qualifications, competence, work experience, initiative and work ethic.

Training

We have a training centre which focuses on planning and implementing comprehensive training and continuing professional development programmes for different levels of staff so as to cater for the long-term development of our Group and our staff. With the aim of helping them to understand our Group's philosophy, acquiring essential skills and knowledge and achieve their full potential, we organise a variety of training programmes to serve different training needs, which include the induction programme for new staff, training on operational knowledge and skills, cross-departmental training, management training and staff development training.

LABOUR DISPATCH PROVIDERS

Although we rely primarily on our own work force for business operations, we also engaged labour dispatch providers during the Track Record Period for additional staff during peak seasons, who were primarily responsible for assisting with on-site manual craftsmanship. We ceased to engage labour dispatch providers in February 2018 primarily due to our acquisition of Taunus Printing, which owns the Heshan Factory, in March 2018, which had its own production staff. Given that the number of our production staff increased after the acquisition of Taunus Printing, our Directors are of the view that such labour of Taunus Printing will be adequate and sustainable. We usually provide training and assign simple work to dispatched workers. We also arrange for our staff to oversee the production process to ensure compliance with our quality control measures. For FY2016, FY2017, FY2018 and 6M2019, the costs for dispatch labour amounted to HK$1.5 million, HK$6.7 million, HK$3.5 million and nil, respectively, accounting for 0.2%, 0.8%, 0.4% and nil of our total cost of sales for the corresponding period.

We generally enter into short-term labour dispatch agreements with our labour dispatch providers for the provision of services in accordance with the agreements from time to time and on an as-need basis. The table below sets forth some of the major terms which may be included in the labour dispatch agreements:

Duration	:	Around four months
Labour dispatch fees	:	The labour dispatch agreements specify that labour dispatch fees include predetermined remuneration to each of dispatched worker during the dispatch period.
Insurance contributions	:	The labour dispatch provider is required to enter into labour contracts with dispatched workers, and is responsible for making insurance contributions for the dispatched workers.
Settlement	:	Remuneration to dispatched workers is paid by Dongguan Zensee to the dispatch workers directly on a monthly basis. Labour dispatch fees to the labour dispatch provider is paid by Dongguan Zensee in a lump sum on a monthly basis by wire transfer. Employment contracts are entered into between the labour dispatch provider and the dispatch workers, and dispatch workers are the employees of the labour dispatch provider. There is no employer/employee relationship between Dongguan Zensee and dispatch workers. The labour dispatch provider is also responsible for the insurance payment of their dispatch workers.
Responsibility of workplace safety	:	We are responsible for providing training and work safety protective gear to dispatched workers. We are responsible for work-related injuries suffered by dispatched workers.

Our PRC Legal Advisers advised that we were not found to have violated relevant laws and regulations applicable to labour dispatched arrangement in all material respects during the Track Record Period.

We had not experienced any material labour dispute arising from our use of dispatched workers during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY RIGHTS

We rely on our trademarks and other intellectual property rights, including domain names and patents, which are owned and registered by us. As at the Latest Practicable Date, we were the registered owner of six trademarks in Hong Kong, four trademarks in each of the U.S. and the European Union, and 10 trademarks in the PRC, respectively, including "Q P Group", "MPC", "CREATE JIGSAW PUZZLES", "BOARD GAMES MAKER", "Printer's STUDIO", "Gifthing" and "紀貝心", and six domain names, which, in the opinion of our Directors, are material to our business.

Our production know-how which brings improvements to our production process is also critical to our success. As at the Latest Practicable Date, we were the registered owner of six invention patents and two utility model patents in the PRC, which we consider to be material to our business. Details of our intellectual property rights, which are material to our business and operations, are set out in "Statutory and General Information – B. Further Information about our business – 2. Material intellectual property rights" in Appendix V to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property claim against us or experienced any dispute in relation to the infringement on our intellectual property rights. Our Directors believe that we have taken reasonable measures to prevent infringement of our intellectual property rights.

COMPETITION

We believe that the industry that we operate in is fragmented with a large number of local and overseas players, and competition within the industry is keen. We compete with manufacturers across the globe, which may be similar to us in terms of product range, pricing and quality. With the highly fragmented market, we may face an increasing number of competitors in our target markets and these competitors may have stronger financial resources, lower pricing and better business reputation than we do. For risks associated with business competition, see "Risk Factors – Risks relating to our industry – Our business is subject to intense competition, which may reduce demand for our products and materially and adversely affect our business, financial condition, results of operations and prospects.".

According to the CIC Report, (i) the manufacturing market of paper-based tabletop games products and related products in the PRC is highly fragmented, with the leading five companies taking up 7.9% of the total market in terms of export value in 2018, and we ranked first with a market share of 2.7%; and (ii) the manufacturing market of paper-based greeting cards in the PRC is relatively fragmented, with the leading six companies taking up 38.1% of the total market in terms of export value in 2018, and we ranked second with a market share of 8.1%.

Our Directors believe that our competitive strengths, established customer base and track record will set us apart from our competitors and continue to allow our Group to maintain our position as a long-established market player in the printing industry in the PRC. See "– Our competitive strengths" for details of our competitive strengths.

See "Industry Overview" for details of the competitive landscape of the industry that we operate in.

INSURANCE

In order to protect our Group from liability, we maintain insurance policies of a nature and amount that we consider adequate and in line with industry practice. We evaluate from time to time such policies based on our experience, industry developments and various considerations. We maintain insurance policies such as (i) social insurances in accordance with the relevant laws and regulations in the PRC, save for the non-compliance incidents disclosed in "– Legal compliance and proceeding – Non-compliance incidents"; (ii) labour compensation for our employees in Hong Kong; (iii) insurance policies that cover our major production facilities, main offices, equipment and machineries, etc., and damage caused by accidents and disasters such as fire; and (iv) product liability insurance for certain of our products.

We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice aligned with our needs and with industry practice. During the Track Record Period, a fire incident occurred, the losses of which had been covered by our insurance policies. We did not submit any other material insurance claims during the Track Record Period. For the risks associated with our insurance policies, see "Risk Factors – Risks relating to our business – Our insurance coverage may not be adequate.".

CERTIFICATIONS AND AWARDS

The following table sets out the awards received by us during the Track Record Period and up to the Latest Practicable Date:

Year of award	Award	Recipient	Awarding organisation(s)
2017	Supplier of the Year 2016	Q P Printing	Hallmark
2017	Champion of the 29th Hong Kong Print Awards (Stationery and Office Material Printing: Greeting/Invitation Card Printing)	Q P Printing	Graphic Arts Association of Hong Kong, Hong Kong Publishing Professionals Society, Hong Kong Trade Development Council, and Leisure and Cultural Services Department
2017	The 8th Hong Kong Outstanding Corporate Citizenship Logo	Our Group	Hong Kong Productivity Council
2018	The 9th Hong Kong Outstanding Corporate Citizenship Logo	Our Group	Hong Kong Productivity Council
2019	10 Years Plus Caring Company Logo	Q P Printing	The Hong Kong Council of Social Service

Year of award	Award	Recipient	Awarding organisation(s)
2019	Supplier of the year of 2018	Q P Printing	Hallmark
2019	Multiplier Enterprise (倍增企業)	Dongguan Zensee	Dongguan People's Government
2019	Learning Enterprise Award 智慧學習型企業獎	Our Group	The Professional Validation Council of Hong Kong Industries 香港工業專業評審局
2019	Certificate of Industry 4.0 Maturity Recognition – 1i Real Time Information Generation	Q P Printing	Fraunhofer Institute of Production Technology IPT and Hong Kong Productivity Council

The following table sets out the certifications received by us during the Track Record Period and up to the Latest Practicable Date:

Year of award	Certification	Validity period	Holder	Awarding organisation(s)
2017	High and New Technology Enterprise Certificate* (高新技術企業證書)	11 December 2017 to 10 December 2020	Dongguan Zensee	廣東省科學技術廳 Department of Science and Technology of Guangdong Province, 廣東省財政廳 Department of Finance of Guangdong Province, 廣東省國家税務局 Guangdong Provincial Office of the SAT and 廣東省地方税務局 Guangdong Local Taxation Bureau
2017	Chain-of-Custody certification	4 May 2017 to 3 May 2022	Dongguan Zensee	SGS Hong Kong Limited
2019	Record of Participation for conforming to the requirements of global security verification	3 December 2019 to 23 December 2020	Dongguan Zensee	Intertek
2018	中國環境標誌產品認證證書 (China Environmental Labelling Product Certification*)	11 January 2018 to 10 January 2021	Dongguan Zensee	中環聯合(北京)認證中心有限公司 (China Central (Beijing) Certification Center Co., Ltd.*)

Year of award	Certification	Validity period	Holder	Awarding organisation(s)
2018	FSC Chain-of-Custody certification	18 November 2018 to 22 November 2023	Taunus Printing	SGS Hong Kong Limited
2019	Record of Participation for conforming to the requirements of global security verification	12 November 2019 to 25 November 2020	Taunus Printing	Intertek
2018	OHSAS 18001:2007	3 October 2018 to 12 March 2021	Q P Printing	SGS Hong Kong Limited Systems & Services Certification
2019	GB/T23331-2012/ ISO50001:2011	1 February 2019 to 19 August 2021	Dongguan Zensee	SGS-CSTC Standards Technical Services Co., Ltd,.
2019	ISO 9001:2015	19 July 2019 to 18 July 2022	Q P Printing	SGS United Kingdom Ltd
2019	ISO 14001:2015	19 July 2019 to 18 July 2022	Q P Printing	SGS United Kingdom Ltd
2019	G7 Master Facility Targeted	1 August 2019 to 31 July 2020	Dongguan Zensee	Idealliance China
2019	G7 Master Facility Targeted	1 August 2019 to 31 July 2020	Taunus Printing	Idealliance China
2012	Certificate of Joint Validation by General Administration of China Customs and U.S. Customs and Border Protection	Since 27 April 2012	Dongguan Zensee	China-United States Joint Validation Team
2017	Recognition of achievement	Since 9 January 2017	Dongguan Zensee	Graphic Measures International
2019	Seal of Compliance with the requirements of the International Council of Toys Industry (ICTI) Ethical Toy Program	18 May 2019 to 17 May 2020	Dongguan Zensee	ICTI Ethical Toy Program

Year of award	Certification	Validity period	Holder	Awarding organisation(s)
2019	Seal of Compliance with the requirements of the International Council of Toys Industry (ICTI) Ethical Toy Program	8 September 2019 to 7 September 2020	Taunus Printing	ICTI Ethical Toy Program

RECENT TRADE WAR BETWEEN THE U.S. AND THE PRC

Since 2018, the U.S. government has imposed multiple rounds of additional tariffs on top of the normal tariff rates on certain products imported from the PRC into the U.S.. Responding to the U.S. additional tariffs, the PRC government has also imposed tariffs on certain products imported from the U.S. into the PRC.

Section 301 List 3 and Section 301 List 4 Additional Tariffs imposed by the U.S. government

The products which are subject to the additional tariffs imposed by the U.S. are set out in Section 301 List 3 and Section 301 List 4. As advised by our U.S. Legal Advisers, certain of our educational products including "memo pads", "planners" and "journals" are included in the Section 301 List 3, while certain of our greeting cards and tabletop games including "printed cards" and "table and parlour games" are included in the Section 301 List 4. The Section 301 List 3 Additional Tariff of 10% came into effect on 24 September 2018 and increased to 25% from 10 May 2019. The Section 301 List 4 Additional Tariff of 15% on the first part of the List 4 products came into effect on 1 September 2019. As at the Latest Practicable Date, the Section 301 List 3 Additional Tariff of 25% and the Section 301 List 4 Additional Tariff of 15% on the first part of the Section 301 List 4 products had been effective. Based on our comparison of the export codes set out in the PRC customs export declarations documents with the tariff lists published by the Office of the United States Trade Representative, assuming the tariffs were imposed at the beginning of the Track Record Period, we estimate that the products which would be subject to the Section 301 List 3 Additional Tariff and Section 301 List 4 Additional Tariff, in terms of our revenue, were as follows:

	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Section 301 List 3	30.4	34.7	26.3	17.0
Section 301 List 4	546.0	685.6	734.7	376.3
Total	576.4	720.3	761.0	393.3
% of our total revenue	65.0%	66.7%	65.5%	69.6%

According to the notice published by the Federal Register of the U.S. on 18 December 2019, the Section 301 List 4 Additional Tariff on the second part of the List 4 products, which was scheduled to be effective on 15 December 2019, were suspended until further notice. According to the press release published by the Office of the United States Trade Representative on 13 December 2019, the U.S. will be maintaining 25% tariffs on approximately US$250 billion of Chinese imports (including products on Section 301 List 3), along with 7.5% tariffs on approximately US$120 billion of Chinese imports (i.e. first part of the products on Section 301 List 4).

Based on our comparison of the export codes set out in the PRC customs export declarations documents with the tariff lists published by the Office of the United States Trade Representative, assuming the tariffs were imposed at the beginning of the Track Record Period, we estimate that the products which would be subject to (i) the Section 301 List 3 Additional Tariff was 25%; (ii) Section 301 List 4 Additional Tariff to the first part of the Section 301 List 4 products was reduced from 15% to 7.5%; and (iii) Section 301 List 4 Additional Tariff to the second part of the Section 301 List 4 products was not effective, in terms of our revenue, were as follows:

	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Section 301 List 3	30.4	34.7	26.3	17.0
Section 301 List 4	27.7	18.6	36.3	22.1
Total	58.1	53.3	62.6	39.1
% of our revenue	6.5%	4.9%	5.4%	6.9%

The following sensitivity analysis illustrates the theoretical maximum potential impact of U.S. additional tariff on the Group's revenue and net profit during the Track Record Period, assuming that (i) the Section 301 List 3 Additional Tariff was 25%; (ii) Section 301 List 4 Additional Tariff to both the first part and second part of the Section 301 List 4 products was 15%; (iii) such U.S. additional tariffs were imposed at the beginning of the Track Record Period; (iv) no measures were adopted to mitigate any impact arising from such U.S. additional tariffs and (v) the Group took up all such U.S. additional tariffs by way of price reduction negotiations with its customers for purchasing products subject to the U.S. tariffs:

	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in revenue	89,486	111,516	116,779	60,690
Decrease in net profit	70,901	92,638	98,519	47,059

The following sensitivity analysis illustrates the theoretical maximum potential impact of U.S. additional tariff on the Group's revenue and net profit during the Track Record Period, assuming that (i) the Section 301 List 3 Additional Tariff was 25%; (ii) Section 301 List 4 Additional Tariff to the first part of the Section 301 List 4 products was reduced from 15% to 7.5%; and (iii) Section 301 List 4 Additional Tariff to the second part of the Section 301 List 4 products was not effective with the other assumptions remain the same:

	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in revenue	9,666	10,080	9,296	5,901
Decrease in net profit	7,659	8,373	7,843	4,576

The increase in cost resulting from the additional tariffs is theoretically payable by our customers as our U.S. sales are on FOB basis. Nevertheless, the increased U.S. tariffs would render our products less price competitive to our customers in the U.S. and they may source their products elsewhere, which could adversely impact our revenue derived from the U.S.. See "– Recent trade war between the U.S. and the PRC – Immediate measures being adopted in response to the recent trade war between the U.S. and the PRC" for the immediate measures adopted or to be adopted by the Group.

Additional tariffs imposed by the PRC government

Since 2018 and up to the Latest Practicable Date, the PRC government has imposed the PRC Additional Tariff. For our raw materials imported from the U.S., most of them, for instance paper, are under processing trade which are bonded materials utilised for production of finished products exported. We process such raw materials and produce finished goods for export, and scrap arise during the production process, which are sold in the PRC. As advised by our PRC Legal Advisers, (i) the above imported materials from the U.S. which are processed in the PRC and all exported are not actually subject to tariff in the PRC and therefore are not affected by the PRC Additional Tariff; and (ii) the scrap which arise from such raw materials during the production process are exempted from the additional tariff imposed by the PRC on U.S. imported goods. The rest of our raw materials imported from the U.S. under general trade, mainly including greeting cards, wrapping paper, wooden boxes, polypropylene film, polypropylene plastic bags, coloured boards and coloured papers, are subject to the PRC Additional Tariff as advised by our PRC Legal Advisers. By comparing the tariff codes set out in the PRC customs import declarations documents for these raw materials with the tariff lists published by Customs Tariff Commission of the State Council (國務院關稅稅則委員會) to identify the products which are subject to the PRC Additional Tariff, we estimate that the PRC tariffs payable are not material to our financial performance.

Impact on our business arising from the recent trade war between the U.S. and the PRC

Since the outbreak of the trade war and up to the Latest Practicable Date, save for our agreement with two of our major customers, being Hallmark and Customer D, to share the U.S. additional tariffs at a pre-agreed percentage and our current negotiation with the remaining customers as to the portion of the increased U.S. tariffs to be borne by our Group, (i) we had not been requested by any of our major customers for price reduction or offer for discount to compensate for the increase in their purchase prices due to the imposition of the U.S. additional tariffs; (ii) we were not aware of any of our major customers reducing or ceasing to purchase from us; and (iii) we had not been notified by any of our major customers of its intention to reduce its purchase volume or to cease to purchase from us due to the potential impact of the U.S. additional tariffs on them.

For illustrative purpose only, the maximum potential impact of U.S. additional tariff on the Group's revenue and net profit would be HK$9.0 million and HK$7.0 million for FY2019, based on the Group's confirmed orders involving products imported from the PRC on a FOB basis and the additional tariffs which are imposed on the respective effective dates, assuming that (i) the Section 301 List 3 Additional Tariff would remain at 25%, the Section 301 List 4 Additional Tariff for the first part of the Section 301 List 4 products would remain at 15% and the Section 301 List 4 Additional Tariff for the second part of the Section 301 List 4 products would not be effective; (ii) no measures are adopted to mitigate any impact arising from such U.S. additional tariffs; and (iii) the Group takes up all such U.S. additional tariffs by way of price reduction negotiations with its customers for purchasing products subject to the U.S. tariffs. Our Directors believe that such impact on us would be reduced for FY2020 due to the implementation of the Immediate Measures.

Further, since the introduction of the Section 301 List 3 Additional Tariff in September 2018, our total revenue based on the destination of delivery to the U.S. amounted to approximately HK$639.9 million for the nine months from 1 October 2018 to 30 June 2019, compared with approximately HK$546.8 million for the corresponding period from 1 October 2017 to 30 June 2018, representing an increase of approximately 17.0%. Based on unaudited management accounts up to 30 November 2019, our Group also recorded a revenue growth of approximately 2.5% for the revenue based on the destination of delivery to the U.S. for the five months ended 30 November 2019 as compared to the corresponding period ended 30 November 2018.

Our Directors also believe that, the process of identifying a new paper product manufacturer could be a lengthy process since the customers may have to conduct various background and compliance checks, on-site visits, factory audits, negotiation on business terms and trial production before admitting such manufacturer as an approved supplier for production of their products. Furthermore, if subcontractors are engaged by such new manufacturer, additional time may be required for conducting further due diligence and testings in order to ensure the quality of such subcontractors as well. Accordingly, our Directors believe that, in the short run, the possibility that our major customers can immediately replace us with other manufacturers in light of the recent trade war between the U.S. and the PRC is remote.

In light of the above, our Directors consider that the latest development in the trade war had not and will not have any material adverse effect on both our Group's business operation and financial results as a whole up to the Latest Practicable Date and for FY2019.

Immediate measures being adopted in response to the recent trade war between the U.S. and the PRC

To minimise the potential impact of the U.S. additional tariffs on our business going forward, we have been adopting a series of immediate measures ("**Immediate Measures**") as set out below since 2018:

(i) ***Subcontracting the manufacture of products subject to U.S. tariffs outside the PRC:*** As an immediate measure we have been shifting production of our products which are subject to the U.S. additional tariffs to locations which are not subject to tariffs by engaging subcontractors outside the PRC. We have engaged and will continue to engage subcontractors with production facilities in Vietnam and Hong Kong to carry out production processes of our certain products.

(a) ***Immediate Measure 1A*** *– relocating end-to-end production of the majority of our principal products from the PRC to Vietnam by engaging subcontractors in Vietnam.*

Since October 2018, we have outsourced the assembly processes of some greeting card products to (i) one of our existing subcontractors who is an approved subcontractor of one of our major customers, Right Source Manufacturing Limited, ("**Vietnam Subcontractor A**"), which principally engages in toy product manufacturing services with printing and other secondary processing capabilities and operates a production facility in Vietnam and is one of our Group's five largest subcontractor for 6M2019; and (ii) another subcontractor in Vietnam ("**Vietnam Subcontractor B**"), which principally engages in provision of toy product manufacturing and packaging services with printing and other secondary processing. Our Directors confirm that, to the best of their knowledge after making reasonable enquiries, Vietnam Subcontractor A and Vietnam Subcontractor B are Independent Third Parties.

Since June 2019, we have further engaged Vietnam Subcontractor A and Vietnam Subcontractor B to perform end-to-end production of some greeting cards products for the U.S. market and will continue to relocate end-to-end production of our Group's products for the U.S. market to Vietnam ("**Vietnam Relocation Arrangement**"). Under such arrangement, our Group delivers raw materials mainly from the PRC, the U.S. and Taiwan to production sites of subcontractors located in Vietnam to perform end-to-end production of certain of our products for the U.S. market and exports the finished products from Vietnam to the U.S. directly. For details, see "– Recent trade war between the U.S. and the PRC – Relocation of production procedures upon implementation of Immediate Measures and Contingency Measure to shift our production outside the PRC" below.

During the period from July 2019 to the Latest Practicable Date, approximately 2.0% of our Group's revenue derived from the U.S. by destination of delivery was generated under the Vietnam Relocation Arrangement. We plan to further swift our end-to-end production of our principal products to Vietnam by placing more orders to Vietnam Subcontractor A for production of principal products for one of our major customers from January 2020 and expect that approximately 28.0%, 40.7% and 55.9% of our revenue derived from the U.S. by destination of delivery will be generated under the Vietnam Relocation Arrangement in January, June and December 2020. By comparing the average cost of production of our principal products produced by our Dongguan Factory and Heshan Factory with the quotations we have obtained for the same products from the selected subcontractors located in Vietnam, we estimated that additional costs of approximately HK$3.3 million will be incurred in FY2020.

As at the Latest Practicable Date, we have:

(i) sought legal advice from our U.S. Legal Advisers who opined that our products manufactured and exported under the Vietnam Relocation Arrangement will not be subject the U.S. tariffs under Section 301 upon importation into the U.S.;

(ii) informed our major customers (including Hallmark) in respect of the Vietnam Relocation Arrangement and received written/verbal approval or received no objection/disapproval in respect of such arrangement;

(iii) conducted site visit and due diligence on Vietnam Subcontractor A and Vietnam Subcontractor B before engagement to ensure that they have sufficient capacities and production facilities to meet our demand;

(iv) conducted meetings and discussions with the senior management and production staff of Vietnam Subcontractor A and Vietnam Subcontractor B to confirm the production flow and specifications;

(v) arranged our quality control staff to visit the production sites in Vietnam from time to time to monitor the quality of work of Vietnam Subcontractor A and Vietnam Subcontractor B;

(vi) sold one of our major printing presses located at the Dongguan Factory to Vietnam Subcontractor A at a consideration of RMB3.5 million in October 2019, for the purpose of providing the appropriate production facility to Vietnam Subcontractor A in order to better satisfy the production needs of the Group. As confirmed by the Directors, such disposal was negotiated in arm's length basis and normal commercial terms;

(vii) entered into a letter of intent dated 28 June 2019 with Vietnam Subcontractor A, which has undertaken to, among others, (i) offer our Group a maximum production capacity of up to 120 million of sheets per year; and (ii) prioritise all the printing orders from our Group to other customers upon three weeks' prior written notice from us; and

(viii) taken certain orders from our major customers which we have confirmed to engage Vietnam Subcontractor A and Vietnam Subcontractor B for production in January 2020.

In view of the aforesaid, our Directors believe that there will be no material difficulties for our Group to implement the Vietnam Relocation Arrangement and, as part of the Immediate Measures, such arrangement will be able to minimise the negative impact of any further imposition of tariffs which may have on us if the trade war persists in the long run.

(b) ***Immediate Measure 1B*** *– relocating certain production processes of our greeting cards products from the PRC to Hong Kong by engaging a subcontractor in Hong Kong.*

We plan to shift production of some of our greeting cards products which are subject to the U.S. additional tariffs to Hong Kong. Our Directors believe that engaging a subcontractor in Hong Kong for certain production procedures provides our Group a proximity advantage for more efficient and cost-effective management and control over logistics of raw materials and finished products as well as quality inspection and testing of finished products.

Since December 2018, we have outsourced the printing process of some greeting cards products by engaging one subcontractor in Hong Kong ("**HK Subcontractor**"), which principally engages in the provision of printing services. Our Directors confirm that, to the best of their knowledge after making reasonable enquiries, HK Subcontractor is an Independent Third Party. Our Group has confirmed the engagement of the HK Subcontractor to conduct printing and die-cutting processes of some greeting cards products importing to the U.S. in January 2020 ("**Hong Kong Relocation Arrangement**"). Under such arrangement, our Group first delivers raw materials mainly from the PRC, the U.S. and Taiwan to HK Subcontractor to carry out the printing and die-cutting processes of some greeting card products subject to the U.S. tariffs. The post-press process and other assembly, packaging and quality check processes are then conducted by our Group in the Dongguan Factory prior to exporting to the U.S.. For details, see "– Recent trade war between the U.S. and the PRC – Relocation of production procedures upon implementation of Immediate Measures and Contingency Measure to shift our production outside the PRC" below. Having reviewed the production processes of our Group's greeting card products manufactured pursuant to the Hong Kong Relocation Arrangement, our U.S. Legal Advisers opined that such products would constitute products of Hong Kong and will not be subject to the U.S. tariffs under Section 301 upon importation into the U.S..

As at the Latest Practicable Date, our Group obtained written approval from Hallmark and commenced pilot run in respect of the Hong Kong Relocation Arrangement. Pursuant to a letter of intent dated 13 September 2019 entered into between HK Subcontractor and us, HK Subcontractor has undertaken to, among others, (i) offer our Group a maximum production capacity of up to 30 million of sheets per year; and (ii) prioritise all the printing orders from our Group to other customers upon three weeks' prior written notice from us.

We expect that the engagement of HK Subcontractor for printing and die-cutting processes of some greeting cards products which are importing to the U.S. would help achieve approximately 15.3% of our Group's revenue derived from the U.S. by destination of delivery beginning in January 2020. By comparing the average cost of production of our principal products produced by our Dongguan Factory and Heshan Factory with the quotations we have obtained for the same products from the selected subcontractors located in Hong Kong, we estimated that additional costs of approximately HK$3.2 million will be incurred in FY2020.

In view of the above, our Directors consider that there would not be a significant increase for our production costs in the short run. Therefore, our Directors consider that there would not be any significant impact on our business operation and financial performance of the Group after relocating end-to-end production of our principal products from the PRC to subcontractors located in Vietnam and Hong Kong as part of our Immediate Measures. Our Directors believe that such Immediate Measures will be able to minimise the negative impact of any further imposition of tariffs which may have on us if the trade war persists in the long run.

(ii) ***Immediate Measure 2*** *– minimising exposure to the U.S. Tariff via De Minimis value exemption under Section 321 of the Tariff Act of 1930 (19 U.S.C. 1490) ("****Section 321****"):* Pursuant to the Section 321, shipments to the U.S. with a fair retail value of not exceeding US$800.0 shall be eligible for exemption from U.S. tariffs provided that certain circumstances can be fulfilled (which are mainly related to customs and logistic arrangements).

During the Track Record Period, our revenue derived from the web sales customers located in the U.S. accounted for 9.3%, 8.5%, 7.5% and 7.2% of the total revenue derived from the U.S. in FY2016, FY2017, FY2018 and 6M2019, respectively. In order to meet the eligibility for applying exemption from the U.S. tariff under the Section 321, we expect to collaborate with our web sales customers in adopting the applicable customs strategies and make necessary arrangements in preparing shipments for such sales orders.

(iii) ***Immediate Measure 3*** *– setting up our own production site in Vietnam*: We intend to set up our own production site and transfer two of our printing presses from our Dongguan Factory and Heshan Factory to our new production site in Vietnam.

As at the Latest Practicable Date, we have:

(i) consulted an international real estate service provider with business presence in Vietnam to enquire about and obtain quotations for several factory buildings located in Vietnam;

(ii) consulted our legal advisers in relation to the relevant Vietnamese laws and regulations that are specific to setting up a production site in Vietnam, but no legally binding agreement has been reached yet;

(iii) conducted site visit in Vietnam for preliminary due diligence purpose; and

(iv) informed our major customers of our plan to set up our own production site in Vietnam.

As at the Latest Practicable Date, we have yet to identify any acquisition target or enter into any formal negotiation or sales and purchase agreement in relation to any potential target. For details, see "– Our business strategies – enhancing our production capacity and operational flexibility by (i) developing our production support in Southeast Asia through subcontracting arrangement; and subsequently (ii) establishing our business presence in Southeast Asia through setting up our own production site in Vietnam" and "Future Plans and Use of Proceeds".

Once Contingency Measure is activated, we expect to relocate the production of our remaining products which may be subject to the U.S. additional tariffs outside the PRC within two years in addition to the full implementation of some of our Immediate Measures.

(iv) ***Immediate Measure 4*** *– diversification of our geographical sales markets:* As mentioned in "– Our business strategies – Enlarge customer base in the tabletop games and educational items segments", we intend to expand our OEM customer base by attending more international trade shows and exhibitions. To increase our market penetration in Europe, in March 2019, we appointed a sales representative in Europe to explore the European market and cultivate business relationships in the region. As at the Latest Practicable Date, our Group has secured purchase orders from a new customer for tabletop games products based in Netherlands through referral by such sales representative in Europe and the secured orders from the new customer amounted to HK$0.7 million. We will continue to explore opportunities to work with sales representatives in different geographical locations.

(v) ***Immediate Measure 5*** *– cost reduction:* to maintain our price-competitiveness, we will continue our efforts to contain or even reduce our operating costs, such as engaging approved subcontractors in regions with lower labour costs, and developing automated production process to decrease our labour cost in the long-term.

(vi) ***Immediate Measure 6** – Sharing part of the U.S. additional tariffs with our customers*: to maintain the business relationships established with our existing U.S. customers and minimise the potential impact on our Group's business performance, our Group intends to take up a portion of the increased U.S. tariffs payable by our customers for purchasing products subject to the U.S. tariffs (negotiated/to be negotiated on a case-by-case basis).

As at the Latest Practicable Date, our Group formed written or verbal arrangements with two of our major customers, being Hallmark and Customer D, to share the Section 301 List 3 Additional Tariff of 25% and Section 301 List 4 Additional Tariff of 15% at a pre-agreed percentage and were in the course of negotiation with the remaining customers as to the portion of the increased U.S. tariffs to be borne by our Group. For the remaining customers which we have yet to form arrangement with in sharing the tariff, we intend to prioritise the subcontract of production for products to those remaining customers to Vietnam.

Estimated effect on our Group's financial performance upon full implementation of Immediate Measures

Taking into account that the Section 301 List 4 Additional Tariff was 15% from the beginning of the Track Record Period imposed and the Immediate Measures were implemented in full at the beginning of the Track Record Period, such that our products would not be subject to the Section 301 List 3 Additional Tariff of 25%, for illustrative purpose only, we estimate that the maximum potential impact on our revenue and net profit as a result of taking up all the increased U.S. tariffs by way of price reduction to our U.S. customers upon full implementation of the Immediate Measures during the Track Record Period would be as follows:

	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in revenue	7,677	10,553	9,917	5,115
Decrease in net profit	6,083	8,767	8,366	3,966

As at the Latest Practicable Date, the Section 301 List 4 Additional Tariff to the second part of the List 4 products has been suspended until further notice. As a result, there would be no impact on our Group's financial performance upon full implementation of Immediate Measures, given that a substantial portion of our production would be relocated to Vietnam and the remaining portion in China would no longer be subject to the Section 301 List 4 Additional Tariff.

Contingency measure in response to Section 301 List 4 Additional Tariff of 25% or above

On 17 May 2019, the Office of the United States Trade Representative announced that it would potentially impose an additional tariff of up to 25% on Section 301 List 4, such an increase has been subsequently suspended and pending further negotiations between the U.S. government and the PRC government.

Further relocating end-to-end production of our products subject to the U.S. tariffs from the PRC to subcontractors in Vietnam

We would continue to outsource the end-to-end production of more of our products subject to the U.S. tariffs to subcontractors in Vietnam. We estimate that by the end of the first year and second year after the implementation of the contingency measure ("**Contingency**

Measure"), approximately 66.1% and 77.1% of our revenue derived from the U.S. by destination of delivery will be produced by our subcontractors in Vietnam. We also expect to incur additional costs for subcontracting further production to Vietnam of approximately HK$4.4 million and HK$5.1 million in the first year and second year, respectively, upon the implementation of Contingency Measure.

Based on the assumptions that our Group's revenue derived from the U.S. by destination of delivery by FY2020 upon full implementation of Immediate Measures and in each of the first and second year upon activation of Contingency Measure would be the same as our revenue derived from the U.S. by destination of delivery in FY2018 ("**U.S. FY2018 Revenue**"), we expect to achieve revenue equal to the full amount of the U.S. FY2018 Revenue without being subject to the U.S. tariffs by the second year of fully implementing the Contingency Measure. The table below sets out the breakdown of the estimated percentage of the U.S. FY2018 Revenue to be achieved under each relevant Immediate Measure and/or Contingency Measure and remain to be subject to the U.S. tariffs upon implementation of such measures.

	U.S. FY2018 Revenue to be achieved		
	By FY2020 upon full implementation of Immediate Measures*(Note)*	**By first year upon full implementation of Contingency Measure**	**By second year upon full implementation of Contingency Measure**
	%	%	%
1. Immediate Measure 1A and/or Contingency Measure – engaging and further expanding the engagement of subcontractors in Vietnam	55.9	66.1	77.1
2. Immediate Measure 1B – engaging subcontractor in Hong Kong	15.3	15.3	15.3
3. Immediate Measure 2 – applying for De Minimis value exemption for web sales customers based in the U.S.	7.5	7.5	7.5
4. Revenue generated from our laboratory testing services which are not subject to the U.S. tariffs	0.1	0.1	0.1
5. Revenue remaining to be subject to the U.S. tariffs	21.2	11.0	Nil
Total	100.0	100.0	100.0

Note: The table aims to show the estimated percentage of U.S. FY2018 Revenue to be achieved by FY2020. As such, the effect of Immediate Measures other than Immediate Measures 1A, 1B and 2 are not taken into account.

We will further negotiate with our customers to further take up the increased U.S. tariffs payable by our customers during the two-year transition period on a case-by-case basis. The following sensitivity analysis illustrates, based on the U.S. FY2018 Revenue, the impact on our revenue and net profit for FY2020 upon full implementation of the Immediate Measures and for the first year and second year upon implementation of the Contingency Measure assuming the Section 301 List 4 Additional Tariff of 25% is imposed and our Group was to bear all such U.S. tariffs:

	FY2020 following implementation of Immediate Measures	**First year following implementation of Contingency Measure**	**Second year following implementation of Contingency Measure**
	HK$'000	*HK$'000*	*HK$'000*
Decrease in revenue	42,672	11,285	3,023
Decrease in net profit	35,999	9,523	2,551

In light of the Contingency Measure our Group have in place, our Directors believe that we will continue to be able to maintain our customer relationships and our business operation and financial performance will not be materially affected by the potential increase of the Section 301 List 4 Additional Tariff to 25% in the imminent future. Our Directors confirm that the implementation costs of the Contingency Measure would be funded by our internal resources and/or bank loan(s). Our Directors undertake that our Group will implement the Contingency Measure in parallel with the Immediate Measures as listed in the above if the Section 301 List 4 Additional Tariff is increased from 15% to 25% or above anytime in the future. In the event that the Contingency Measure has to be activated in the future, our Directors will continue to closely monitor the market and economic environment as well as our business and financial conditions to ensure any material adverse effect on our Group's business and operations will be minimised as a whole. Our Directors also undertake to keep reviewing the relevant laws and regulations in relation to the U.S. tariffs and will seek legal advice as and when appropriate.

Relocation of sales upon full implementation of Immediate Measures 1A, 1B and 2 and Contingency Measure to shift our production outside the PRC

We expect that by the end of FY2020, our Group will be able to fully implement Immediate Measures 1A, 1B and 2. The following tables set out the breakdown of revenue and sales volume attributable to our U.S. sales products by production channels in different geographical locations (i) during the Track Record Period; and (ii) upon full implementation of Immediate Measures 1A, 1B and 2 and Contingency Measures (in terms of our sales amount and sales volume attributable to our U.S. sales products by production channels in different geographical locations for FY2018):

(i) Revenue

	FY2016		FY2017		FY2018		6M2019		Upon full implementation of Immediate Measures 1A, 1B and 2[(1)(2)]		Upon full implementation of Contingency Measures[(1)]	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Products manufactured/to be manufactured by our Group in:												
(a) PRC	216,005	33.9	217,000	27.5	234,971	28.5	133,125	31.4	233,557	28.3	62,942	7.6
(b) Vietnam	–	–	–	–	–	–	–	–	–	–	323,431	39.3
Products partly manufactured by our Group and partly outsourced to subcontractor(s) in:												
(c) PRC[(3)]	420,321	66.1	571,828	72.5	588,799	71.5	279,804	65.9	3,939	0.5	–	–
Products outsourced/to be outsourced to subcontractor(s) in:												
(d) Vietnam	–	–	–	–	164	0.0	11,002	2.6	460,676	55.9	311,799	37.8
(e) Hong Kong	–	–	–	–	–	–	366	0.1	125,762	15.3	125,762	15.3
Total	636,326	100.0	788,828	100.0	823,934	100.0	424,297	100.0	823,934	100.0	823,934	100.0

(ii) Sales volume

	FY2016		FY2017		FY2018		6M2019		Upon full implementation of Immediate Measures 1A, 1B and 2[(1)(2)]		Upon full implementation of Contingency Measures[(1)]	
	per thousand unit	*%*	*per thousand unit*	*%*	*per thousand unit*	*%*	*per thousand unit*	*%*	*per thousand unit*	*%*	*per thousand unit*	*%*
Products manufactured/to be manufactured by our Group in:												
(a) PRC	12,740	9.8	11,037	6.2	21,349	11.6	13,185	12.2	21,221	11.6	5,719	3.1
(b) Vietnam	–	–	–	–	–	–	–	–	–	–	75,610	41.2
Products partly manufactured by our Group and partly outsourced to subcontractor(s) in:												
(c) PRC[(3)]	117,401	90.2	166,957	93.8	162,190	88.3	92,665	85.6	1,085	0.6	–	–
Products outsourced/to be outsourced to subcontractor(s) in:												
(d) Vietnam	–	–	–	–	81	0.1	2,221	2.0	126,720	69.0	72,891	39.7
(e) Hong Kong	–	–	–	–	–	–	180	0.2	34,594	18.8	29,400	16.0
Total	130,141	100.0	177,994	100.0	183,620	100.0	108,251	100.0	183,620	100.0	183,620	100.0

Notes:

(1) Revenue and sales volume of upon full implementation of Immediate Measures 1A, 1B and 2 and Contingency Measures are based on FY2018 record.

(2) The tables aim to show the estimated revenue and sales volume attributable to our U.S. sales products to be achieved by FY2020 as a result of our Immediate Measures to relocate our sales. The effect of Immediate Measure 3 has not been taken into account as we expect that the establishment of our own production site in Vietnam would only be completed by the end of 2021. For details of the impact of Immediate Measure 3, see "Future Plans and Use of Proceeds – Use of proceeds – Setting up our own production site in Vietnam (i.e. Immediate Measure 3)".

(3) "Partly manufactured by our Group and partly outsourced to subcontractor(s) in the PRC" means either (a) printing, (b) post-press or (c) assembly was subcontracted/is to be subcontracted to a subcontractor in the PRC.

Relocation of production procedures upon implementation of Immediate Measures and Contingency Measure to shift our production outside the PRC

By engaging subcontractors outside the PRC under Immediate Measures 1A and 1B as well as Contingency Measure, production of our products will be relocated to different geographical locations, which can be summarised as below:–

Major steps involved in our typical production processes	Existing Practice	Upon full implementation of Immediate Measure 1A and Contingency Measure(1) – engaging subcontractor in Vietnam	Upon full implementation of Immediate Measure 1B(2) – engaging subcontractor in Hong Kong
Negotiation of sales order → Quotation and product development	Hong Kong office/ Dongguan Factory	Hong Kong office/ Dongguan Factory	Hong Kong office/ Dongguan Factory
Mock-up sample production	Dongguan Factory/ Heshan Factory	Dongguan Factory/ Heshan Factory	Dongguan Factory
Confirmation of sales order and approve for printing	Hong Kong office/ Dongguan Factory	Hong Kong office/ Dongguan Factory	Hong Kong office/ Dongguan Factory
Product and safety review → Colour management and pre-press / Material and production planning	Dongguan Factory/ Heshan Factory	Dongguan Factory/ Heshan Factory	Dongguan Factory
Printing	Dongguan Factory/ Heshan Factory	**Vietnam subcontractor**	**Hong Kong subcontractor**
Coating, lamination, foil stamping, embossing/ debossing, spot UV, glittering, die-cutting, binding, envelope-making (if applicable)	Dongguan Factory/ Heshan Factory	**Vietnam subcontractor**	**Hong Kong subcontractor (for die-cutting only)/ Dongguan Factory**
Assembly (automatic or manual) → Packaging → Final inspection and/or quality control on finished products and testing for OEM sales → Storage	Dongguan Factory/ Heshan Factory	**Vietnam subcontractor**	**Dongguan Factory**
Delivery	Dongguan Factory/ Heshan Factory	**Vietnam subcontractor**	**Dongguan Factory**

Notes:

1. Products with its end-to-end production processes to be relocated to Vietnam include the majority of our principal products being sold through our OEM sales channel which are importing to the U.S.. On the other hand, production of the remaining portion of U.S. sales-products will be conducted in the Dongguan Factory or the Heshan Factory under Immediate Measure 1A and will be conducted in Vietnam under Contingency Measure. Production of products for sales through websites and non-U.S. sales products which are not subject to the U.S. tariffs will also remain to be conducted in the Dongguan Factory or the Heshan Factory.

2. Products with printing and die-cutting processes to be relocated to Hong Kong and other production processes remain to be conducted in the Dongguan Factory include only our certain greeting cards products being sold through our OEM sales channel which are importing to the U.S..

Significance of our Dongguan Factory and Heshan Factory

In the event that the Immediate Measures and Contingency Measures are implemented, other than the non-U.S. sales products which are not subject to the U.S. tariffs, the Dongguan Factory and Heshan Factory are also intended to be utilised primarily for (i) our non-U.S. sales; (ii) products for sales through websites; (iii) production processes other than printing and die-cutting processes (which we engage our subcontractor in Hong Kong to conduct under Immediate Measure 1B) of greeting card products being sold through our OEM sales channel to the U.S.; (iv) provision of laboratory testing services by DPI Laboratory (DG); and (v) other non-manufacturing core functions such as sales order management, quotation and product development, material and production planning and information technology support, which in aggregate accounted for approximately 45.7%, 44.0%, 45.4% and 41.1% of our Group's total revenue during the Track Record Period.

During the Track Record Period, substantial portion of our revenue was derived from the production sites in the PRC. Assuming the successful implementation of our business strategies to enhance our production capability through subcontracting arrangements and establishment of production site in Vietnam and that the Immediate Measures and Contingency Measures are implemented and the implementation timeline of setting up the production site in Vietnam can be met as scheduled, based on the breakdown of our Group's revenue by factories in FY2018, it is estimated that approximately 60.4%, 53.2% and 45.4% of our Group's total FY2018 Revenue in each of the financial years ending 31 December 2020 to 2022, respectively, would be derived from the two production sites in the PRC. Accordingly, it is expected that a significant portion of our revenue will remain to be derived from the Dongguan Factory and Heshan Factory, which at the same time, will continue to serve as our Group's production hub where its core and talented staff are stationed at in support of our Group's overall operation.

In addition, following the relocation of our Group's certain productions outside the PRC, the estimated capital expenditures and operating expenses for maintaining the Dongguan Factory and Heshan Factory are expected to decrease. Our Group's capital expenditures mainly comprise purchase and deposit paid for printing machines and tooling for production. Meanwhile, our Group's operating expenses primarily consist of purchase of raw materials, the labour cost for production function required as well as other operating expenses such as subcontracting fees payable for outsourcing our production. The table below sets out the capital expenditures and operating expenses incurred by our Group during the Track Record

Period and our estimation of the capital expenditures and operating expenses to be incurred from the Dongguan Factory and Heshan Factory for the financial years ending 31 December 2020 to 2022 based on our Group's relevant data of FY2018:

					For the financial years ending 31 December		
	FY2016	FY2017	FY2018	6M2019	2020	2021	2022
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Property, plant and equipment	24,503	159,203	75,376	28,585	45,533	40,097	34,216
Operating expenses	508,862	695,975	756,017	356,215	454,432	393,910	336,465

The expected decrease in capital expenditures to be incurred is primarily due to an expected gradual decrease in (i) depreciation cost of printing machines in the two PRC production sites from HK$2.5 million in FY2018 to HK$1.2 million, nil and nil, respectively, for the financial years ending 31 December 2020 to 2022; and (ii) technical maintenance cost of printing machines in the two PRC production sites from HK$4.9 million in FY2018 to HK$4.2 million, HK$3.7 million and HK$2.2 million, respectively, for the same years, resulting from the halt of repair and maintenance for some printing machines which would have been used beyond their useful lives.

The expected decrease in operating expenses to be incurred is primarily due to an expected gradual reduction of (i) purchase cost of raw materials as a result of decreased production orders from HK$425.5 million in FY2018 to HK$246.7 million, HK$210.0 million and HK$178.8 million, respectively, for the financial years ending 31 December 2020 to 2022; (ii) number of workers in the Production function from 2,268 in FY2018 to approximately 1,790, 1,530 and 1,430, respectively, by the end of the financial years ending 31 December 2020 to 2022, and staff cost for the Production function from HK$207.9 million in FY2018 to HK$161.9 million, HK$138.0 million and HK$128.5 million, respectively, by the end of the same years as a result of natural attrition or downsizing the workforce by layoff (assuming none of the workers voluntarily terminates his employment contract with us, our Group would be required to make a maximum one-off severance payment of RMB17.7 million, RMB7.0 million and RMB7.5 million, respectively, for the financial years ending 31 December 2020 to 2022, for the layoffs); and (iii) amount of subcontracting costs required in the PRC from HK$122.6 million in FY2018 to HK$45.9 million, HK$45.9 million and HK$29.1 million, respectively, for the corresponding years as we can take up additional orders with the spared production capacity following the relocation of certain productions to Vietnam.

Taking into account the estimated costs of maintaining the Dongguan Factory and Heshan Factory as aforesaid and based on our total revenue in FY2018, it is estimated that the Dongguan Factory and Heshan Factory will continue to be profit-making for the financial years ending 31 December 2020 to 2022. On the basis of the above, the estimated capital expenditures and operating expenses for maintaining the Dongguan Factory and Heshan Factory thus remain justifiable when weighing against the projected revenue to be generated from the PRC production sites and therefore have minimal impact on the operation and financial performance of the Dongguan Factory and Heshan Factory.

Further, while the production capacity in each of the Dongguan Factory and Heshan Factory might be partially spared immediately upon outsourcing further productions to subcontractors and establishing a new production site in Vietnam, our Directors believe that there is a genuine need to maintain the two production sites in the PRC as we have endeavoured to reinforce its business relationship with the existing customers and expand its customer base by identifying new customers outside the U.S.. During the 6M2019 and up to the Latest Practicable Date, we have successfully secured orders from 17 new customers based in the EU, Hong Kong and the PRC, which amounted to recognized sales of approximately HK$4.8 million. Our Directors believe that the business development process would take considerable time to develop and cultivate business relationships with new customers before they would gain confidence in the quality of our Group's products and increase the purchase scope and/or volume thereafter. Driven by our increasing sales and marketing efforts to reinforce our sales penetration outside the U.S., it is expected that there will be growing demand for our Group's products. On the other hand, based on unaudited management accounts up to 30 November 2019, we also recorded a revenue growth of over 15.5% for revenue made through web sales for the eleven months ended 30 November 2019 as compared to the corresponding period ended 30 November 2018. In view of the growing trend for products to be sold outside the U.S. and through websites, the Directors consider that it would be necessary for us to utilise the production capacity spared in the PRC production sites to cope with the increasing sales orders from these customers in the future.

Based on the above, even though the production and utilisation of the Dongguan Factory and Heshan Factory are expected to decrease as an immediate result of shifting the production work from the PRC to Vietnam, our Directors take the view that the such decreases will cause no material adverse impact on the operation and performance of the two PRC productions sites and our Group as a whole. On the other hand, our Directors consider that the benefits to be brought by maintaining the Dongguan Factory and Heshan Factory will outweigh their estimated costs in the long-run and have a positive impact on our future profitability.

For the discussion on the business risks associated with the U.S. increased tariffs, see "Risk Factors – Our sales are geographically concentrated in the U.S. which are subject to higher tariff rates under the trade war between the U.S. and the PRC, which could adversely affect our sales volumes, profitability and results of operations.".

SUSTAINABILITY OF OUR BUSINESS

According to the CIC Report, the total import value for paper-based greeting cards (being one of our principal products accounting for 36.8%, 45.2%, 38.0% and 45.5% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively) in the U.S. (being our principal sales market accounting for 71.8%, 73.1%, 70.8% and 75.1% of our total revenue for the corresponding period, respectively) had dropped at a CAGR of 0.4% from 2014 to 2018, and is expected to increase at a CAGR of 0.5% between 2018 and 2023.

Despite the decrease in our profitability as described in "Financial Information – Profitability during the Track Record Period" and the relatively insignificant growth of the market of one of our principal products, our Directors consider that our Group's business is sustainable in the long run for the following reasons:

Certain expenses which negatively impacted on our profitability for FY2018 were non-recurring in nature

Our financial results for FY2018, as compared to FY2017, were negatively impacted by (i) the Listing expenses (HK$20.6 million); (ii) the reinstatement costs and renovation expenses relating to the move of our Hong Kong office (HK$1.2 million); (iii) additional transportation expenses relating to the transferring of production facilities from our Dongguan Factory to Heshan Factory (HK$0.6 million); and (iv) severance payment to our employees as a result of discontinuance of our Tianjin Factory (HK$1.5 million). These expenses are one-off in nature and will not recur to decrease our profitability in future.

Growth in the tabletop games and educational items market in the U.S.

The total import value of tabletop games and educational items (which accounted for an aggregate of 53.5%, 45.9%, 53.9% and 46.9% of our revenue for FY2016, FY2017, FY2018 and 6M2019, respectively) in the U.S. grew at a CAGR of 3.1% and 5.1%, respectively, from 2014 to 2018, and is expected to continue to grow at a CAGR of 0.9% and 4.2%, respectively, from 2018 to 2023 according to the CIC Report, indicating sustainable growth in demand for products under these categories. Leveraging our Group's established market position and relationship with customers, years of printing experience and scale of operations, our Directors believe that our Group will be able to continue to increase our revenue generated from tabletop games and educational items.

Optimisation of our product mix

We intend to optimise our product mix by allocating more resources to the manufacturing of tabletop games and educational items which yielded higher profit margins compared to greeting cards. For FY2016, FY2017, FY2018 and 6M2019, revenue derived from tabletop games amounted to HK$399.9 million, HK$400.8 million, HK$503.3 million and HK$222.9 million, respectively, representing 45.2%, 37.1%, 43.3% and 39.5% of our total revenue, respectively for the corresponding period, while revenue derived from educational items amounted to HK$73.8 million, HK$95.3 million, HK$123.0 million and HK$42.0 million, representing 8.3%, 8.8%, 10.6% and 7.4% of our total revenue, respectively, for the corresponding period. Furthermore, saved for the automated card game production lines and an automated greeting card assembly line which we tailor made for certain of our OEM customers, our other production machines, such as printing presses, can be used for printing a variety of products to serve different customers. Our Directors are of the view that, provided that our Group has sufficient production capacity, our existing production facilities, employee's skills and production skills can be transferred to serve other customers and other potential new customers and satisfy their needs. With such optimisation of product mix, we expect our overall gross profit margin to increase.

Increase in printing operational efficiency capacity for products with higher profit margin, namely tabletop games and educational items

Our Directors had formulated plans to increase our production capacity and efficiency by allocating our resources and production facilities and acquiring and upgrading machinery and equipment.

As detailed in "– Our business strategies – Optimise our product mix and production specialisation by (i) reallocating our production capacity to Heshan and enhancing our operational efficiency and (ii) enlarging our customer base in the tabletop games and educational items segments – (i) Reallocate our production capacity to Heshan and enhance our operational efficiency" and "Future Plans and Use of Proceeds", we intend to construct an additional factory building on our production site in Heshan, and acquire new machines and upgrade certain of our existing machines. After the acquisition of the Heshan Factory in March 2018, we have transferred some of our production facilities for tabletop games and educational items to the Heshan Factory from our Dongguan Factory. The space created in the Dongguan Factory as a result of the relocation of our production facilities allowed the management to effectively reallocate the resources and existing production facilities for production of greeting cards and orders from web sales within the Dongguan Factory which will enhance our operational efficiency.

Given the increase in production capacity in our Heshan Factory and the plan to revamp our allocation of resources and production lines in both our Heshan Factory and Dongguan Factory, it is expected that we will have greater capacity to produce tabletop games and educational items which have higher profit margin and hence increase our profitability and at the same time sustaining our production of greeting cards.

Expected decrease in subcontracting fees payment for non-U.S. sales products

During the Track Record Period, as our production capacity was unable to meet our customers' demand during peak seasons, we needed to outsource certain of our production processes to subcontractors, including printing, die-cutting and assembling to supplement our production capacity. This led to an increase in subcontracting fees and caused an adverse effect on our profit and gross profit margin. With the acquisition of Taunus Printing, which owns the Heshan Factory, in March 2018, we expect lesser subcontractors' engagement for printing is required which will decrease our subcontracting fees and cost of sales for non-U.S. sales products.

Enlarge customer base in the tabletop games and educational items segments

As mentioned in "– Our business strategies – enlarging our customer base in the tabletop games and educational items segments", we intend to expand our OEM customer base by increasing our marketing effort in attending international trade shows and exhibitions, and act as event sponsors.

During the Track Record Period, Europe was our second largest market by destination of delivery, accounting for 12.7%, 9.5%, 12.8% and 11.2% of our revenue for FY2016, FY2017, FY2018 and 6M2019. According to the CIC Report, the import values of selected paper-based printing products in the EU is expected to increase at a CAGR of 0.8% from USD720.5 million in 2018 to USD749.6 million in 2023. Given the sheer market size and leveraging our established business relationship with one of our major customers which is headquartered in France with approximately seven years of relationship, we believe we can increase our market penetration in the European market for paper based printing products. To increase our market penetration in Europe, in March 2019, we appointed a sales representative in Europe to explore the European market and cultivate business relationships in the region.

In view of the above, our Directors are of the view that our Group's business is sustainable in the long-term.

PROPERTIES

Owned Properties

Owned properties in Hong Kong

As at the Latest Practicable Date, we owned the properties located at Offices A, B, H, J on 21st Floor, Kings Wing Plaza 2, 1 On Kwan Street, Shek Mun, Shatin, New Territories, with an aggregate GFA of approximately 11,211 sq.ft., which were primarily used as offices.

Owned properties in the PRC

Land

As at the Latest Practicable Date, we owned land use rights for six parcels of land in Dongguan and Heshan, Guangdong Province, the PRC, with an aggregate site area of approximately 151,558.68 sq.m.. The following table sets forth a summary of the land use rights we owned:

Location	Land Use Right Certificate Serial No.	Area (approximate sq.m.)	Usage	Expiry date	Details of encumbrances, liens, pledges and mortgages
東莞市樟木頭鎮樟羅管理區 Zhangluo Management District, Zhangmutou, Dongguan City (land No: 441919001008GB00003) ("**Dongguan Land No. 1**")	Yue (2019) Dongguan Immovable Property Rights Number 0004235 and Yue (2019) Dongguan Immovable Property Rights Number 0004246 (粵(2019)東莞不動產權第0004235號和粵(2019)東莞不動產權第0004246號)	14,381.34 *(Note 1)*	Industrial use	26 November 2043	Nil

Location	Land Use Right Certificate Serial No.	Area (approximate sq.m.)	Usage	Expiry date	Details of encumbrances, liens, pledges and mortgages
東莞市樟木頭鎮樟羅東山工業街5號 5 Dongshan Industrial Street, Zhangluo, Zhangmutou, Dongguan City (land No: 441919001008GB00006) ("**Dongguan Land No. 2**")	Yue (2019) Dongguan Immovable Property Rights Number 0076052 (粵(2019)東莞不動產權第0076052號)	8,358.27	Industrial use	1 April 2043	Nil
東莞市樟木頭鎮樟羅東山工業街5號 5 Dongshan Industrial Street, Zhangluo, Zhangmutou, Dongguan City (land No: 441919001008GB00005) ("**Dongguan Land No. 3**")	Yue (2019) Dongguan Immovable Property Rights Number 0218666 (粵(2019)東莞不動產權第0218666號)	6,244.62	Industrial use	2 June 2043	Nil
鶴山市共和鎮玉堂路13號 No. 13, Yutang Road, Gonghe Town, Heshan (land No: 440784007006GB00541) ("**Heshan Land No. 1**")	Yue (2019) Heshan Immovable Property Rights Number 0008175 (粵(2019)鶴山市不動產權第0008175號)	32,765.62	Industrial use	22 November 2060	Nil
鶴山市共和鎮玉堂路13號 No. 13, Yutang Road, Gonghe Town, Heshan (land No: 440784007006GB00544) ("**Heshan Land No. 2**")	Yue (2019) Heshan Immovable Property Rights Number 0008178 (粵(2019)鶴山市不動產權第0008178號)	43,256.56	Industrial use	19 April 2061	Nil
鶴山市共和鎮玉堂路 Yutang Road, Gonghe Town, Heshan (land No: 440784007006GB00543) ("**Heshan Land No. 3**") *(Note 2)*	Yue (2019) Heshan Immovable Property Rights Number 0009529(粵(2019)鶴山市不動產權第0009529號)	46,552.27	Industrial use	19 April 2061	Nil

Notes:

1. According to the relevant Land Use Right Certificate (國有土地使用證), the site area owned by Dongguan Zensee was stated as 14,420.0 m^2, of which approximately 38.66 m^2 overlapped with another parcel of land identified as number 2 above owned by Q P Printing during the Track Record Period. It is a pre-requisite to clarify the site area of Dongguan Land No. 2 before transferring the land use right of the same. Dongguan Zensee confirmed that it agreed to renounce 38.66 m^2 overlapped as stated in the relevant Land Use Right Certificate (國有土地使用證). Pursuant to the Immovable Property Title Certificate (不動產權證書) issued by the Dongguan Bureau of Land and Resources* (東莞市國土資源局) dated 8 January 2019, the site area of this parcel of land has been reduced to 14,381.34 m^2.

2. As at the Latest Practicable Date, construction works on this parcel of land has been commenced, but had been delayed for more than one year from the commencement date stipulated in the land grant contract. For details, see "– Properties – Owned properties – Owned properties in the PRC – Idle land in Heshan".

Idle land in Heshan

Below are details of the idle land in Heshan, which our Heshan Factory is located:

Owner	Land Use Right Certificate Serial No.	Location	Usage	Expiry date	Area (approximate sq.m.)
Taunus Printing	Yue (2019) Heshan Immovable Property Rights Number 0009529(粵 (2019) 鶴山市不動產權第 0009529號) ("**Heshan Land No. 3**")	鶴山市共和鎮玉堂路 Yutang Road, Gonghe Town, Heshan (land No: 440784007006GB00543)	Industrial	19 April 2061	46,552.27

Background

Pursuant to the Contract for the Assignment of State-owned Construction Land Use Rights (國有建設用地使用權出讓合同) executed by Taunus Printing on 20 April 2011 (the "**Assignment**"), Heshan Land No. 3 was assigned to Taunus Printing for industrial use from no later than 20 April 2011 to 19 April 2061. One of the conditions of the Assignment was Taunus Printing should commence construction on the Heshan Land No. 3 within one year from the date of entering into the Assignment. As at the Latest Practicable Date, we have commenced construction on Heshan Land No. 3 and we have not received any notice or document from the relevant governmental authority (i) to regard Heshan Land No. 3 as idle land; (ii) to confiscate the land use rights; or (iii) to pay additional costs for Heshan Land No. 3.

Relevant laws and regulations

As advised by our PRC Legal Advisers,

(i) pursuant to the Measures on Disposal of Idle Land (閒置土地處置辦法), land can be defined as idle land under any of the following circumstances:

(a) development and construction of the state owned construction land is not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or

(b) the development and construction of the state owned construction land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without approval;

(ii) except for delays in the commencement of the land construction due to acts by governmental departments or otherwise specified in the relevant laws and regulations,

(i) for the idle land which has not commenced after one year but within two years of the prescribed time limit in the land use right grant contract, the relevant land resources bureaus at city or county level, after the approval of the people's government at the same level, will issue Decision on Collection of Land Idle Fees (徵繳土地閒置費決定書) against the owner of the state owned construction land use right to impose an idle land fee which equals to 20% of the acquisition costs of the land use rights. Such idle land fees cannot be regarded as development costs of the idle land; and

(ii) for the idle land which has not been commenced for two years or more from the commencement date stipulated in the land use right grant contract, such land use right shall be confiscated by the land resource bureau at the city or county level.

Relevant governmental authority interview and confirmation

Pursuant to a confirmation issued by Heshan City Land Resources Bureau (鶴山市國土資源局) which has been renamed as Heshan Natural Resources Bureau (鶴山市自然資源局) ("**Heshan Land Bureau**") on 4 January 2019, it stated that Taunus Printing had not been found to have violated laws and regulations relating to land resource management in Heshan since 2 August 2006. Pursuant to a confirmation issued by Heshan Land Bureau on 17 January 2019, it stated that Taunus Printing had obtained the Planning Permit for Construction Project (建設工程規劃許可證) as well as the Construction Permit for Construction Project (建築工程施工許可證) of Heshan Land No. 3 and Heshan Land No. 3 has not been regarded as idle land.

Pursuant to an interview with the relevant representative of Heshan Land Bureau on 18 January 2019, it stated that Taunus Printing can commence the construction of Heshan Land No. 3 on 30 May 2019 as stipulated in the Construction Permit for Construction Project (建築工程施工許可證) obtained by Taunus Printing as mentioned below. However, our Group was only able to complete the pre-construction work of bulldozing and installing temporary hoarding on the relevant land parcel in mid-June 2019 as a result of delay due to the unstable weather over the months that adversely affected the construction progress. Since the Group was unable to commence the construction work by 30 May 2019 as stated on the Construction Permit for Construction Project (建築工程施工許可證) issued by Heshan Housing and Urban Rural Construction Bureau (鶴山市住房和城鄉建設局) on 17 January 2019 and such permit was expired, our Group took immediate action to apply for its renewal. According to the conditions stated on the renewed Construction Permit for Construction Project (建築工程施工許可證), on 6 June 2019, the Taunus Printing is allowed to change the construction contract commencement date from 30 May 2019 to 30 June 2019. Pursuant to an interview with the relevant representative of Heshan Land Bureau, being the competent authority according to our PRC Legal Advisers, on 30 May 2019, the representative was notified of the current construction work progress at the Heshan Land No. 3 and it stated that, among others, Taunus Printing shall commence and carry on with the construction on the Heshan Land No. 3 as soon as practicable, and it would not confiscate such land use right or impose fees (including idle land fees) on Taunus Printing. Pursuant to an interview conducted by our PRC Legal Advisers with the representative of Heshan Land Bureau on 29 September 2019, the representative stated that, (i) Heshan Land No. 3 has not been regarded as idle land; and (ii) in practice, the bureau had never regarded land, of which construction work on it had commenced, as idle land and exercise its power for confiscation of such land use right without compensation. In addition, it was also confirmed that Taunus Printing had not been subject to any fees in relation to idle land. Pursuant to an interview conducted by our PRC Legal Advisers with the representative of Heshan Land Bureau on 9 December 2019, the representative stated that Heshan Land No. 3 has not been regarded as idle land.

Remedial actions taken by our Group

As at the Latest Practicable Date, Taunus Printing has obtained three Planning Permits for Construction Project (建設工程規劃許可證) issued by Heshan Urban and Rural Planning Bureau (鶴山市城鄉規劃局) on 19 September 2018 and one Construction Permit for Construction Project (建築工程施工許可證) issued by Heshan Housing and Urban Rural Construction Bureau (鶴山市住房和城鄉建設局) on 17 January 2019 for the construction of three production workshops on Heshan Land No. 3. Upon renewal of the Construction Permit for Construction Project (建築工程施工許可證), our Group has commenced the installation of retaining walls for construction safety purpose according to the conditions stated on the relevant permits on 30 June 2019 and as at the Latest Practicable Date, we have commenced our installation work on the retaining walls. The expected completion date of the installation work was delayed as high level of underground water was found during the installation work. We have engaged qualified professionals to provide feasible plans to complete the installation work. We expect to complete the installation of retaining walls by 31 March 2020 for the relevant authority to examine and certify. The Group will then carry on with the construction work of Heshan Land No. 3 according to the requirements set out by Heshan Land Bureau. Our Directors and our Group irrevocably and unconditionally undertake that the construction of the relevant land in Heshan will carry on with and complete the construction as required by Heshan Land Bureau.

Views of our PRC Legal Advisers

As advised by our PRC Legal Advisers, Heshan Land Bureau is the competent authority to give opinion to the laws and regulations relating to idle land. Based on the above mentioned, our PRC Legal Advisers further advised that, in practice, the chance of (i) Heshan Land No. 3 will be regarded as idle land by Heshan Land Bureau; (ii) Heshan Land No. 3 will be confiscated by Heshan Land Bureau; and (iii) Taunus Printing will be subject to fees or administrative punishment by Heshan Land Bureau therefore is low.

Buildings

As at the Latest Practicable Date, we had three Immovable Property Title Certificates for three factory buildings located in our Dongguan Factory and Heshan Factory, with an aggregate GFA of approximately 65,046.88 sq.m., which are material for our business operations. Details of which are set out in the table below:

Address/Description	Location	GFA (approximate sq.m.)	Restriction on usage	Main usage	Date of issue	Details of encumbrances, liens, pledges and mortgages
	Situated on					
東莞市樟木頭鎮樟羅社區東山工業區 (“廠房B座”) Factory Block B, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City (“**Factory Block B**”)	Dongguan Land No. 1 (land No: 441919001008GB00003)	5,130.86 *(Notes 1, 2 and 3)*	Factory	Factory	8 January 2019	Nil
鶴山市共和鎮玉堂路13 號 No. 13, Yutang Road, Gonghe Town, Heshan	Heshan Land No. 2 (land No: 440784007006GB00544)	35,408.22 *(Notes 2 and 3)*	Factory	Factory	17 April 2019	Nil
東莞市樟木頭鎮樟羅社區東山工業街5號 (“廠房D棟”) Factory Block D, 5 Dongshan Industrial Street, Zhangluo Community, Zhangmutou, Dongguan City (“**Factory Block D**”)	Dongguan Land No. 3 (land No: 441919001008GB00005)	24,507.80	Factory	Factory	5 July 2019	Nil

Notes:

1. According to the relevant real estate ownership certificate (房地產權證) issued on 10 December 2002, the construction area was stated as 5,682.2 m^2, but the actual construction area was approximately 551.34 m^2 less than that stated in the relevant real estate ownership certificate (房地產權證). It is a pre-requisite to clarify the construction area before applying for the registration for change in real estate ownership (房屋所有權變更登記). Dongguan Zensee confirmed that it agreed to forfeit the 551.34 m^2 construction area stated in the relevant real estate ownership certificate (房地產權證). Pursuant to the Immovable Property Title Certificate (不動產權證書) issued by the Dongguan Municipal Bureau of Land and Resources (東莞市國土資源局) dated 8 January 2019, the construction area of building has been reduced to 5,130.86 m^2.

2. The GFA of the relevant Immovable Property Title Certificates represents the GFA of the relevant factory building instead of the GFA of the relevant production plant, i.e. the Dongguan Factory or the Heshan Factory during the Track Record Period.

3. The GFA of the two factory buildings represents the aggregate GFA of the buildings with no title defects during the Track Record Period.

Title defects relating to the properties erected on the land in Dongguan

There are several title defects in relation to the buildings owned for our operation during the Track Record Period. Below are details of the properties erected on the land in Dongguan with title defects:

Item	Property Description	Location	Land Use Right Certificate Serial No.	Land Use Right Owner	Floor	GFA			Principal usage during the Track Record Period[11]	Estimated contribution to our revenue[7]				Approximate Construction Cost/ Contract Sum	Permit Obtained
						Total GFA	With title defects			For FY2016	For FY2017	For FY2018	For 6M2019		
							Non-production use	Production use							
		Situated on	*(Note)*			*sq.m.*	*sq.m.*	*sq.m.*				*(%)*		*(RMB)*	*(Note)*
1.	Factory Block A, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City ("**Factory Block A**")	Dongguan Land No. 1	*1*	Dongguan Zensee	4	4,713.2	4,713.2	Nil	Warehouse for storage of raw materials, namely components	–	–	–	–	2,348,251	4, 6
									Office (for laboratory, supply chain, finance, conference room, senior management, research and development, showroom and conference room)						
2.	Dormitory 1 and 2, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City ("**Dormitory 1 & 2**")	Dongguan Land No. 1	*1*	Dongguan Zensee	7	2,470.0	2,470.0	Nil	Dormitory	–	–	–	–	1,369,813	4
3.	UV Production Workshop, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City ("**UV Workshop**")	Dongguan Land No. 1	*1*	Dongguan Zensee	1	1,200.0	Nil	1,200.0	Production for spot UV (with coating machine and laminator placed there)[8]	0.58	0.43	0.33	–	4,053,660	
4.	Ancillary Material Warehouse, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City ("**Warehouse**")	Dongguan Land No. 1	*1*	Dongguan Zensee	1	325.0	325.0	Nil	Warehouse for storage of ancillary materials[8]	–	–	–	–	200,000	
5.	Factory Block B, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City (" **Factory Block B**")	Dongguan Land No. 1	*1*	Dongguan Zensee	3	9,965	3,834.14[10]	1,000.0[10]	Production for printing with printing presses installed[12], training centre and office (for engineering and quality control)	0.14	0.23	0.19	–	2,000,000	

Item	Property Description	Location	Land Use Right Certificate Serial No.	Land Use Right Owner	Floor	GFA: Total GFA	GFA: With title defects: Non-production use	GFA: With title defects: Production use	Principal usage during the Track Record Period[11]	Estimated contribution to our revenue[7]: For FY2016	For FY2017	For FY2018	For 6M2019	Approximate Construction Cost/ Contract Sum	Permit Obtained
		Situated on	*(Note)*			*sq.m.*	*sq.m.*	*sq.m.*				*(%)*		*(RMB)*	*(Note)*
6.	Additional Part in Dormitory 3, Dongshan Industrial Park, Zhangluo Community, Zhangmutou County, Dongguan City (“**Additional Part in Dormitory 3**”)	Dongguan Land No. 1	*1*	Dongguan Zensee	3	806.32	806.32	Nil	Dormitory	–	–	–	–	200,000	
7.	Factory Block C, Dongshan Industrial Park, Zhangluo Community, Zhangmutou County, Dongguan City (“**Factory Block C**”)	Dongguan Land No. 2	*2*	Dongguan Zensee	3	5,632.0	1,421.2	4,210.8	Production for (i) paper splitting and flexography (with flexo printing machines, envelope-making machines, paper sheeting machines, trimming machines and hydraulic press machine installed); and (ii) binding (with book folding machines, saddle stitching machine, sewing machine and trimming machines installed) Office (for engineering)	4.95	4.41	4.33	3.86	2,369,900	4
8.	Dormitory 4, Dongshan Industrial Park, Zhangluo Community, Zhangmutou County, Dongguan City (“**Dormitory 4**”)	Dongguan Land No. 2	*2*	Dongguan Zensee	3	966.0	966.0	Nil	Dormitory	–	–	–	–		4
9.	Power Generating House, Dongshan Industrial Park, Zhangluo Community, Zhangmutou County, Dongguan City (“**Power Generation House**”)	Dongguan Land No. 1 and Donguang Land No. 2	*1 and 2*	Dongguan Zensee	1	462.0	462.0	Nil	Backup generator	–	–	–	–		
10.	Goods Shack, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City (“**Goods Shack**”)	Dongguan Land No. 2	*2*	Dongguan Zensee	1	508.0	508.0	Nil	Temporary warehouse for storage of packaging and ancillary material	–	–	–	–		
11.	Storage 1, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City (“**Storage 1**”)	Dongguan Land No. 2	*2*	Dongguan Zensee	1	253.0	253.0	Nil	Storage of idle machines and tools	–	–	–	–		
12.	Hazardous Material Storage, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City (“**Hazardous Material Storage**”)	Dongguan Land No. 2	*2*	Dongguan Zensee	1	95.0	95.0	Nil	Storage of hazard materials	–	–	–	–	500,000	
13.	Storage 2, Dongshan Industrial Park, Zhangluo Community, Zhangmutou, Dongguan City (“**Storage 2**”)	Dongguan Land No. 2	*2*	Dongguan Zensee	1	40.0	40.0	Nil	Storage of idle machines and tools	–	–	–	–		

Item	Property Description	Location	Land Use Right Certificate Serial No.	Land Use Right Owner	Floor	GFA: Total GFA	GFA: With title defects: Non-production use	GFA: With title defects: Production use	Principal usage during the Track Record Period[11]	Estimated contribution to our revenue[7]: For FY2016	For FY2017	For FY2018	For 6M2019	Approximate Construction Cost/ Contract Sum	Permit Obtained
		Situated on	*(Note)*			*sq.m.*	*sq.m.*	*sq.m.*				*(%)*		*(RMB)*	*(Note)*
14.	Factory Block D, 5 Dongshan Industrial Street, Zhangluo Community, Zhangmutou, Dongguan City (**"Factory Block D"**)	Dongguan Land No. 3	3	Dongguan Zensee	6	24,507.80[9]	Nil	24,507.80[9]	Production for digital printing, silkscreen printing, die-cutting, foil stamping, coating and assembly (with digital printing presses, silk-screen printing machine, printing presses, die-cutting machines, hot stamping machines, laminator, coating machines, top coating machine, wooden sample laser cutting machines, trimming machines, card punching machines and coating machines installed)	29.04	25.89	25.39	22.61	32,400,418	4, 5, 6
	Total:					**51,943.32[13]**	**15,893.86**	**30,918.6**		**34.71**	**30.96**	**30.24**	**26.47**		

Notes:

1. Yue (2019) Dongguan Immovable Property Rights Number 0004235 and Yue (2019) Dongguan Immovable Property Rights Number 0004246 (粵(2019)東莞不動產權第0004235號和粵(2019)東莞不動產權第0004246號)

2. Yue (2019) Dongguan Immovable Property Rights Number 0076052 (粵(2019)東莞不動產權第0076052號)

3. Yue (2019) Dongguan Immovable Property Rights Number 0218666 (粵(2019)東莞不動產權第0218666號)

4. Planning Permit for Construction Project (建設工程規劃許可證) (the "**Planning Permit**")

5. Construction Permit for Construction Project (建築工程施工許可證) (the "**Construction Permit**")

6. Completion and Acceptance Permit for Construction Project (建築工程竣工驗收證書) or certificate of completion inspection record of works (竣工驗收備案憑證) (the "**Completion Permit**")

7. The estimated contribution to our revenue was calculated based on the percentage of the cost incurred in the relevant factory building to the total cost of sales of our Group, multiplied by the total revenue of our Group for the corresponding year. The revenue generated by the relevant factory building is estimated purely based on our internal records which is unaudited and for illustrative purpose.

8. As at the Latest Practicable Date, such property was vacant.

9. The total GFA of 24,507.8 m^2 does not include additional part built in Factory Block D ("**Additional Part in Factory Block D**") with a gross floor area of approximately 1,050 sq.m. and the construction cost/contract sum of approximately RMB50,000 which has been demolished as at the Latest Practicable Date. For details, see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan – B. UV Workshop, Warehouse, Additional Part in Factory Block B, Additional Part in Dormitory 3, Power Generation House, Goods Shack, Storage 1, Hazardous Material Storage, Storage 2 and Additional Part in Factory Block D (items 3, 4, 5, 6, 9, 10, 11, 12, 13 and 14)".

10. Such GFA represents the additional building structure in Factory Block B, which has title defect (the "**Additional Part in Factory Block B**").

11. The principal usage during the Track Record Period is based on the confirmation of our Directors.

12. As at the Latest Practicable Date, production at such property had ceased and the portion of the property used for production during the Track Record Period was vacant.

13. Such total GFA includes the aggregate GFA of 5,130.86 sq.m. of Factory Block B which have no title defects but does not include the aggregate GFA of 4,441.43 sq.m. of the dormitory buildings with no title defects comprising (i) two owned buildings used as dormitories with an aggregate GFA of 2,798.2 sq.m.; and (ii) one leased building used as dormitory with GFA of 1,643.23 sq.m.

A. *Factory Block A, Dormitory 1 & 2, Factory Block C, Dormitory 4 and Factory Block D (items 1, 2, 7, 8 and 14)*

Background

We have acquired (i) the Dongguan Land No. 1 in 1994 and constructed Factory Block A and Dormitory 1 & 2; (ii) the Dongguan Land No. 2 in 2002 and constructed Factory Block C and Dormitory 4; and (iii) the Dongguan Land No. 3 in 2002 and constructed Factory Block D. However, all the buildings did not possess valid real estate ownership certificates or immovable property title certificates during the Track Record Period as they failed to obtain the Planning Permits, the Construction Permits and/or the Completion Permits. Please refer to the above table for further details. As advised by our Directors, such failure to obtain relevant permits and/or certificates was due to (i) the fact that our management team at the relevant time was not familiar with the relevant regulatory requirements; and (ii) the inconsistent implementation or interpretation by local governmental authorities in the PRC of the relevant laws and regulations. As confirmed by our Directors and our Group, as at the Latest Practicable Date, our Group did not receive any investigation, complaints, notice or documents, nor be subject to any administrative punishment due to the above title defects.

Relevant laws and regulations

As advised by our PRC Legal Advisers:

Pursuant to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), if a construction work proceeds without obtaining the Planning Permit, Urban and Rural Planning authorities at or above county level may order termination of the construction project. For construction work where measures can be taken to eliminate its impact on urban and rural planning, the authorities may order such measures to be taken within a prescribed time limit and impose a fine in the amount between 5% to 10% of the construction cost of the construction work. For construction work where no measures can be taken to eliminate the impact on rural and urban planning, the authorities may order to demolish the relevant construction work within a prescribed time limit; for construction work that cannot be demolished, the authorities shall confiscate the relevant construction work or illegal income and impose a fine in the amount of not more than 10% of the construction cost of the construction work.

Pursuant to the Administrative Measures for Construction Permits for Construction Works (建築工程施工許可管理辦法), if a construction work whose total project investment is not less than RMB300,000 or whose construction area is not less than 300 sq.m. proceeds without obtaining the Construction Permit, the competent authority may order termination of such construction work, and order rectification within the prescribed time limit, and impose a fine in the amount between 1% and 2% of the contract sum of the construction work.

According to the Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), where a construction entity delivers the construction project for use without conducting the construction work completion inspection acceptance, it shall be ordered to take remedial actions and also to pay a fine in the amount between 2% to 4% of the construction contract sum; and shall indemnify if any losses have been caused therefor according to the laws.

Pursuant to the Housing Registration Method (房屋登記辦法) which has been abolished since 6 September 2019, the housing registration shall follow the principle that the land use right ownership and the ownership of buildings erected within the land use rights should be consistent.

Pursuant to Notice of Implementation Rules (Amended) for Supplemental Application for Real Estate Ownership Certificates of Established Properties in Dongguan City (東莞市已建房屋補辦房地產權證實施細則(修訂)的通知) (the "**Notice No. 8**") issued on 28 July 2009, for those properties that have been built before 28 May 2008 within Dongguan administrative area and have been filed for the record with registered with the Dongguan City Management Comprehensive Law Enforcement Bureau* (東莞市城市管理綜合執法局) and have obtained the land use right certificates, the Notice No. 8 is applicable to the owner of the said properties who would like to make supplemental application for real estate ownership certificates and has been an enterprise registered in Dongguan. The following are major procedures for making real estate ownership certificates supplemental application:

a. the applicant submits the application together with the basic information pursuant to the Notice No. 8 to the relevant Town Street Office of Established Properties Supplemental Application for Real Estate Ownership Certificates (鎮街已建房屋補辦房地產權手續工作辦公室) (the "**Town Street Office**"). For those applications which satisfy the requirements after the initial review by the Town Street Office and the applicant is agreeable to pay the fees and fines derived from the supplemental application of the real estate ownership certificate, the Town Street Office will issue the Notice of Accepting the Supplemental Application for Real Estate Ownership Certificates (同意受理補辦房地產權證手續通知書);

b. the application materials submitted to the Town Street Office will also distribute to the relevant local town street planning office (鎮街規劃所), planning and construction office (規劃建設辦) and public security and fire control brigade (公安消防大隊) (collectively, the "**Town Street Functional Departments**") for review and examination, or the Town Street Functional Departments collectively review and examine with the organisation of the Town Street Office, and the Town Street Functional Departments will decide whether to approve the supplemental application or not;

c. After approval to be obtained from the Town Street Functional Departments, the Town Street Office will inform the public about the real estate ownership certificates supplemental application by the following three means (i) publish in the newspapers; (ii) publish in the publicity column in front of the Town Street Office; and (iii) publish in the publicity column of the local village committee (村委會). If no entity or individual raise objection relating to the supplemental application within the public notice period, the Town Street Office will submit the application materials to Dongguan City Established Properties Supplemental Application for Real Estate Ownership Certificates Office (東莞市已建房屋補辦房地產權手續工作辦公室) (the "**City Office**");

d. After the City Office reviews and accepts the application materials submitted by the Town Street Office, the application materials will also be distributed to Dongguan City Urban Construction Planning Bureau (東莞市城建規劃局) and Dongguan City Construction Bureau (東莞市建設局) (collectively, the "**City Functional Departments**") for review and examination, or the City Functional Departments collectively review and examine with the organisation of the City Office, and after approval to be obtained from the City Functional Departments with respect to the supplemental application, the City Office will submit the approval to Dongguan City Municipal People's Government Office (東莞市人民政府工作辦公室) for confirmation and sealing;

e. The applicant pays the fees and fines according to administrative punishment decision (行政處罰決定書) and notice for fees and fines payment (規費繳款通知書);

f. Town Street Office assists the applicant to attend the Town Street Functional Departments to make the following supplemental applications (if necessary): (i) Planning Permit for Construction Site (建設用地規劃許可證); (ii) the Planning Permit; (iii) Dongguan City Property Safety Examination Certificate (東莞市房屋安全檢查證書) or the Construction Permit and the Completion Permit; (iv) Building Project Fire Safety Review Opinion Certificate (建築工程消防審核意見書) and Building Project Fire Safety Acceptance Opinion Certificate (建築工程消防驗收合格意見書), or Construction Project Fire Safety Design Record Acceptance Certificate (建設工程消防設計備案受理憑證) and Construction Project Completion Fire Safety Design Record Acceptance Certificate (建設工程竣工驗收消防備案受理憑證); and

g. Application for and issuing of real estate ownership certificates.

According to Attachment 3 of Notice No. 8, according to the fact that if the established properties have not been completed any formalities (except for land use right certificates), the fines for application of real estate ownership certificate shall be 5% of the construction cost and 1% of the construction contract sum of a single project. The construction cost and construction contract sum of a single project built for the purpose of the industrial use during the period from 1 January 1998 to 31 December 2003 are calculated at RMB550/sq.m., and the construction cost and construction contract sum of a single project for the purpose of the industrial use built during the period from 1 January 2004 to 30 June 2007 are calculated at RMB600/sq.m..

Relevant governmental authority(ies) interview(s) and confirmation(s)

a. Pursuant to interviews with the representative of Dongguan Urban Administrative Bureau (東莞市城市綜合管理局), whose predecessor is Dongguan City Management Comprehensive Law Enforcement Bureau (東莞市城市管理綜合執法局) on 1 June 2018 and 20 December 2018, it confirmed that (i) when title defects relating to the properties in Dongguan City belonged to the historically-remaining buildings that were prevalent in Dongguan City, the properties would mainly be reserved for use, would not be disposed of, would be allowed to be used in their present conditions, and would not be demolished, and it would not request Dongguan Zensee to relocate or suspend the usage of the properties; and (ii) Dongguan Zensee could make real estate ownership certificates supplemental application for real estate ownership certificates and should pay the administrative fines to Dongguan Urban Administrative Bureau (東莞市城市綜合管理局) pursuant to the regulations relating to supplemental application for real estate ownership certificates.

b. Pursuant to interviews with the representative of Dongguan City Urban and Rural Planning Bureau (東莞市城鄉規劃局), whose predecessor is Dongguan City Urban Construction Bureau* (東莞市城建規劃局) on 11 June 2018 and 25 December 2018, it confirmed that (i) when title defects relating to the properties in Dongguan City belonged to the historically-remaining buildings that are prevalent in Dongguan City, the properties would be allowed to be used in their present conditions and it would not take initiative to dispose of the said properties; and (ii) Dongguan Zensee could make real estate ownership certificates supplemental application according to the regulations relating to supplemental application for real estate ownership certificates.

c. Pursuant to interviews with the representative of Dongguan City Housing and Urban Rural Development Bureau (東莞市住房和城鄉建設局), whose predecessor is Dongguan City Construction Bureau (東莞市建設局), on 21 June 2018 and 5 December 2018, it confirmed that (i) for properties with defective titles and had been subjected to the established properties supplemental application for real estate ownership certificates procedures, it would impose an administrative fine of 1% on the contract price of a single project due to Dongguan Zensee's historical failure to apply for the Construction Permit pursuant to the Notice No. 8, but would not impose administrative penalty on Dongguan Zensee's historical failure to apply for the Completion Certificate; and (ii) in the absence of complaint, it would not take initiative to investigate or impose administrative penalties on Dongguan Zensee, and it had not received any complaints against Dongguan Zensee.

d. Pursuant to interviews with the representative of Zhangmutou County Established Properties Supplemental Application for Real Estate Ownership Certificates Office (樟木頭鎮已建房屋補辦房地產權手續工作辦公室), an internal organisation under Dongguan City Zhangmutou County Town Renewal Bureau (東莞市樟木頭鎮城市更新局) on 23 May 2018, 8 June 2018 and 5 December 2018, it confirmed that (i) for the properties which had been agreed to be included in the supplemental application record by Dongguan Urban Administrative Bureau (東莞市城市綜合管理局), Dongguan Zensee could make real estate ownership certificates supplemental application pursuant to the Notice No. 8; and (ii) for Factory Block D which already possessed the Planning Permit, the Construction Permit and the Completion Permit, subject to the transfer of land which Factory Block D erected on from Q P Printing to Dongguan Zensee, it could apply for the real estate ownership certificate with the compliance of the Notice No. 8. (collectively the "**Interviews**").

e. Pursuant to two confirmations issued by Dongguan Urban Administrative Bureau (東莞市城市綜合管理局) on 5 June 2018 and 24 December 2018, it confirmed that Dongguan Zensee had no record of any breach of relevant laws and regulations relating to city management which were within the bureau's jurisdiction from 1 January 2015 to 30 November 2018. Pursuant to two confirmations issued by Dongguan City Urban Management and Comprehensive Law Enforcement Bureau (東莞市城市管理和綜合執法局) on 4 June 2019 and on 9 December 2019, it confirmed that Dongguan Zensee had not been found record of any breach of relevant laws and regulations within the scope of such bureau's functions from 1 December 2018 to 25 November 2019.

f. Pursuant to two confirmations issued by Dongguan City Urban and Rural Planning Bureau (東莞市城鄉規劃局) on 7 June 2018 and 12 December 2018, it confirmed that Dongguan Zensee had no record of any breach of relevant laws, administrative regulations or rules relating to urban and rural planning which led to imposition of administrative penalty from 1 January 2015 up to the date of issuing the confirmations. Pursuant to two confirmations issued by Dongguan City Natural Resources Bureau (東莞市自然資源局) on 29 May 2019 and on 17 December 2019, it confirmed that Dongguan Zensee had not been subject to administrative penalties for violations of urban and rural planning laws and regulations from 1 December 2018 to 25 November 2019.

g. Pursuant to four confirmations issued by Dongguan City Municipal Housing and Urban Rural Development Bureau (東莞市住房和城鄉建設局) on 28 May 2018, 7 December 2018, 16 May 2019 and 2 December 2019, it confirmed that Dongguan Zensee had no administrative penalty record from 1 January 2015 to 25 November 2019. (collectively the "**Confirmations**").

Remedial actions taken by our Group

Transfer of Dongguan Land No.2 and Dongguan Land No. 3 from Q P Printing to Dongguan Zensee: Since Factory Block C and Dormitory 4 which are erected on Dongguan Land No. 2 owned by Q P Printing, and Factory Block D which are erected on Dongguan Land No. 3 owned by Q P Printing, in order to comply with the Notice No. 8 and Article 8 of the Housing Registration Method (房屋登記辦法), Q P Printing as seller and Dongguan Zensee as purchaser entered into two Contracts for the Transfer of State-owned Land Use Right in Dongguan City (東莞市國有建設用地使用權轉讓合同) (the "**Transfer Contracts**") on 4 January 2019 for Dongguan Land No. 2 and Dongguan Land No. 3 at a consideration of HK$4,690,000 and HK$3,510,000, respectively, pursuant to which Q P Printing agreed to deliver Dongguan Land No. 2 and Dongguan Land No. 3 to Dongguan Zensee by 31 December 2019. Pursuant to the two Notices on the Conclusion of State-owned Land Use Rights Transaction of Q P Printing (關於雋思印刷有限公司國有土地使用權交易成交的通知) issued by Dongguan Bureau of Land and Resources (東莞市國土資源局) on 15 January 2019, it confirmed that the application for transfer of the Dongguan Land No. 2 and Dongguan Land No. 3 from Q P Printing to Dongguan Zensee has met the conditions of the transaction, the land use right of the Dongguan Land No. 2 and Dongguan Land No. 3 has been transferred to Dongguan Zensee, and the relevant application for real estate registration may be made by Q P Printing and Dongguan Zensee starting from 15 January 2019. During the Track Record Period, such real estate registration of the transfer of Dongguan Land No. 2 and Dongguan Land No. 3 had been completed and as at the Latest Practicable Date, we have already submitted the real estate ownership certificates supplemental applications for Factory Block C and Dormitory 4 pursuant to Notice No. 8 and other relevant regulations. The expense in relation to the transfer of the land parcels and the application of real estate ownership certificate for certain buildings in our Dongguan Factory is approximately HK$10.0 million, which has been recognised as at the Latest Practicable Date.

Confirmation of the structural safety by competent entity: In order to confirm the structural safety of Factory Block A, Dormitory 1 & 2, Factory Block C, Dormitory 4 and Factory Block D, our Group has engaged a competent entity in the PRC to conduct review and examination of their structural safety. Pursuant to the evaluation reports in respect of Factory Block A, Dormitory 1 & 2, Factory Block C and Dormitory 4 all issued on 13 August 2018 and the evaluation report in respect of Factory Block D issued on 6 March 2019, all the buildings as mentioned above could be safely used according to the current status.

Submission of real estate ownership certificates supplemental application pursuant to Notice No. 8: We have already submitted our real estate ownership certificates supplemental application pursuant to Notice No. 8. and Dongguan City Management Comprehensive Law Enforcement Bureau (東莞市城市管理綜合執法局) acknowledged the receipt of the supplemental application record relating to Factory Block A, Dormitory 1 & 2, Factory Block C, Dormitory 4 and Factory Block D. Zhangmutou County Established Properties Supplemental Application for Real Estate Ownership Certificates Office (樟木頭鎮已建房屋補辦房地產權手續工作辦公室) issued Notice of Acceptance of Supplemental Application for Real Estate Ownership Certificates Office Notice (同意受理補辦房地產權證手續通知書) on 28 May 2018 confirming the acceptance of the real estate ownership certificates supplemental application relating to Factory Block A, Dormitory 1 & 2, Factory Block C, Dormitory 4 and Factory Block D made by Dongguan Zensee after preliminary review.

On 5 July 2019, Dongguan Zensee obtained an immovable property title certificate (不動產權證書) for Factory Block D which issued by Dongguan City Natural Resources Bureau (東莞市自然資源局).

Views of our PRC Legal Advisers

In relation to the potential administrative punishment against our Group: Based on the relevant PRC laws and regulations and interview results and confirmations obtained from the relevant government authorities and the remedial actions taken and confirmation made by our Group as mentioned above, our PRC Legal Advisers advised that (i) the chance that the relevant governmental authorities demolish or suspend the usage of Factory Block A, Dormitory 1 & 2, Factory Block C, Dormitory 4 and Factory Block D is low; (ii) subject to the real estate ownership certificates supplemental application made by Dongguan Zensee pursuant to Notice No. 8, the relevant governmental authorities shall impose administrative fine for an amount of approximately RMB1,343,835.6 against Dongguan Zensee; (iii) the chance that the relevant government authorities impose additional administrative fine (the maximum amounts of approximately RMB329,559.8) against Dongguan Zensee due to its failure to apply for the Planning Permit, the Construction Permit and the Completion Permit for Factory Block A, Dormitory 1 & 2, Factory Block C and Dormitory 4 pursuant to the relevant laws and regulations is low; and (iv) Factory Block D shall not be prone to additional administrative fine due to the fact that Dongguan Zensee has obtained the Planning Permit, the Construction Permit and the Completion Permit for Factory Block D according to relevant PRC laws and regulations as disclosed above.

In relation to the land which the properties were erected on: based on the above, as advised by our PRC Legal Advisers, the transfer of Dongguan Land No. 2 and Dongguan Land No. 3 pursuant to the Transfer Contracts was legal and valid, and in compliance with the relevant mandatory PRC laws and regulations.

In relation to obtaining real estate ownership certificates or immovable property title certificates pursuant to Notice No. 8: based on the above, save for the fact that the application procedure of the supplemental application for real estate ownership certificate or immovable property title certificates of the established houses takes a relatively long time, Dongguan Zensee has to perform the procedures and fully submit application materials for the real estate ownership certificate or immovable property title certificates according to Notice No. 8 and as required by the relevant PRC authorities, and Dongguan Zensee is eligible to make supplemental application for real estate ownership certificates or immovable property title certificates pursuant to Notice No. 8, our PRC Legal Advisers advised that there is no material legal impediment for Dongguan Zensee to make supplemental application and obtain real estate ownership certificates or immovable property title certificates for Factory Block A, Dormitory 1 & 2, Factory Block C, Dormitory 4 and Factory Block D.

As advised by our PRC Legal Advisers, the relevant government authorities which provided the interview results and confirmations as mentioned above are the competent authorities to give opinion to the PRC laws and regulations relating to properties with defective titles in Dongguan.

B. UV Workshop, Warehouse, Additional Part in Factory Block B, Additional Part in Dormitory 3, Power Generation House, Goods Shack, Storage 1, Hazardous Material Storage, Storage 2 and Additional Part in Factory Block D (items 3, 4, 5, 6, 9, 10, 11, 12, 13 and 14)

Background

On Dongguan Land No. 1, we have constructed UV Workshop, Warehouse, Additional Part in Factory Block B, Additional Part in Dormitory 3 and part of Power Generation House. On Dongguan Land No. 2, we have constructed part of Power Generation House, Goods Shack, Storage 1, Hazardous Material Storage and Storage 2. On Dongguan Land No. 3, we have constructed Additional Part in Factory Block D.

The above buildings and structures did not possess valid real estate ownership certificates or immovable property title certificates as we failed to obtain the Planning Permit, the Construction Permit and/or the Completion Permit. Please refer to the above table for further details. As advised by the Directors, such failure to obtain relevant permits and/or certificates was due to (i) the fact that our management team at the relevant time was not familiar with the relevant regulatory requirements; and (ii) the inconsistent implementation or interpretation by local governmental authorities in the PRC of the relevant laws and regulations. As confirmed by the Directors and our Group, as at the Latest Practicable Date, our Group did not receive any investigation, complaints, notice or documents, nor subject to any administrative punishment due to the above title defects.

Relevant laws and regulations

For the laws and regulations relating to failure to obtain the Planning Permit, the Construction Permit and the Completion Permit and Notice No. 8, please see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan – A. Factory Block A, Dormitory 1 & 2, Factory Block C, Dormitory 4 and Factory Block D (items 1, 2, 7, 8 and 14) – Relevant laws and regulations".

Pursuant to Opinions of the Dongguan People's Government on Implementing the Scale and Benefit Multiplication Plan of Key Enterprises and Comprehensively Enhancing the Level of Industrial Intensive Development (東莞市人民政府關於實施重點企業規模與效益倍增計劃、全面提升產業集約發展水平的意見) and the Office of the People's Government of Dongguan on Publishing Implementation of Key Enterprises' Scale and Benefits The provisions of the Notice of Multiplying Plan Action Plan (東莞市人民政府辦公室關於印發實施重點企業規模與效益倍增計劃行動方案的通知), for those pilot enterprises which are included in the Dongguan City Multiplier Programme (東莞市倍增計劃) (the "**Multiplier Programme**") and need to make real estate ownership certificates supplemental application, the relevant governmental authorities will centralise the handling and coordination procedures, streamline application process and adopt appropriate relaxation conditions to complete the supplemental application work.

Pursuant to the Notice on Publishing the Implementation Plan for the Property Rights Re-issuance of the Pilot Enterprises of Dongguan City (關於印發東莞市"倍增計劃"試點企業產權補辦實施方案的通知), for those enterprises which have been confirmed by the people's government at the city level as pilot enterprise under the Multiplier Programme and have illegal structure without necessary permits, taking into account the industrial restructuring and sustainable development requirements, after being included in the application record of Dongguan City Management Comprehensive Law Enforcement Bureau (東莞市城市管理綜合執法局), they can make supplemental application for the real estate ownership certificate according to the policies for established properties in Dongguan City.

Relevant governmental authority(ies) interview(s)

Please refer to the Interviews results and Confirmations as stated in "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan – A. Factory Block A, Dormitory 1 & 2, Factory Block C, Dormitory 4 and Factory Block D (items 1, 2, 7, 8 and 14) – Relevant governmental authority(ies) interview(s) and confirmation(s)", which are also applicable to UV Workshop, Warehouse, Additional Part in Factory Block B, Additional Part in Dormitory 3, Power Generation House, Goods Shack, Storage 1, Hazardous Material Storage, Storage 2 and Additional Part in Factory Block D.

Pursuant to interviews with the staff of Zhangmutou County Established Properties Supplemental Application for Real Estate Ownership Certificates Office (樟木頭鎮已建房屋補辦房地產權手續工作辦公室), an internal organisation under Dongguan City Zhangmutou County Town Renewal Bureau (東莞市樟木頭鎮城市更新局) on 23 May 2018, 8 June 2018 and 5 December 2018, it further confirmed that for the rest of building and structures with defective titles which were excluded in the supplemental application record by Dongguan Urban Administrative Bureau (東莞市城市綜合管理局), after Dongguan Zensee had been recognised as a pilot enterprise under the Multiplier Programme, it could make supplemental application for the real estate ownership certificate of the established properties in Dongguan City pursuant to the Notice No. 8.

Pursuant to an interview with the relevant representative(s) of Dongguan City Comprehensive Administration (東莞市城市綜合管理局) (currently known as Dongguan City Management and Comprehensive Enforcement Bureau (東莞市城市管理和綜合執法局)) on 20 December 2018, it confirmed that after Dongguan Zensee had been identified as a pilot enterprise under the Multiplier Programme, the rest of properties and structures with defective titles of Dongguan Zensee could be included in its supplemental application record of established properties after submitting the relevant materials.

Pursuant to an interview with the staff of Dongguan City Zhangmutou County Economic and Technological Information Bureau* (東莞市樟木頭鎮經濟科技信息局) on 8 June 2018, it confirmed that the application and recognition of pilot enterprise under the Multiplier Programme in Dongguan City in 2018 has been completed. According to the previous practice, Dongguan Zensee could submit an application for the Multiplier Programme in Dongguan City in 2019 around December 2018 to January 2019 to Dongguan City Multiple Plan Working Leading Group Office (東莞市倍增計劃工作領導小組辦公室) after it issued notice to enterprises.

Pursuant to an interview with the relevant representative(s) of Dongguan Natural Resources Bureau (東莞市自然資源局) (formerly known as Dongguan City Urban and Rural Planning Bureau (東莞市城鄉規劃局)), being the competent authority according to our PRC Legal Advisers, on 21 March 2019, it confirmed that in the event that Dongguan Zensee has made the real estate ownership certificates supplemental application according to the applicable laws and regulations, and it has reviewed the application materials and considered that they are in line with the relevant policy of issuing property rights certificates in Dongguan, it would issue Planning Permit(s) for Construction Project (建設工程規劃許可證).

As advised by our PRC Legal Advisers, the relevant government authorities which provided the interview results as mentioned above are the competent authorities to give opinion to the PRC laws and regulations relating to properties with defective titles in Dongguan.

Remedial actions taken and to be taken by our Group

Submission of application to become the pilot enterprise under the Multiplier Programme: Pursuant to Description of Dongguan Zensee Pilot Enterprise under the Multiplier Programme (關於東莞雋思印刷有限公司倍增試點企業情況的說明) issued by Zhangmutou County Economic and Technological Information Bureau (樟木頭鎮經濟科技信息局) on 6 June 2018, Dongguan Zensee fully complied with the requirements to apply for pilot enterprise under the Multiplier Programme and Zhangmutou County Multiplier Plan Working Leading Group Office (樟木頭鎮倍增計劃工作領導小組辦公室) would strongly recommend Dongguan Zensee as a pilot enterprise under the Multiplier Programme in 2019. Dongguan Zensee has made application for pilot enterprise under the Multiplier Programme in January 2019, and has been recognised as a pilot enterprise under the Multiplier Programme in 2019 pursuant to the Circular on the List of Pilot Enterprises under the Dongguan Multiplier Programme (關於東莞市"倍增計劃"試點企業名單的通報) issued by Dongguan City Multiple Plan Working Leading Group Office (東莞市倍增計劃工作領導小組辦公室) on 29 August 2019.

Notwithstanding Dongguan Zensee has been recognised as pilot enterprise under the Multiplier Programme in 2019, and Dongguan Zensee can make supplemental applications for the rest of buildings and structures to rectify the title defects after attaining such recognition, our Group still took the following remedial actions to minimise potential adverse effect to our operation.

Demolishing certain unauthorised buildings and structures: as at the Latest Practicable Date, we have already demolished Additional Part in Factory Block D (item 14).

Suspending usage of certain buildings and structures: as at the Latest Practicable Date, we have suspended the usage of UV Workshop, Warehouse (items 3 and 4).

Suspending usage of unauthorised building and structure: as at the Latest Practicable Date, we have suspended the usage of the first floor (for production use) of Additional Part in Block B, occupying approximately 1,000 m^2 (item 5).

The buildings and structures demolished and of which the usage had been suspended are for production purpose. As confirmed by our Directors, such demolition and/or suspension will not lead to material adverse effect to our operation or financial condition as we have relocated such production activities to our Heshan Factory.

Confirmation of structural safety by competent entity: In order to confirm the structural safety of Additional Part in Factory Block B (item 5), Additional Part in Dormitory 3 (item 6), Power Generation House (item 9), Goods Shack (item 10), Storage 1 (item 11), Hazardous Material Storage (item 12) and Storage 2 (item 13), our Group has engaged a competent entity to conduct review and examination of their structural safety. Pursuant to seven structural safety and reliability evaluation reports issued on 13 August 2018 or 9 January 2019 by the competent entity, all the buildings and structures mentioned above could be safely used according to the current status.

Submission of real estate ownership certificates or immovable property title certificates supplemental application pursuant to Notice No. 8: Since Dongguan Zensee has become a pilot enterprise under the Multiplier Programme in 2019, as at the Latest Practicable Date, we have submitted the relevant documents for the real estate ownership certificates or immovable property title certificates supplemental application pursuant to Notice No. 8 to rectify the rest of title defects relating to the above buildings and structures (except for Additional Part in Factory Block D which has been demolished) and Zhangmutou County Established Properties Supplemental Application for Real Estate Ownership Certificates Office (樟木頭鎮已建房屋補辦房地產權手續工作辦公室) has issued Notice of Acceptance of Supplemental Application for Real Estate Ownership Certificates (同意受理補辦房地產權證手續通知書) confirming that the acceptance of such application after preliminary review.

Views of our PRC Legal Advisers

In relation to the potential administrative punishment against our Group: Based on the relevant PRC laws and regulations, interview results and confirmations obtained from the relevant government authorities and the remedial actions taken and confirmation made by our Group as mentioned above, our PRC Legal Advisers advised that (i) the chance that the relevant governmental authorities demolish or suspend the usage of UV Workshop, Warehouse, Additional Part in Factory Block B, Additional Part in Dormitory 3, Power Generation House, Goods Shack, Storage 1, Hazardous Material Storage and Storage 2 is low; (ii) subject to the real estate ownership certificates supplemental application made by Dongguan Zensee pursuant to Notice No. 8, the relevant governmental authorities shall impose administrative fine for an amount of approximately RMB281,274.18 against Dongguan Zensee; (iii) the chance that the relevant governmental authorities impose additional administrative fine (the maximum fines of approximately RMB1,141,068.71 against Dongguan Zensee due to its failure to apply the Planning Permit, the Construction Permit (if applicable) and the Completion Permit for UV Workshop, Warehouse, Additional Part in Factory Block B, Additional Part in Dormitory 3, Power Generation House, Goods Shack, Storage 1, Hazardous Material Storage, Storage 2 and Additional Part in Factory Block D pursuant to the relevant laws and regulations is low; and (iv) the Additional Part in Factory Block D shall not be prone to additional administrative fine due to the fact that such part had been demolished as disclosed above.

In relation to obtaining real estate ownership certificates or immovable property title certificates pursuant to relevant laws and regulations: Based on the relevant PRC laws and regulations, the relevant governmental authorities' interview results, and the land use right certificates of relevant land on which such properties erected are held by Dongguan Zensee as mentioned above, our PRC Legal Advisers advised that upon Dongguan Zensee undergoing the procedures and submitting all application materials according to relevant PRC laws and regulations and as required by the relevant PRC authorities, there is no material legal impediment for Dongguan Zensee to obtain real estate ownership certificates or immovable property title certificates for UV Workshop, Warehouse, Additional Part in Factory Block B, Additional Part in Dormitory 3, Power Generation House, Goods Shack, Storage 1, Hazardous Material Storage and Storage 2.

Title defects relating to the properties erected on the land in Heshan

Below are details of title defects relating to the properties erected on land in Heshan which are owned by Taunus Printing:

Item	Property Description	Location	Land Use Rights Certificate Serial No.	Floor	Total GFA	With title defects – Non-production use	With title defects – Production use	Usage during the Track Record Period	Estimated contribution to our revenue[(1)] For FY2016	For FY2017	For FY2018	For 6M2019	Approximate Construction Cost/ Construction Contract Sum
		Situated on			*(sq.m.)*	*(sq.m.)*	*(sq.m.)*			%			*(RMB)*
1.	Pumping Room, Yutang Road, Gonghe Town, Heshan ("**Pumping Room**")	Heshan Land No. 2	Yue (2019) Heshan Immovable Property Rights Number 0008178 (粵(2019)鶴山市不動產權第0008178號)	1	33.75	33.75	Nil	Pumping room	–	–	–	–	33,750
2.	Storage 1, Yutang Road, Gonghe Town, Heshan ("**Heshan Storage 1**")	Heshan Land No. 2	Yue (2019) Heshan Immovable Property Rights Number 0008178 (粵(2019)鶴山市不動產權第0008178號)	1	78.00	78.00	Nil	Storage of strap materials	–	–	–	–	140,000
3.	Storage 2, Yutang Road, Gonghe Town, Heshan ("**Heshan Storage 2**")	Heshan Land No. 2	Yue (2019) Heshan Immovable Property Rights Number 0008178 (粵(2019)鶴山市不動產權第0008178號)	1	80.00	80.00	Nil	Storage of hazardous materials	–	–	–	–	95,000
4.	Front Guard Room, Yutang Road, Gonghe Town, Heshan ("**Front Guard Room**")	Heshan Land No. 2	Yue (2019) Heshan Immovable Property Rights Number 0008178 (粵(2019)鶴山市不動產權第0008178號))	1	33.00	33.00	Nil	Guard room	–	–	–	–	33,000
5.	Rear Guard Room, Yutang Road, Gonghe Town, Heshan ("**Rear Guard Room**")	Heshan Land No. 3	Yue (2019) Heshan Immovable Property Rights Number 0009529 (粵(2019)鶴山市不動產權第0009529號)	1	42.00	42.00	Nil	Guard room	–	–	–	–	42,000
	Total:				266.75	266.75	Nil						

Note 1: The estimated contribution to our revenue was calculated based on the percentage of the cost incurred in the relevant factory building to the total cost of sales of our Group, multiplied by the total revenue of our Group for the corresponding year. The revenue generated by the relevant factory building is purely based on our internal records which is unaudited and the calculation is for illustrative purpose.

Background

On Heshan Land No. 2 and Heshan Land No. 3, we have constructed Pumping Room, Heshan Storage 1, Heshan Storage 2, Front Guard Room and Rear Guard Room.

The above construction works failed to obtain the Planning Permit and the Completion Permit in accordance with the relevant PRC laws and regulations as mentioned below. As advised by our Directors, at the time of acquisition of Taunus Printing, the above construction works lacked the Planning Permit and the Completion Permit. As confirmed by our Directors and our Group, as at the Latest Practicable Date, our Group did not receive any investigation, complaints, notice or documents, nor subject to any administrative punishment due to the above title defects.

Relevant laws and regulations

As advised by our PRC Legal Advisers:

Pursuant to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), if a construction work proceeds without obtaining the Planning Permit, Urban and Rural Planning authorities at or above county level may order termination of the construction work. For construction work where measures can be taken to eliminate its impact on urban and rural planning, the authorities may order such measures to be taken within a prescribed time limit and impose a fine in the amount between 5% to 10% of the construction cost of the construction work. For construction work where no measures can be taken to eliminate the impact on rural and urban planning, the authorities may order the relevant construction work to be demolished within a prescribed time limit; for construction work that cannot be demolished, the authorities shall confiscate the relevant construction work or illegal income and impose a fine in the amount of not more than 10% of the construction cost of the construction work.

According to the Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), where a construction entity delivers the construction project for use without conducting the construction work completion inspection acceptance, it shall be ordered to take remedial actions and also to pay a fine in the amount between 2% to 4% of the construction contract sum; and shall indemnify if any losses have been caused therefor according to the laws.

Pursuant to the Interim Provisions on Hierarchical Management of Village and Town Constructions in Heshan (鶴山市村鎮建設工程分級管理暫行規定), for those construction projects commence on state-owned land which within the scope of respective town or street, and the construction area is less than 300 m^2 or the construction cost is less than RMB300,000, the respective town people's government or urban neighbourhood office (街道辦事處) will implement approval and management.

Relevant governmental authority(ies) interview(s) and confirmation(s)

a. Pursuant to the following interviews with the relevant representative of (i) Heshan City Urban and Rural Planning Bureau (鶴山市城鄉規劃局) and Heshan City Housing and Urban Rural Construction Bureau (鶴山市住房和城鄉建設局) on 7 December 2018; and (ii) People's Government of Gonghe Town, Heshan (鶴山市共和鎮人民政府) on 17 August 2018, they stated that (i) given that each of the construction works with title defects was less than 300 m^2, they would not demolish the construction works with title defects or impose administrative punishment against Taunus Printing; (ii) they allowed Taunus Printing to use the buildings and structures as current status with the pre-requisite of safety condition; and (iii) they did not require Taunus Printing to apply for the Planning Permit and the Completion Permit.

b. Pursuant to a confirmation issued by Heshan City Urban and Rural Planning Bureau (鶴山市城鄉規劃局) on 30 November 2018, it stated that (i) Taunus Printing's operation was in compliance with relevant laws, regulations and administrative rules relating to urban planning and construction; and (ii) since the date of its establishment and up to the date of issuing the confirmation, Taunus Printing had not violated any laws, regulations and administrative rules relating to urban planning and construction which led to administrative punishment. Pursuant to a confirmation issued by Heshan Natural Resources Bureau (鶴山市自然資源局) on 9 December 2019, it stated that Taunus Printing had not been subject to administrative penalties for violations of urban planning laws and regulations since the date of its establishment and up to the date of issuing the confirmation.

c. Pursuant to Description of the Construction Behaviour of Taunus Printing (關於對騰達印刷(鶴山)有限公司建設行為情況的說明) and two confirmations issued by Heshan City Housing and Urban Rural Construction Bureau (鶴山市住房和城鄉建設局) on 4 December 2018, 20 September 2019 and 3 December 2019, respectively, stating that, upon its examination, since 17 November 2006 and up to the date of issuing the confirmation, Taunus Printing's construction projects within the jurisdiction of Heshan had not been subject to administrative punishment due to the violation of the relevant laws, regulations and administrative rules relating to construction and housing management.

As advised by our PRC Legal Advisers, the relevant government authorities which provided the interview results and confirmations as mentioned above are the competent authorities to give opinion to the PRC laws and regulations relating to properties with defective titles in Heshan.

Remedial actions taken by our Group

Confirmation of the structural safety by competent entity: In order to confirm the structural safety of the Pumping Room, Heshan Storage 1, Heshan Storage 2, Front Guard Room and Rear Guard Room, our Group has engaged a competent entity to conduct review and examination of their structural safety. Pursuant to three structural safety and reliability evaluation reports all issued on 13 August 2018, one structure safety and reliability evaluation report issued on 20 August 2018 and one structure safety and reliability evaluation report issued on 9 January 2019, all the buildings and structures as mentioned above could be safely use according to the current status.

Views of our PRC Legal Advisers

In relation to the potential administrative punishment against our Group: based on the interview results and confirmations obtained from the relevant government authorities and the remedial actions taken and confirmation made by our Group as mentioned above, our PRC Legal Advisers advised that (i) the chance that the buildings with title defects owned by Taunus Printing as mentioned above being demolished by the local competent authorities is low; (ii) the chance that the local competent authorities impose administrative penalties for the maximum amount of RMB48,125 against Taunus Printing due to its failure to apply Planning Permit and the completion permit in accordance with the relevant PRC laws and regulations is low.

Our Directors' view and indemnity

Each of the Controlling Shareholders has jointly and severally undertaken, pursuant to the Deed of Indemnity, to indemnify and keep each of our Group members fully indemnified against all penalty and/or fines imposed against any member of our Group in connection with, amongst others, any lack of capacity or authority on any owner or landlord in allowing our Group to occupy and/or use the land, buildings and structures for our operation. For details of the terms of the Deed of Indemnity, see "Statutory and General Information – E. Other information – 2. Tax and other indemnities" in Appendix V to this prospectus.

Having considered the above remedial actions taken by our Group, our Directors are of the view that our Group has used its best endeavours to rectify the title defect issues in relation to the land, buildings and structures for our operation and that all the measures and remedial actions as stated above could sufficiently avoid or minimise any potential disruption on our Group's operation and safeguard the best interests of our Group. With the indemnity undertaken by our Controlling Shareholders, our Directors are also of the view that the title defects do not pose any imminent risks to our operation and business.

Leased properties

As at the Latest Practicable Date, we did not lease any property which are material for our business operations.

MAJOR LICENCES, QUALIFICATIONS AND ACCREDITATIONS

As advised by our PRC Legal Advisers, for the businesses conducted within the PRC as follow, (i) the entity engaged in printing businesses must apply for the printing operation licence (印刷經營許可證) in accordance with the Regulations on the Administration of Printing Industry (印刷業管理條例) before commencement of any such business activity; and (ii) any certification bodies including the inspection organisations and the laboratories that issue any data or result with the function of verification to the public shall possess the basic conditions and capabilities as required by the relevant laws and administrative regulations, and shall carry out any relevant activity after being recognised in accordance with the law. For details, see "Regulatory Overview – Laws and Regulations in the PRC". Our Directors confirmed that the Group had obtained the requisite governmental licences, permits and certification and renewal for carrying on our business operations.

The following table sets forth a summary of material licences, permits and certifications relating to our business and operations which have been obtained by us:

Licence and certification	Issuing authority/ organisation	Holder/ recipient	Date of issue/award	Date of expiry
Printing Operation Licence* (印刷經營許可證)	Administration of Press, Publication, Radio, Film and Television of Dongguan* (東莞市文化廣電新聞出版局)	Dongguan Zensee	27 March 2018	30 April 2022
Printing Operation Licence* (印刷經營許可證)	Administration of Press, Publication Radio, Film and Television of Jiangmen* (江門市文化廣電新聞出版局)	Taunus Printing	21 June 2018	30 April 2022
Inspection and Testing Institutions Accreditation Certificate* (檢驗檢測機構資質認定證書)	Guangdong Provincial Bureau of Quality and Technical Supervision* (廣東省質量技術監督局)	DPI Laboratory (DG)	12 December 2017	11 December 2023
Certificate of Qualification for Institution of Import & Export Commodity Inspection and Survey* (進出口商品檢驗鑒定機構資格證書)	AQSIQ	DPI Laboratory (DG)	5 September 2018	4 September 2024

The following table sets forth our certifications and accreditations in relation to our laboratory testing services:

No.	Certifications and accreditations	Issuing authority	Holder	Year of grant	Validity period
1.	Laboratory Accreditation Certificate	China National Accreditation Service for Conformity Assessment (CNAS)	DPI Laboratory (DG)	2016	8 April 2016 to 11 April 2022
2.	Certificate of Accreditation – DPI Laboratory (DG) has been assessed by ANAB and meets the requirements of international standards ISO/IEC 17025:2005 while demonstrating technical competence in the field(s) of calibration and testing	ANSI-ASQ National Accreditation Board	DPI Laboratory (DG)	2019	6 May 2019 to 6 December 2021
3.	Accreditation	Deutsche Akkreditierungsstelle GmbH (DAkkS)	DPI Laboratory (DG)	2017	Valid until 7 June 2020
4.	Accreditation	United States Consumer Product Safety Commission (CPSC)	DPI Laboratory (DG)	N/A	N/A

We will file application to renew the relevant licences when they are due to expire. Our Directors confirmed that they are not aware of any difficulty in the renewal of material licences when they expire. To ensure that we would be able to timely obtain all relevant licences and certifications in relation to our operations, we have assigned personnel to keep track of the expiry dates of all relevant licences and certifications and apply for timely renewal.

LEGAL COMPLIANCE AND PROCEEDINGS

As at the Latest Practicable Date and save as disclosed herein, our Directors confirm that we have been in compliance in all material aspects with all applicable laws and regulations in all jurisdictions where we operate business and have obtained all necessary and material approvals, permits, licence, approvals and certificates from the relevant government authorities.

Non-compliance incidents

During the Track Record Period and up to the Latest Practicable Date, we were involved in certain regulatory non-compliance incidents, the details of which together with a description of the rectification actions are set out below:

Failure to make full contribution to the social insurance fund

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
1.	(i) Each of Dongguan Zensee, DPI Laboratory (DG), Q P (SZ) and Q P (SZ) Limited (Guangzhou Branch)* (深圳雋思信息科技有限公司廣州分公司) did not make contribution in full for all of their employees based on its employees' actual salaries as required under the Social Insurance Law and the relevant regulations in the PRC before May 2018. (ii) Each of Dongguan Zensee Printing Limited (Shanghai Branch)* (東莞雋思印刷有限公司上海分公司) and Taunus Printing did not make contribution in full for all of their employees based on its employees' actual salaries as required under the Social Insurance Law and the relevant regulations in the PRC before April 2018.	The non-compliance incidents were primarily due to the staff who were formerly in charge of these matters in our relevant PRC subsidiaries did not fully understand the regulatory requirements in the places where we operated. In addition, to the best knowledge of our Directors having made reasonable enquiries, some of our employees did not want to participate in the social insurance fund scheme as they do not want to bear their portion of contribution.	Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and other relevant PRC regulations, for unsubscribed social insurance fund prior to 1 July 2011, the relevant governmental authority may require a company who fails to pay social insurance fund as required by the relevant PRC laws and regulations to make the outstanding contributions within a prescribed time limit and, if the company fails to do so, may impose on the company an additional late payment fee at a daily rate of 0.2% of the outstanding social insurance contributions amount calculated from the date such social insurance premiums become overdue. For the unsubscribed social insurance fund after 1 July 2011, the relevant governmental authority may require the company to make the unsubscribed contributions with an additional late payment fee at a daily rate of 0.05% of the outstanding social insurance contributions calculated from the date such social insurance premiums become overdue within a given period and, if the company fails to do so, may impose a fine on the company ranging from one to three times of the total amount of the unsubscribed social insurance contributions.	• Each of Dongguan Zensee, DPI Laboratory (DG), Q P (SZ) and Q P (SZ) Limited (Guangzhou Branch)* (深圳雋思信息科技有限公司廣州分公司) has made contribution payment for the social insurance fund in full in accordance with the Social Insurance Law and the relevant regulations in the PRC for all of their employees since May 2018. • Each of Dongguan Zensee Printing Limited (Shanghai Branch)* (東莞雋思印刷有限公司上海分公司) and Taunus Printing has made contribution payment for the social insurance fund in full in accordance with the Social Insurance Law and the relevant regulations in the PRC for all of their employees since April 2018. • Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司) has made contribution payment for the social insurance fund in full in accordance with the Social Insurance Law and the relevant regulations in the PRC for all of their employees since June 2018. • Tian Jin Zen See has made contribution payment for the social insurance fund in full in accordance with the Social Insurance Law and the relevant regulations in the PRC for all of their employees since January 2018.	To avoid future non-compliance incidents in this respect, our Group had adopted a set of policies, including appointing the human resources personnel in the PRC to ensure that the correct basis is used to calculate the individual social insurance for all staff. Our Group will continuously monitor any new laws or regulations being promulgated in relation to social insurance fund to ensure that all social insurance funds will be fully paid. We will also engage external legal advisers to advise us on matters relating to compliance with PRC laws and regulations as and when required.

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
	(iii) Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司) did not make contribution in full for all of its employees based on its employees' actual salaries as required under the Social Insurance Law and the relevant regulations in the PRC before June 2018. (iv) Tian Jin Zen See did not make contribution in full for all of its employees based on its employees' actual salaries as required under the Social Insurance Law and the relevant regulations in the PRC before January 2018. We estimate that the aggregated amounts of social insurance contributions that we underpaid for FY2016, FY2017, FY2018 and 6M2019 were HK$12.5 million, HK$16.1 million, HK$10.5 million and nil, respectively.			• On 24 May 2018 and 4 January 2019, our PRC Legal Advisers conducted a face-to-face interview with Dongguan City Social Security Bureau* (東莞市社會保障局) and the Second Taxation Branch of Heshan Taxation Bureau of State Taxation Administration (國家稅務總局鶴山市稅務局第二稅務分局) respectively, being the competent authorities for social insurance related matter of Dongguan Zensee and DPI Laboratory (DG), and Taunus Printing respectively according to our PRC Legal Advisers, which confirmed that it would not require Dongguan Zensee, DPI Laboratory (DG) and Taunus Printing to make up the unpaid social insurance fund contribution or delay payment, or investigate or punish these companies in the absence of relevant complaint or report from their employees generally in practice. On 24 December 2018 and 12 December 2019, our PRC Legal Advisers conducted a face-to-face interview with the same competent authorities abovementioned, which confirmed that it had not received any complaint or request from employees of these companies in respect of social insurance fund contribution. On 20 December 2019, our PRC Legal Advisers consulted Dongguan Human Resources and Social Security Bureau (東莞市人力資源和社會保障局) on site, being the competent authority for social insurance related matter of Dongguan Zensee and DPI Laboratory (DG) according to our PRC Legal Advisers, which replied that it had not received any unsettled complaint or request of these companies in respect of social insurance fund contribution. • On 10 July 2018, our PRC Legal Advisers consulted Shenzhen Municipal Social Insurance Fund Administration Nanshan Branch (深圳市社會保險基金管理局南山分局) on site, being the relevant competent authority for the social insurance related matter of Q P (SZ) according to our PRC Legal Advisers, which replied that generally in practice, it would not require Q P (SZ) to make up the past unpaid contribution to social insurance fund, or would not take other actions against such company if it has not received complaints from the employees. On 11 December 2018, our PRC Legal Advisers consulted the same competent authority abovementioned, which replied that it has not received any complaint about such company in the respect of social insurance. • On 29 May 2018, our PRC Legal Advisers conducted a face-to-face interview with Tianjin Municipal Social Insurance Fund Management Centre Beichen Branch* (天津市社會保險基金管理中心北辰分中心), being the competent authority for social insurance related matter of Tian Jin Zen See according to our PRC Legal Advisers, which confirmed that (i) generally in practice, it would not require Tian Jin Zen See to make up the unpaid social insurance fund or delayed payment, or start investigation or punish Tian Jin Zen See if it has not received complaints from employees; and (ii) save for a complaint from one employee which has been resolved, it had not received any complaint or report from employees. On 11 December 2018 and on 9 December 2019, our PRC Legal Advisers conducted a face-to-face interviews with the same competent authority abovementioned, which confirmed that it had not received any complaint or request from employees in respect of the social insurance fund contribution.	

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
				• On 4 September 2018, 5 September 2018 and 13 December 2018, our PRC Legal Advisers consulted the Shanghai Changning District Social Insurance Management Centre* (上海市長寧區社會保險事業管理中心) and Beijing Chaoyang District Social Insurance Fund Bureau* (北京市朝陽區社會保險基金管理局) on site, being the relevant competent authorities for social insurance related matter of Dongguan Zensee Printing Limited (Shanghai Branch)* (東莞雋思印刷有限公司上海分公司) and Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司) respectively according to our PRC Legal Advisers, which respectively replied that in the absence of its employees' complaints, it would not take initiative to investigate or take other actions against Dongguan Zensee Printing Limited (Shanghai Branch)* (東莞雋思印刷有限公司上海分公司) and Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司) generally in practice. • On 19 December 2018, our PRC Legal Advisers consulted with the Xinghua Taxation Office of Guangzhou Tianhe District Taxation Bureau of SAT (國家稅務總局廣州市天河區稅務局興華稅務所) on site, being the relevant competent authority for social insurance related matter of Q P (SZ) Limited (Guangzhou Branch) according to our PRC Legal Advisers, which known that Q P (SZ) Limited (Guangzhou Branch)* (深圳雋思信息科技有限公司廣州分公司) did not make contribution in full for all of its employees based on its employees' actual salaries as required under the Social Insurance Law and the relevant regulations in the PRC before May 2018.	

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
				• We have obtained confirmations issued by (i) Shenzhen Municipal Social Insurance Fund Management Bureau* (深圳市社會保險基金管理局) dated 20 April 2018, 14 December 2018, 6 June 2019 and 19 December 2019, being the competent authority according to our PRC Legal Advisers, confirming that it had no record of administrative penalties of Q P (SZ) for breach of relevant social insurance laws and regulations between 9 June 2014 and 30 November 2019; (ii) Guangzhou Human Resources and Social Security Bureau (廣州市人力資源和社會保障局) dated 25 April 2018, 29 November 2018, 14 May 2019, 26 June 2019 and 9 December 2019, respectively, being the competent authority according to our PRC Legal Advisers, confirming that (a) it had not found any breach of relevant labour security laws and regulations between 10 April 2017 and 9 April 2018 by Q P (SZ) Limited (Guangzhou Branch) (深圳雋思信息科技有限公司廣州分公司); and (b) during the verification period between 10 April 2018 and 28 November 2019, there was no record of investigation or administrative penalty regarding breach of relevant labour security laws and regulations by Q P (SZ) Limited (Guangzhou Branch) (深圳雋思信息科技有限公司廣州分公司) and it had not received any complaints of such branch in respect of social insurance; (iii) Shanghai Social Insurance Management Centre (上海市社會保險事業管理中心) dated 10 December 2019, being the competent authority according to our PRC Legal Advisers, confirming that until November 2019, the payment status of Dongguan Zensee Printing Limited (Shanghai Branch) (東莞雋思印刷有限公司上海分公司) was normal and there was no outstanding balance; (iv) Heshan City Human Resources and Social Security Bureau (鶴山市人力資源和社會保障局) dated 24 May 2018, 25 December 2018, 27 May 2019 and 4 December 2019, being the competent authority according to our PRC Legal Advisers, confirming that since 17 November 2006, Taunus Printing had not been imposed any administrative penalties for breach of relevant social insurance laws and regulations; (v) Heshan Social Insurance fund Administration (鶴山市社會保險基金管理局) dated 9 May 2018, 19 December 2018, 20 May 2019 and 4 December 2019, being the competent authority according to our PRC Legal Advisers, confirming that Taunus Printing paid social insurance fees on time; (vi) Tianjin Beichen District Human Resources and Social Security Bureau (天津市北辰區人力資源和社會保障局) dated 28 May 2018, 17 December 2018, 28 May 2019 and 5 December 2019, being the competent authority according to our PRC Legal Advisers, confirming that since May 2016, Tian Jin Zen See had not been found any violation of relevant labour security laws and regulations, nor any bad record of administrative punishment or administrative measures imposed by such bureau; (vii) Beijing Chaoyang District Human Resources and Social Security Bureau (北京市朝陽區人力資源和社會保障局) dated 15 June 2018, 13 December 2018, 22 May 2019 and 11 December 2019, being the competent authority according to our PRC Legal Advisers, confirming that Dongguan Zensee Printing Limited (Beijing Branch) (東莞雋思印刷有限公司北京分公司) had not been found any violation of relevant labour security laws and regulations, nor any bad record of administrative punishment or administrative measures imposed by such bureau between May 2015 and October 2019; and (viii) Dongguan City Social Security Bureau (東莞市社會保障局) dated 16 May 2018 and 18 December 2018, and Dongguan Human Resources and Social Security Bureau (東莞市人力資源和社會保障局) dated 5 August 2019 and 16 December 2019, confirming that there is no record of administrative penalties of Dongguan Zensee and DPI Laboratory (DG) for breaching relevant social insurance laws and regulations between 20 April 2015 and 28 November 2019.	

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
				• During the Track Record Period and as at the Latest Practicable Date, our Group has confirmed that (i) no employees' complaint about or request for the social insurance contribution has been received by our Group save for a complaint from one employee which has been fully settled confirmed by the local competent authority disclosed above; (ii) no order has been received by our Group from the relevant PRC authorities requesting the payment of outstanding social insurance contribution and corresponding late payment fees; and (iii) no administrative punishment for violation of the PRC social insurance laws and regulations has been imposed on our Group. • On the basis mentioned above, our PRC Legal Advisers were of the opinion that the possibility that in the absence of employees' complaints, the relevant PRC social insurance authorities would demand the relevant subsidiaries of our Group in PRC to make the past outstanding contributions to the social insurance fund or pay the corresponding late payment fees or penalising the relevant subsidiaries for the non-compliance incidents in respect of social insurance contribution in practice is relatively low. • Although these non-compliance incidents are covered by the indemnity given by our Controlling Shareholders under the Deed of Indemnity, considering the potential financial impact of these non-compliance incidents on our Group, provision for the unpaid social insurance fund as at 31 December 2016, 2017 and 2018 and 30 June 2019 in the amount of HK\$13.4 million, HK\$14.2 million, HK\$18.9 million and HK\$18.1 million, respectively, have been made. Our management has confirmed that they will ensure that prompt payment for under-contributions to the social insurance fund within the prescribed time limit will be made if they are demanded to do so.	

Failure to register with the relevant authorities and make full contribution to the housing provident fund

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
2.	(i) Dongguan Zensee Printing Limited (Shanghai Branch)* (東莞雋思印刷有限公司上海分公司) did not make contributions to the housing provident fund for the benefit of its employees based on its employee's actual salaries before July 2016; (ii) Dongguan Zensee, DPI Laboratory (DG) and Taunus Printing did not make contributions to the housing provident fund for the benefit of its employees based on its employee's actual salaries before June 2018; (iii) Tian Jin Zen See, Q P (SZ), Q P (SZ) Limited (Guangzhou Branch)* (深圳雋思信息科技有限公司廣州分公司) and Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司) did not make contributions to the housing provident fund for the benefit of its employees based on its employees' actual salaries before July 2018; (iv) Tian Jin Zen See did not open housing provident fund accounts for its employees within the prescribed time limit in accordance with the Administrative Regulations on the Housing Provident Fund and the relevant regulations before June 2018; and	The above non-compliance incidents were not wilful and were due to the inadvertent oversight of our administrative staff.	As advised by our PRC Legal Advisers, according to the Administrative Regulations on the Housing Provident Fund: (i) the relevant housing provident fund management centre may request an entity that fails to contribute housing provident fund in full to make payment thereof within a prescribed time limit, and, if the entity fails to do so, the housing provident fund management centre may apply to a PRC court for an order to enforce payment; and (ii) a newly established entity shall, within 30 days as of its establishment, register at housing provident fund management centre, and shall, within 20 days from the date of registration, open housing provident fund accounts for its employees at an entrusted bank with the approval documents of the housing provident fund management centre. The housing provident fund management centre may order an entity to make registration and open housing provident fund accounts for its employees within a time limit if an entity fails to do so, and if the entity fails to make registration and open the relevant accounts within the prescribed time limit, a fine in the amount between RMB10,000 and RMB50,000 may be imposed on the entity.	• Dongguan Zensee Printing Limited (Shanghai Branch)* (東莞雋思印刷有限公司上海分公司) has made payment for the housing provident fund in full in accordance with the Administrative Regulations on the Housing Provident Fund since July 2016, and there has been no non-compliance since then. • Dongguan Zensee, DPI Laboratory (DG) and Taunus Printing have made payment for the housing provident fund in full in accordance with the Administrative Regulations on the Housing Provident Fund since June 2018, and that there has been no non-compliance since then. • Tian Jin Zen See, Q P (SZ), Q P (SZ) Limited (Guangzhou Branch)* (深圳雋思信息科技有限公司廣州分公司) and Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司) have made payment for the housing provident fund in full in accordance with the Administrative Regulations on the Housing Provident Fund since July 2018, and that there has been no non-compliance since then. • Tian Jin Zen See opened housing provident fund accounts for all of its employees in June 2018 and made payment for the housing provident fund in full in accordance with the Administrative Regulations on the Housing Provident Fund afterwards, and that there has been no non-compliance since then. • Taunus Printing had been registered with the housing provident fund management centre, and opened housing provident fund accounts for all of its employees in June 2018 and made payment for the housing provident fund in full in accordance with the Administrative Regulations or the Housing Provident Fund afterwards, and that there has been no non-compliance since then. • Dongguan Zensee received 25 complaints and 2 requests from its employees, amounting to an outstanding claim of RMB215,343, which had been paid as at the Latest Practicable Date. • Tian Jin Zen See received complaints from three employees, amounting to an outstanding claim of RMB34,306, which had been paid as at the Latest Practicable Date.	To avoid future non-compliance in this respect, our Group had adopted a set of policies, including appointing a designated human resources personnel in the PRC to continuously monitor any new laws and regulations being promulgated in relation to housing provident fund and ensure that all such funds will be fully paid, while the general managers of our factories will maintain close communication with the relevant government bureau to obtain latest update of the relevant requirements and inform the designated human resources personnel and other relevant personnel on any change in laws and regulations in relation to housing provident fund. Also, our employment contract in PRC contains clause that requires employees to comply with the relevant laws and regulations in relation to the contribution to social insurance funds (including housing provident fund). We will also engage external legal advisers as to PRC law to advise us on matters relating to compliance with PRC laws and regulations as and when required.

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
(v)	Taunus Printing did not make housing provident fund contribution registration at housing provident fund management centre and open housing provident fund accounts for its employees within the prescribed time limit in accordance with the Administrative Regulations on the Housing Provident Fund and the relevant regulations before June 2018. We estimate that the aggregated amounts of housing provident fund contributions that we did not make or fully make, but should have made, for FY2016, FY2017, FY2018 and 6M2019 were HK$8.6 million, HK$8.8 million, HK$5.0 million and nil, respectively.			• On 28 May 2018, 29 May 2018 and 12 July 2018, our PRC Legal Advisers respectively conducted face-to-face interviews with Dongguan Housing Provident Fund Management Centre* (東莞市住房公積金管理中心), Tianjin Housing Provident Fund Management Centre Beichen Management Department* (天津市住房公積金管理中心北辰管理部) and Jiangmen Housing Provident Fund Management Centre Heshan Management Department* (江門市住房公積金管理中心鶴山管理部), the competent authorities for the local housing provident fund related matters, which confirmed that generally in practice, the local subsidiaries of our Group would not be required to make up the unpaid contribution to housing provident fund, and/or would not be imposed administrative penalties if they had not received complaints about our Group in respect of the housing provident fund. On 26 November 2019, 9 December 2019 and 12 December 2019, our PRC Legal Advisers conducted face-to-face interviews with the same authorities mentioned above, which confirmed that, they had not received unsettled complaints or requests from employees of Dongguan Zensee, DPI Laboratory (DG), Tian Jin Zen See and Taunus Printing. • On 11 July 2018, 4 September 2018 and 11 December 2018, our PRC Legal Advisers respectively consulted with Guangzhou Provident Fund Management Centre Tianhe Management Department* (廣州住房公積金管理中心天河管理部), Shanghai Provident Fund Management Centre Huangpu Management Department* (上海市公積金管理中心黃埔管理部) and Shenzhen Housing Provident Fund Management Centre* (深圳市住房公積金管理中心), being the competent authorities for the local housing provident fund related matters, which replied that generally in practice, the local subsidiaries of our Group would not be required to make up the unpaid contribution to housing provident fund if they had not received complaints about the local subsidiaries of our Group in respect of housing provident fund. On 19 December 2018, 13 December 2018, and 16 December 2019, our PRC Legal Advisers consulted with the same authorities mentioned above respectively, which replied that they had not received unsettled complaints or requests from employees of Q P (SZ) Limited (Guangzhou Branch)* (深圳雋思信息科技有限公司廣州分公司), Dongguan Zensee Printing Limited (Shanghai Branch)* (東莞雋思印刷有限公司上海分公司) and Q P (SZ). • On 12 December 2018, our PRC Legal Advisers conducted a face-to-face interview with Beijing Housing Provident Fund Management Centre Chaoyang Management Department* (北京住房公積金管理中心朝陽管理部), being the competent authorities for the housing provident fund related matters, which replied that generally in practice, Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司) would not be required to make up the unpaid contribution to housing provident fund and, if there is a complaint from an employee, it would generally arrange mediation between the employee and the employer.	

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
				• We have also obtained confirmations issued by (i) Dongguan Housing Provident Fund Management Centre* (東莞市住房公積金管理中心) dated 28 November 2018, 13 May 2019 and 8 October 2019 confirming that there is no record of material breach of relevant laws and regulations by DPI Laboratory (DG) in respect of housing provident fund; (ii) Tianjin Housing Fund Management Center* (天津市住房公積金管理中心北辰管理部) dated 17 December 2018, 23 May 2019 and 5 December 2019 confirming that Tian Jin Zen See has not been subject to any administrative penalties from the date of opening the housing provident fund account up to the date of issuing the confirmations; (iii) Shenzhen Housing Fund Management Centre* (深圳市住房公積金管理中心) dated 19 April 2018, 27 November 2018, 16 May 2019 and 3 December 2019 confirming that Q P (SZ) has not been imposed administrative penalties by it due to breach of relevant laws and regulations; (iv) Shanghai Provident Fund Management Centre* (上海市公積金管理中心) dated 21 December 2018 and 23 May 2019 confirming that it has no record of administrative penalties of Dongguan Zensee Printing Limited (Shanghai Branch)* (東莞雋思印刷有限公司上海分公司) since April 2007 and dated 5 December 2019 confirming that it has no record of administrative penalties of Dongguan Zensee Printing Limited (Shanghai Branch); (v) Guangzhou Housing Fund Management Centre* (廣州住房公積金管理中心) dated 10 May 2018, 5 December 2018, 22 May 2019 and 9 December 2019, confirming that Q P (SZ) Limited (Guangzhou Branch)* (深圳雋思信息科技有限公司廣州分公司) has not been subject to any administrative penalties between September 2017 and November 2019; (vi) Beijing Housing Fund Management Center Chaoyang Management Department* (北京住房公積金管理中心朝陽管理部) dated 22 May 2018, 7 December 2018, 20 May 2019 and 11 December 2019 confirming that Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司) has not been imposed any administrative penalties between 23 May 2007 and 30 November 2019, and it has not discovered any breach of relevant laws and regulations by Dongguan Zensee Printing Limited (Beijing Branch)* (東莞雋思印刷有限公司北京分公司); and (vii) Jiangmen City Housing Provident Fund Management Centre Heshan Management Department* (江門市住房公積金管理中心鶴山管理部) dated 20 December 2018, 20 May 2019 and 29 November 2019 confirming that Taunus Printing has not been subject to administrative penalties for violating the relevant laws and regulations of the housing provident fund since 1 May 2018.	

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
				• Our Group has confirmed that, during the Track Record Period and as at the Latest Practicable Date, (i) no employee's complaint or request for housing provident fund contribution has been received save for the 28 complaints and 2 requests from employees which have been fully settled; (ii) no order has been received by our Group from the relevant PRC authorities requesting the payment of outstanding housing provident fund contribution save for the complaints mentioned above; and (iii) no administrative punishment for violation of the PRC housing provident fund laws and regulations has been imposed on our Group. • On the basis mentioned above, our PRC Legal Advisers were of the opinion that, in practice, the possibility of housing provident fund authorities in demanding the relevant subsidiaries to make payment of the past outstanding housing provident fund or penalising the relevant subsidiaries for the non-compliance incidents in respect of housing provident fund contribution is relatively low in the absence of employee complaints. • Although these non-compliance incidents are covered by the indemnity given by our Controlling Shareholders under the Deed of Indemnity, and considering the potential financial impact of these non-compliance incidents on our Group, provision for the unpaid housing provident fund as at 31 December 2016, 2017 and 2018 and 30 June 2019 in the amount of HK$10.4 million, HK$11.1 million, HK$12.7 million and HK$12.6 million have been made.	

Non-compliance in relation to obtaining permits for construction

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
3.	We have not (i) obtained Planning Permit and Construction Permit prior to commencing the construction for some of the established properties; and (ii) conducted inspection upon completion of the construction for some of the established properties. For details, see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan" and "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Heshan".	Please see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan" and "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Heshan".	Please see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan" and "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Heshan".	Please see "– Properties – Owned properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Dongguan" and "– Properties – Owned properties in the PRC – Title defects relating to the properties erected on the land in Heshan".	We have adopted internal control policies requiring our Group to conduct necessary due diligence and obtain relevant permits and approvals for construction of properties to ensure that the compliance with relevant laws and regulations in PRC and the structural safety of the properties. Pursuant to the policies, our Group has clarified and strengthened measures for the obtaining and inspection of permits relating to construction and planning, and has appointed designated staff to obtain relevant permits going forward. If necessary, we will engage external legal advisers for advice to ensure compliance with relevant laws and regulations and the necessary permits and approvals have been obtained.

Idle land in Heshan

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
4.	As at the Latest Practicable Date, construction works in respect of a parcel of land of site area 46,552.27 sq.m. at Yutang Road, Gonghe Town, Heshan (鶴山市共和鎮玉堂路), where our Heshan Factory is located, has been commenced, but had been delayed for more than one year from the commencement date stipulated in the land grant contract.	The above non-compliance incident was due to insufficient funding for the construction of buildings of the previous owner of Taunus Printing.	Please see "– Properties – Owned properties in the PRC – Idle land in Heshan".	Please see "– Properties – Owned properties – Owned properties in the PRC – Land – Idle land in Heshan".	To avoid future non-compliance in this respect, our Group had adopted a set of policies, such that our administrative department shall be responsible for supervising and overseeing the implementation of the terms relating to the transfer and development of land and report regularly to the Board. In the event that construction projects cannot be commenced within the prescribed date of commencement, the relevant government authorities shall be notified in writing promptly and consent from the relevant government authorities must be obtained. We will also engage external legal advisers as to PRC law to advise us on matters relating to compliance with PRC laws and regulations as and when required.

Non-compliance in relation to environmental protection

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
5.	An inspection was conducted on our Dongguan Factory by the Dongguan Environmental Protection Bureau* (東莞市環境保護局) on 22 June 2017, and it was discovered that Dongguan Zensee set up cleaning process and equipment that had not been approved, inspected and accepted by the bureau, and untreated waste water was discharged to the sewer directly. On 5 September 2017, Dongguan Environmental Protection Bureau* (東莞市環境保護局) issued a notice for administrative penalty in the amount of RMB90,000 in respect of the above violations. The Dongguan Environmental Protection Bureau* (東莞市環境保護局) conducted a follow up inspection on 30 January 2018 and noticed that the use of the unapproved cleaning process and equipment had ceased on 26 June 2017, and the equipment had been removed.	The above non-compliance incidents were not wilful and were due to oversight and the relevant production workers were not familiar with waste water processing treatment.	According to the Law of the PRC on the Prevention and Control of Water Pollution (2008 Revision) (中華人民共和國水污染防治法) (2008修訂) applicable at the time, the construction project needs to be qualified for the construction of environmental protection facilities, and the construction project can be formally put into production or use after the completion of the inspection and acceptance procedure. The water pollution prevention and control facilities of the construction project shall be designed, constructed and put into use simultaneously with the main project. The water pollution prevention and control facilities shall be examined and accepted by the competent department of environmental protection. If the acceptance is unqualified, the construction project shall not be put into production or use. In violation of the provisions of such law, if the water pollution prevention and control facilities of the construction project are not completed, have not been accepted, or the acceptance is unqualified, and the main project is put into production or use, the environmental protection department of the people's government at or above the county level shall order the production or use to be stopped until acceptance, and a fine between RMB50,000 and RMB500,000 may be imposed. The administrative penalty in the amount of RMB90,000 had been paid in full on 11 September 2017.	• The use of the unapproved cleaning process and equipment had ceased on 26 June 2017, and the equipment had been removed. • We have obtained confirmations issued by Dongguan Environmental Protection Bureau* (東莞市環境保護局) (i) dated 25 May 2018 confirming that save as disclosed, there was no record of administrative penalty in respective of violation of environmental laws and regulations since 2008; and (ii) dated 28 November 2018 confirming that Dongguan Zensee had not been subject to any administrative penalty imposed by the bureau in respect of violation of environmental laws and regulations since 15 May 2018. We have obtained two confirmations issued by Dongguan Ecology and Environment Bureau (東莞市生態環境局) dated 15 May 2019 and 30 September 2019 confirming that Dongguan Zensee had not been subject to any administrative penalty imposed by such bureau in respect of violation of environmental laws and regulations between 25 November 2018 and 18 September 2019. • There has been no non-compliance since the abovementioned rectification. • Pursuant to the Law of the PRC on Administrative Punishment (中華人民共和國行政處罰法), no administrative penalty of more than one fines may be imposed on the same illegal act of the parties. • On the basis as disclosed above, our PRC Legal Advisers were of the opinion that no further administrative penalty of fine would be imposed on Dongguan Zensee in respect of such violation.	Our Group will perform regular repair and improvement works on the water drainage system in our Dongguan Factory. We have also assigned our production safety manager to oversee environmental matters as well as the cleaning equipment and facilities to ensure that the compliance with relevant laws and regulations in PRC. Furthermore, all subsequent instalment of cleaning equipment and facilities would be inspected, approved and accepted by the production safety manager and the Dongguan Environmental Protection Bureau before it is put into use.

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
6.	DPI Laboratory (DG) at the former location: (i) fail to submit the environmental impact report statement and to obtain the approval thereof; (ii) discharged effluents without a valid pollutants discharge permit; (iii) started using environmental protection facilities required for its operations before they had not been accepted; and (iv) did not timely handle the registration for hazardous waste.	The above non-compliance incidents were not wilful and were due to oversight and lack of professional advice in respect of the applicable laws.	Pursuant to the Environmental Impact Assessment Law of the PRC* (中華人民共和國環境影響評價法), if a construction unit fails to submit environmental impact report statement and commences construction without approval, the environmental protection administrative department at or above the county level may order termination of such construction project, order rectification, based on the circumstances of the violation and consequences and impose a fine in the amount between 1% and 5% of the total investment amount and may order the construction unit to restore the original conditions before construction. Pursuant to the Construction Project Environmental Protection Management Regulations (2017 Amendment)* (建設項目環境保護管理條例(2017年修訂)), if the environmental protection facilities required have not been constructed, have not been accepted or fail for acceptance, if such facilities have been in use, or if any fraud is identified in the acceptance process, the environmental protection administrative department at or above the county level may order rectification within a prescribed time limit and impose a fine in the amount of not less than RMB200,000 but not more than RMB1 million.	• In respect of the failure of submitting and being approved the environmental impact report statement of the former location, DPI Laboratory (DG) has obtained approval from the relevant environmental impact report on 10 August 2017. • On 2 May 2018, DPI Laboratory (DG) obtained a valid pollutant discharge permit with validity period from 2 May 2018 to 1 November 2018. According to the Announcement of the Guangdong Provincial Environmental Protection Department on the Implementation of the National Emission Permit System (Yuehuanfa (2018) No. 7)* (廣東省環境保護廳關於實施國家排污許可制有關事項的公告) (粵環發(2018)7號), which was implemented on 1 September 2018 and shall be valid until 31 December 2020, units which are not included in the Directory of Classification Management for Fixed Pollution Source Discharge Permit (2017 Edition)* (固定污染源排污許可分類管理名錄(2017年版)) do not need to apply for a pollutant discharge permit. We confirmed that DPI Laboratory (DG) was not a pollutant discharge unit as stipulated in the above mentioned list as at the Latest Practicable Date. Based on the above, our PRC Legal Advisers are of the opinion that DPI Laboratory (DG) is not required to apply for a pollutant discharge permit until 31 December 2020. • In respect of the environmental protection facilities at the former location, DPI Laboratory (DG) has passed environmental acceptance on 27 June 2018. • DPI Laboratory (DG) has completed the registration for hazardous waste with the Dongguan Environmental Protection Bureau* (東莞市環境保護局) on 1 March 2018.	We have established a mechanism to obtain and manage the necessary licences/permits of our Group. In view of the unique nature of the laboratory-related licences/permits, we have appointed two separate teams of staff to be in charge of applying for the laboratory-related licences/permits and non-laboratory related licences/permits licences and follow up with the application process and annual inspection. Our staff will promptly inform our management if we fail to obtain any required licence/permit.

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
			If no rectification is made within the prescribed time limit, the authorities may order a fine in the amount of not less than RMB1 million but not more than RMB2 million. If it causes major environmental pollution or ecological damage, the authorities may order the relevant facilities to terminate production or use, or to close down the facilities after obtaining approval from the relevant authorities. Pursuant to the Guangdong Province Environmental Protection Regulations* (廣東省環境保護條例), where enterprises or production operators discharge pollutants without obtaining valid pollutants discharge permits, the ecological and environmental department at or above the county level may order them to terminate the discharge of pollutants and impose a fine in the amount of not less than RMB100,000 but not more than RMB1 million. If the discharge of pollutants continues, the authorities may order the facilities to close down after obtaining approval from the relevant authorities. Pursuant to the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (2016 Revision) (中華人民共和國固體廢物污染環境防治法(2016年修正)), if an entity discharging hazardous wastes fails to declare and register hazardous wastes with the competent environmental protection authority, the competent environmental protection authority may order to stop its illegal act, correct within a prescribed time limit, and impose a fine in the amount not less than RMB10,000 but not more than RMB100,000.	• We have obtained confirmation dated on 23 May 2018 and 28 November 2018 from the Dongguan Environmental Protection Bureau* (東莞市環境保護局), being the competent authority according to our PRC Legal Advisers, which confirmed that DPI Laboratory (DG) had not been subject to administrative penalties for violation of environmental laws and regulations since 9 February 2010. We have obtained two confirmations issued by Dongguan Ecology and Environment Bureau (東莞市生態環境局) dated 15 May 2019 and 30 September 2019 confirming that DPI Laboratory (DG) had not been subject to any administrative penalty imposed by such bureau in respect of violation of environmental laws and regulations between 25 November 2018 and 18 September 2019. • Our Group has confirmed that, during the Track Record Period and as at the Latest Practicable Date, no administrative punishment for such violation has been imposed on us. • Based on the relevant PRC laws and regulations, confirmations obtained from the environmental authority and the remedial actions taken and confirmation made by our Group as mentioned above, our PRC Legal Advisers were of the opinion that it is unlikely that the relevant environmental authority shall impose the maximum administrative penalties for an amount of RMB2,780,000 on DPI Laboratory (DG) for those non-compliance incidents. As such, no provision has been made to our Group's consolidated financial statements.	

Non-compliance in relation to fire safety

No.	Non-compliance incidents	Reason(s) for non-compliance	Relevant laws and regulations, legal consequences and potential maximum/actual penalty that may be imposed by the relevant authorities in the PRC	Rectification measures and potential impact on our Group	Preventive measures to be taken
7.	Dongguan Zensee failed to have fire facilities in place and blocked fire truck passage. On 20 July 2017, a fire occurred in a warehouse of our Dongguan Factory.	The above non-compliance incidents were due to oversight and lack of professional advice.	According to the Guangdong Province Implementation of the Fire Control Law of the PRC (2010 revision) (廣東省實施《中華人民共和國消防法》辦法(2010修訂), if the unit fails to fulfill the fire safety responsibility stipulated by laws and regulations, and causes a general fire incident, it shall be fined not less than RMB2,000 but not more than RMB20,000. According to the Fire Protection Law of the PRC (中華人民共和國消防法), if the unit violates the provisions of this law and has one of the following acts, it shall be ordered to make corrections and imposed a fine of not less than RMB5,000 but not more than RMB50,000: (i) the configuration and setting of fire-fighting facilities, equipment or fire safety signs do not conform to national standards and industry standards, or are not kept intact and effective; (2) occupying, blocking, and closing the fire truck passages, obstructing the passage of fire engines. On 20 September 2017, the Dongguan Public Security Fire Bureau Zhangmutou Brigade* (東莞市公安消防局樟木頭大隊) issued a notice for administrative penalty in the amount of RMB30,000, which also stated that Dongguan Zensee failed to have fire facilities in place as required and blocked fire truck passage. Dongguan Zensee has fully settled the administrative penalty of RMB30,000 on 21 September 2017.	• On 28 June 2018, our PRC Legal Advisers conducted a face-to-face interview with Dongguan Public Security Fire Bureau Zhangmutou Brigade* (東莞市公安消防局樟木頭大隊), being the competent authority according to our PRC Legal Advisers, which confirmed that in respect of this incident, Dongguan Zensee has basically completed the relevant rectifications, and there had been no major issue regarding in respect of fire safety since then. • We have obtained confirmation dated 21 May 2018 from the Dongguan Public Security Fire Bureau (東莞市公安消防局), being the competent authority according to our PRC Legal Advisers, which confirmed that save for the said non-compliance incident, it had no record of penalty being imposed on Dongguan Zensee in respect of fire protection since January 2015. We also obtained the confirmations dated 20 November 2018 and 18 September 2019 from the Dongguan Public Security Fire Detachment Zhangmutou Brigade* (東莞市公安消防支隊樟木頭大隊), being the competent authority according to our PRC Legal Advisers, which confirmed that there was no administrative penalties for violation of fire protection since 20 April 2018. • Pursuant to the Law of the PRC on Administrative Punishment (中華人民共和國行政處罰法), no administrative penalty of more than one fines may be imposed on the same illegal act of the parties. • On the basis mentioned above, our PRC Legal Advisers were of the opinion that no further administrative penalty of fine would be imposed on Dongguan Zensee in respect of such violation.	For our rectifications, please see "– Occupational health and work safety – Fire incident during the Track Record Period".

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any material non-compliance of the laws and regulations which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, financial condition and results of operations.

Indemnity

Pursuant to the Deed of Indemnity, each of the Controlling Shareholders has undertaken to indemnify our Company against any demands, actions, claims, costs, charges, penalties, fines, damages, losses, fees, expenses and liabilities which may be incurred or suffered by our Group arising from any non-compliance incidents in the course of our business, including but not limited to those described above. For the details of the Deed of Indemnity, please see "Statutory and General Information – E. Other information – 2. Tax and other indemnities" in Appendix V to this prospectus.

Legal Proceedings

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

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we made direct sales of our products through our websites to certain customers located in Afghanistan, Belarus, Bosnia and Herzegovina, Croatia, Egypt, Lebanon, Russia, Serbia and Ukraine, generating revenue in an aggregate amount of HK$0.04 million, HK$0.04 million, HK$0.01 million and nil, representing 0.004%, 0.004%, 0.001% and nil of our total revenue for FY2016, FY2017, FY2018 and 6M2019. The abovementioned countries were subject to targeted sanctions during the Track Record Period and as at the date of this prospectus.

Hogan Lovells, our International Sanctions Legal Advisers, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions laws and regulations:

(a) reviewed documents provided by us about our Group, our business operations, revenues, sales contracts and counterparty list in the abovementioned countries, where applicable, ownership structure and management;

(b) reviewed our list of counterparties in the abovementioned countries during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirmed that they are not on such lists; and

(c) received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

As advised by our International Sanctions Legal Advisers after performing the procedures set out above, our activities during the Track Record Period do not appear to implicate restrictions under International Sanctions. Further, given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company, our Company's investors, shareholders, the Stock Exchange and its Listing Committee and group companies, or any person involved in the Global Offering and accordingly, the sanction risk exposure to our Company, its investors and shareholders, and persons who might, directly or indirectly, be involved in permitting the Listing, trading and clearing of our Company's shares (including the Stock Exchange, its Listing Committee and related group companies) is very low.

Our Directors confirm that we have not been notified of that any International Sanctions will be imposed on us for our sales and/or deliveries to the Countries subject to International Sanctions during the Track Record Period. The customers located in the abovementioned countries are not specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Such sales and/or deliveries do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

Our undertakings and internal control procedures

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions.

In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

We have adopted enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders from economic sanctions risks. The following measures have been implemented as at the Latest Practicable Date:

- we will set up and maintain a separate bank account before Listing, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange;

- to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Mak, Mr. CHAN Hiu Fung Nicholas, Mr. CHENG Man Chung Daniel and Mr. NG Shung, and their responsibilities include, among other things, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions risks;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons. According to our internal control procedures, the risk management committee needs to review all relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, the risk management committee will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee will review the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;

- our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions;

- the risk management committee will periodically review our internal control policies and procedures with respect to sanctions matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- if necessary, external international legal counsel will provide training programs relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Countries subject to International Sanctions and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for the Company to comply with our undertaking to the Stock Exchange.

Having taken the above advice of our International Sanctions Legal Advisers into account, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures, the Sole Sponsor concurs with our Directors' view in this respect.

INTERNAL CONTROL AND CORPORATE GOVERNANCE MEASURES

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. Our internal control system and procedures are designed to meet our specific business needs and to minimise our risk exposure. In preparation of the Listing, we engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform a review over a selected areas of our internal control procedures. The review covers our entity level controls and business process level controls. At entity level, the Internal Control Consultant reviewed our control environment, risk assessment and management, control activities, information and communication, and monitoring. At business process level, the areas reviewed include sales, accounts receivable and collection, procurement, accounts payable and payment, inventory management, production and costing, human resources and payroll, property, plant and equipment, cash and treasury management, financial reporting and disclosure controls, taxation, IT general controls, insurance management and intellectual property management. The Internal Control Consultant conducted an internal control review in April 2018 (the "**Internal Control Review**") and identified findings and made recommendations to us to enhance our internal controls and corporate governance practices.

The more significant recommendations (the "**Significant Recommendations**") identified by the Internal Control Consultant include: (i) the need to recognise the revenue of the OEM sales and web sales accordance with the agreed shipping terms and perform a semi-annual assessment to quantify the potential sales cut-off impact of web sales; (ii) the need to develop a sanctioned countries list and implement system controls in the web sales platform to identify, report and prevent accepting or handling sales orders from the sanctioned countries; (iii) the need to repay the amount due to the directors and shareholders and release the personal guarantees from the directors; (iv) the need to implement a dual signatory control to strengthen the controls over internet payments and online wire transfers; and (v) the need to use a correct basis to compute and make adequate contribution to the social insurance and housing provident funds in Dongguan Factory and Taunus Printing.

The Internal Control Consultant conducted follow-up reviews in June 2018, November 2018 and August 2019 to review the status of the management action taken by our Group to address the Significant Recommendations of the Internal Control Review (the "**Follow-up Review**"). We have adopted and implemented the recommendations provided by the Internal Control Consultant prior to the Follow-up Review and therefore, the Internal Control Consultant did not have any further recommendation in the Follow-up Review. We also engaged the Internal Control Consultant in August 2018 to review the "preventive measures to by taken" column of the table in "– Legal compliance and proceedings – Non-compliance incidents" (the "**Additional Review**"). The Internal Control Consultant provided no further recommendations in the Additional Review. The Internal Control Review, the Follow-up Review and the Additional Review were conducted based on information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. Based on the result of the follow-up review, our Directors confirmed that we had adopted all of the internal measures and policies suggested by the internal control consultant and did not have any significant deficiencies in our internal control system as at the Latest Practicable Date.

In order to continuously improve our corporate governance, as well as to prevent recurrence of the non-compliance incidents as mentioned in "– Legal compliance and proceedings – Non-compliance incidents", in addition to the preventive measures set out therein, we intend to adopt or have adopted the following measures:

- our Directors and senior management attended training sessions on applicable laws and regulations, including the Listing Rules, provided by our legal advisers prior to Listing. We will continue to arrange various trainings to be provided by the legal advisers engaged by us from time to time and/or any appropriate accredited institutions to update our Directors, senior management and relevant employees on the relevant laws and regulations;

- our Group appointed a financial controller and company secretary to oversee the financial, accounting and company secretarial matters of our Group. Our Directors believe that our Company will be able to draw on his expertise and experience with respect to compliance with applicable legal and financial reporting requirements. Please see to "Directors and Senior Management" for further details; and

- our Group has established an audit committee comprising all independent non-executive Directors to oversee the financial reporting and internal control procedures of our Group, and aims to review the effectiveness of our Group's internal control system.

Based on the implementation of the enhanced internal policies and remedial actions, our Group's business nature and operation scale, our Directors are of the view that (i) our Group's internal control measures are adequate and effective to prevent the recurrence of the non-compliance incidents; (ii) our Group has adequate and effective internal control procedures in place; and (iii) the aforementioned non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rule 3.08 and 3.09 of the Listing Rules or the suitability of our Company for Listing under Rule 8.04 of the Listing Rules. Taking into consideration of the above enhanced internal policies and remedial actions, when adopted effectively and implemented, the Sole Sponsor concurs with our Directors' view in such respect.

OUR CONTROLLING SHAREHOLDERS

Good Elite is a company incorporated in the BVI with limited liability and owned as to 50% by Mr. Cheng and as to 50% by Mr. Yeung. Immediately upon completion of the Global Offering and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), Good Elite will hold 58.34% of the total issued share capital of our Company. Mr. Cheng, Mr. Yeung and Good Elite will be considered as the controlling shareholders of our Company under the Listing Rules upon Listing.

Good Elite is an investment holding company and does not carry on any business activity other than the holding of interests in our Company. Our Controlling Shareholders confirm that they and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

OTHER BUSINESSES OWNED BY OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, notwithstanding that the principal business venture of our Controlling Shareholders is our Group, our Controlling Shareholders, namely, Mr. Cheng and Mr. Yeung, have interests in, or control of, certain businesses, including property investment, investment holdings and trading of food products. These businesses are separate, distinct and clearly delineated from our principal business.

In December 2016, in order to streamline the structure of our Group, we had disposed of two subsidiaries which had no business operations, namely SG Printing Company Limited (海鷗印刷有限公司) ("**SG Printing**") and Dongguan SG Apparel Limited* (東莞鷗海服裝有限公司) ("**SG Apparel (DG)**"), to Mr. Cheng, Mr. Yeung, Ms. Liu and Mr. Chan. Prior to the disposal, SG Apparel (DG) was owned as to 80% by SG Printing and as to 20% by Dongguan Zhangmutou Economic Development Company Limited* (東莞市樟木頭鎮經濟發展總公司), respectively, whereas SG Printing was wholly-owned by Q P Printing. During the Track Record Period, SG Printing had been a registered owner of cross-boundary driving permit and did not engage in any business activities. SG Apparel (DG) had a printing operation licence (印刷經營許何證) to operate its printing business before. The Company voluntarily deregistered the licence on 14 August 2018 and therefore SG Apparel (DG) is no longer operate its printing business.

Based on (i) the audited reports of SG Apparel (DG) for FY2016, FY2017 and FY2018 and management accounts of SG Apparel (DG) for 6M2019, and (ii) the audited reports of SG Printing for FY2016, FY2017 and FY2018 and the management accounts of SG Printing for 6M2019, the aggregate revenue of SG Printing and SG Apparel (DG) for FY2016, FY2017, FY2018 and 6M2019 was nil, nil, nil and nil, respectively, and the aggregate net loss of SG Printing and SG Apparel (DG) for the corresponding period was approximately HK$40,789, HK$30,718, HK$23,496 and HK$25,991, respectively, which was mainly contributable to corporate maintenance expenses.

Since SG Printing and SG Apparel (DG) ceased to have any business operation during the Track Record Period, there were no sharing of manufacturing facilities between our Group and the two companies and it should not have any material financial impact on our Group if they were to be included in our Group.

As SG Printing and SG Apparel (DG) did not have any printing and packaging business, our Directors consider that the business of SG Printing and SG Apparel (DG) do not compete, and are not likely to compete, either directly or indirectly with our Group's business.

To the best knowledge of our Directors, there had been no material non-compliant incidents, outstanding litigation, arbitration or claim against SG Printing or SG Apparel (DG) during the Track Record Period and up to the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we can function, operate and carry on our business and are financially and operationally independent of our Controlling Shareholders and their respective close associates based on the following reasons:

Management Independence

We believe that our Directors and members of our senior management are able to manage our business independently of our Controlling Shareholders and their respective close associates due to the following:

(i) with three independent non-executive Directors out of a total of nine Directors in our Board, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and to protect the interests of our independent Shareholders;

(ii) instances of actual or potential conflict of interests have been identified and minimised by virtue of the Deed of Non-competition and other corporate governance measures adopted by us;

(iii) each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director; and

(iv) a number of corporate governance measures are in place to avoid any potential conflict of interests between our Company and our Controlling Shareholders and safeguard the interests of our independent Shareholders, the details of which are set out in "– Corporate governance measures".

Operational Independence

We make business decisions independently and our Directors consider that we will continue to be operationally independent of our Controlling Shareholders and other companies controlled by our Controlling Shareholders due to the following:

(i) we hold all relevant licences, permits and approvals that are material to our business operation and have sufficient capital, equipment and employees to operate our business independently;

(ii) we have our own operational and administrative resources and we do not share such resources with our Controlling Shareholders or other companies controlled by our Controlling Shareholders;

(iii) we have our own organisational and corporate governance structure and has established our own accounting, legal and human resources departments;

(iv) we have established a set of internal control measures to facilitate the effective operation of our business;

(v) we have independent access to customers and suppliers; and

(vi) our Controlling Shareholders have no interest in any of our top five customers or suppliers during the Track Record Period.

Financial Independence

Our Directors are of the view that we will be financially independent of our Controlling Shareholders and their respective close associates upon Listing. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates (e.g. shareholder's loan) will be fully settled upon Listing and that all share pledges, guarantees and other securities provided by our Controlling Shareholders and their respective close associates for our borrowings will be fully released upon Listing.

In addition, we have our own financial and accounting system, internal control system, accounting and finance department, independent treasury function for cash receipts and payments and independent access to third-party financing. We make financial decisions according to our own business needs. Our Directors are satisfied that we have sufficient capital for our financial needs and are capable of conducting our business independently of any of our Controlling Shareholders (including their respective close associates) upon Listing. Our Directors further believe that we are capable of obtaining financing from external sources independently without the support of our Controlling Shareholders or their respective close associates.

DEED OF NON-COMPETITION

For the purpose of the Listing, our Controlling Shareholders have entered into the Deed of Non-competition, pursuant to which each of our Controlling Shareholders has irrevocably undertaken to our Company (for itself and on behalf of each other member of our Group) that he/it would not, and would procure that his/its close associates (except any members of our Group) not to, during the restricted period set out below, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any Restricted Business (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person).

The "Restricted Business" stated in the Deed of Non-competition refers to any activity or business which competes, or is likely to compete, either directly or indirectly, with:

(a) the existing business activities of our Group as set out in "Business"; and

(b) any other business from time to time conducted, entered into, engaged in or invested in by any member of our Group or which any member of our Group has otherwise publicly announced its intention to conduct, enter into, engage in or invest in pursuant to the Listing Rules.

Each of our Controlling Shareholders has also undertaken to our Company to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition and each of them has further undertaken to our Company (for itself and for the benefit of each other member of our Group) that in the event that he/it or his/its close associate(s) (other than any member of our Group) (the "**Offeror**") is given/identified/offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the "**New Opportunity**"), he/it will and will procure his/it close associates to refer the New Opportunity to our Company as soon as practicable in the following manner:

(a) each of our Controlling Shareholders is required to, and shall procure his/its close associates (other than any member of our Group) to, refer, or to procure the referral of, the New Opportunities to our Company, and shall give written notice (the "**Offer Notice**") to our Company of any New Opportunity containing all information reasonably necessary for our Company to consider whether (i) such New Opportunity would constitute competition with our Group's core business or the Restricted Business; and (ii) it is in the interest of our Group to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment of acquisition costs; and

(b) upon receiving the Offer Notice, our Company shall seek approval from a board committee (comprising, among others, all our independent non-executive Directors who do not have an interest in the New Opportunity) (the "**Independent Board**") as to whether to pursue or decline the New Opportunity. Any Director who has actual or potential interest in the New Opportunity shall not be a member of the Independent Board and shall abstain from attending (unless his attendance is specifically requested by the Independent Board) and voting at, or counting towards the quorum for, any meeting or part of a meeting convened to consider such New Opportunity;

(i) the Independent Board shall consider the financial impact of pursuing the New Opportunity, whether the nature of the New Opportunity is consistent with our Group's strategies and development plans and the general market conditions; if appropriate, the Independent Board may, at the cost of our Company, appoint independent financial advisers, legal advisers and other professional experts to assist in the decision-making process in relation to such New Opportunity;

(ii) the Independent Board shall, within 20 business days upon receipt of the Offer Notice, inform the relevant Controlling Shareholder in writing on behalf of our Company of its decision whether to pursue or decline the New Opportunity. Such notice period can be extended if mutually agreed in writing;

(iii) the relevant Controlling Shareholder shall be entitled but not obliged to pursue such New Opportunity if he or it has received a notice from the Independent Board declining such New Opportunity or if the Independent Board has failed to respond within such 20 business days period (or any extended period, where applicable) pursuant to sub-paragraph (b)(ii) above; and

(iv) if there is any material change in the nature, terms or conditions of such New Opportunity pursued by the relevant Controlling Shareholder, he or it shall refer such New Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were as New Opportunity.

The aforesaid undertakings do not apply to the holding of or interests in shares or other securities by our Controlling Shareholders and/or their respective close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a stock exchange and either:

(i) the Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(ii) the total number of the shares held by the relevant Controlling Shareholder and his/its close associates does not exceed 10% of the issued shares of that class of that company, provided that such Controlling Shareholder and his/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate with his/its close associates) whose shareholding in that company should be more than the aggregate number of shares held by such Controlling Shareholder and his/its close associates.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) our Shares remain listed on the Stock Exchange; (ii) so far as each Controlling Shareholder is concerned, he/it or his/its close associates hold an equity interest in our Company; and (iii) so far as each Controlling Shareholder is concerned, he/it and/or his/its close associates are jointly or severally entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company is no longer listed on the Stock Exchange or the relevant Controlling Shareholder and/or his/its close associates come to hold less than 30% of our Shares then issued, or cease to be entitled to control jointly and severally, in aggregate, 30% or more of the voting power at general meetings of our Company, the Deed of Non-competition will cease to apply to that relevant Controlling Shareholder.

CORPORATE GOVERNANCE MEASURES

In order to manage any potential conflict of interests arising from the possible competing business between our Group and our Controlling Shareholders and to safeguard the interests of our independent Shareholders, we have adopted the following measures:

(i) our Board will ensure that any material conflict or potential conflict of interests involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable. A Director shall absent himself/herself from participation in the board meeting (nor shall he/she be counted in the quorum) and voting on any resolutions of our Board approving any contract, arrangement or other proposal in which he/she or any of his/her associates is materially interested;

(ii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, him/her to act for the benefit of our Company and the Shareholders as a whole and not to allow any conflict of interests between his/her duties as a Director and his/her personal interests;

(iii) we have appointed Guotai Junan Capital Limited as our compliance adviser upon Listing, which will provide advice and guidance to us with respect to compliance with the applicable laws and regulations, in particular the Listing Rules;

(iv) our independent non-executive Directors will review, at least on an annual basis, compliance with the Deed of Non-competition by our Controlling Shareholders; each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our independent non-executive Directors in relation to the compliance of the terms of the Deed of Non-competition and the enforcement of undertakings under the Deed of Non-competition; and

(v) pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company expects to comply with the Corporate Governance Code which sets out the principles of good corporate governance in aspects such as directors' responsibilities and their appointment, re-selection and removal, board composition, remuneration of directors and senior management, accountability and audit, and communication with shareholders. Our Company will state in our interim and annual reports whether we have complied with such code provisions, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

In the event that our Company decides not to proceed with any project or pursue any business opportunity and that our Controlling Shareholders decide to proceed with such a project or pursue such a business opportunity, we will announce such decision by way of an announcement setting out the basis for us not taking up the project or pursuing the business opportunity.

Our Directors consider that the above corporate governance measures are adequate and effective to manage any potential conflict of interests between our Group and our Controlling Shareholders and to protect the interests of our Shareholders.

The following on-going transaction will constitute continuing connected transaction of our Company under the Listing Rules:

CONNECTED PERSON

The relevant connected person, with whom our subsidiary entered into the continuing connected transaction is as follows:

Big Elegant Limited ("Big Elegant")

Big Elegant was incorporated in Hong Kong on 28 January 2010 as a limited liability company and is held as to 50% by Mr. Cheng and as to 50% by Ms. Hui. Accordingly, Big Elegant is a connected person upon Listing under the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTION

Set our below is a summary of the continuing connected transaction of our Company, which is fully exempted from the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Tenancy agreement between our subsidiary and Big Elegant

Background

During the Track Record Period, Big Elegant (as landlord) entered into an agreement (the "**Tenancy Agreement**") with Q P Printing (as tenant) which was renewed on 1 September 2019, pursuant to which certain properties was leased by Big Elegant to Q P Printing. Details of the major terms of the Tenancy Agreement is set out as follows:

Date of the Tenancy Agreement	Address	Connected person (as landlord)	Subsidiary of our Group (as tenant)	Usage	Approximate GFA *(sq.ft.)*	Term	Monthly rental *(HK$)*
1 September 2019	Duplex Flat D, 26/F & 27/F, The Westminster Terrace, No. 2A Yau Lai Road, Tsuen Wan, New Territories, Hong Kong & Car Parking Spaces No. 216 & 217 on 2/F, No. 2A Yau Lai Road, Tsuen Wan, New Territories, Hong Kong	Big Elegant	Q P Printing	Directors' quarter and ancillary car parks	3,259 (excluding the car parks)	1 September 2019 to 31 December 2021	95,000

Historical transaction amounts

The aggregate amount of rent paid by Q P Printing under the Tenancy Agreement for each of FY2016, FY2017, FY2018 and 6M2019 amounted to HK$1.1 million, HK$1.1 million, HK$1.4 million and HK$0.7 million, respectively.

Implications under the Listing Rules

Given that Mr. Cheng is an executive Director and a Controlling Shareholder and Ms. Hui is also an executive Director, and that the Tenancy Agreement was entered into by Q P Printing on one hand, and Big Elegant which is and beneficially owned as to 50% by Mr. Cheng and as to 50% by Ms. Hui, on the other hand, the transaction under the Tenancy Agreement above constitute continuing connected transaction of our Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) calculated with reference to the maximum aggregate annual rental payable by our Group to Big Elegant under the Tenancy Agreement for each of the three years ending 31 December 2020 exceeds 0.1% but is less than 5%, and the aggregate annual rental payable by our Group under the Tenancy Agreement will not exceed HK$3,000,000. Therefore, upon Listing, the transaction contemplated under the Tenancy Agreement constitute de minimis continuing connected transaction for our Company pursuant to Rule 14A.76(1) of the Listing Rules, which will be fully exempt from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The rent under the Tenancy Agreement was determined by the parties through arm's length negotiations with reference to the market rent for similar properties in the vicinity of the property. The independent property valuer, Cushman & Wakefield Limited, having reviewed the Tenancy Agreement, conducted market research on the leasing markets in Hong Kong and collected and analysed relevant rental comparables in the vicinity of the property, has confirmed that the respective rent payable under the Tenancy Agreement is consistent with the prevailing market rental level as at the lease commencement date.

OPINION OF OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the continuing connected transaction as set out above has been entered into, and will be carried out, during the ordinary course of business and on normal commercial terms; and (ii) the continuing connected transaction is fair and reasonable and is in the interest of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

The Board currently consists of nine Directors comprising six executive Directors and three independent non-executive Directors. The functions and duties of the Board include, but are not limited to, convening the general meetings, reporting on the performance of the Board at the general meeting, implementing the resolutions passed at the general meetings, formulating business plans and investment plans, preparing the annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital, as well as performing the other authorities, functions and responsibilities in accordance with the Articles of Association.

The following table sets forth the information regarding the members of the Board and our senior management members:

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Executive Directors						
CHENG Wan Wai (鄭穩偉)	61	Executive Director, Chairman of our board and chief executive officer	Formulating overall strategies, planning and business directions of our Group	5 July 1985	19 April 2018	Spouse of Ms. Hui
YEUNG Keng Wu Kenneth (楊鏡湖)	61	Executive Director	Formulating overall strategies and planning, and overseeing the manufacturing operations of our Group	5 July 1985	19 April 2018	Nil
LIU Shuk Yu Sanny (廖淑如)	57	Executive Director	Formulating overall strategies planning, overseeing overseas sales, human resources, administration and training functions of our Group	1 September 1990	19 April 2018	Nil

Name	Age	Position(s)	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
CHAN Wang Tao Thomas (陳宏道)	56	Executive Director	Overseeing business development and sales functions of our Group	9 October 2000	19 April 2018	Nil
HUI Li Kwan (許莉君)	58	Executive Director	Overseeing material development and procurement functions of our Group	5 July 1985	19 April 2018	Spouse of Mr. Cheng
MAK Chin Pang (麥展鵬)	47	Executive Director	Overseeing administrative and legal compliance matters, accounting and corporate finance functions of our Group	8 May 2001	19 April 2018	Nil
Independent non-executive Directors						
CHAN Hiu Fung Nicholas (陳曉峰), *MH*	45	Independent non-executive Director	Supervising and providing independent judgement to the Board	20 December 2019	20 December 2019	Nil
CHENG Man Chung Daniel (鄭文聰), *BBS, MH, JP*	62	Independent non-executive Director	Supervising and providing independent judgement to the Board	20 December 2019	20 December 2019	Nil
NG Shung (吳嵩), *JP (Australia)*	56	Independent non-executive Director	Supervising and providing independent judgement to the Board	20 December 2019	20 December 2019	Nil

Name	Age	Position	Roles and Responsibilities	Date of appointment and joining our Group	Relationship with other Director(s) and the senior management
Senior management					
HUNG Wai Ming Kenny (洪偉明)	58	Assistant general manager of production	Responsible for the management and supervision of our production and manufacturing operations	1 May 1994	Nil
TO Kam Yiu Daniel (杜鑑耀)	61	Director of supply chain operations	Responsible for overseeing the procurement and supply chain operations of our Group	1 October 1999	Nil

Name	Age	Position	Roles and Responsibilities	Date of appointment and joining our Group	Relationship with other Director(s) and the senior management
CHU Chong Kei Elvis (朱創基)	56	Director of quality assurance & compliance	Responsible for the management and supervision of our quality assurance and compliance department	24 November 2008	Nil
HUI Chun Yip David (許駿業)	41	Engineering director	Responsible for the management and supervision of our engineering department	9 November 2009	Nil
HA Kevin Tu Hao (何賜豪)	54	Director of technology development	Responsible for the management and supervision of our technology department	17 November 2003	Nil
CHEUNG Chun Man (張俊文)	47	IT director	Responsible for the management and supervision of our IT department	22 October 2012	Nil
WONG Hung Pan (黃鴻斌)	34	Financial controller and company secretary	Responsible for financial matters, corporate governance, capital management, company secretarial matters, strategic planning and legal compliance work	27 March 2017	Nil

DIRECTORS

Executive Directors

Mr. CHENG Wan Wai (鄭穩偉), aged 61, is one of our founders, an executive Director, Chairman of our board and chief executive officer of our Company, and is responsible for formulating overall strategies, planning and business directions of our Group. Mr. Cheng was appointed as a Director on 19 April 2018 and redesignated as an executive Director on 2 January 2019. He also serves as a director of Archer Praise, Eternity Year, Multi International, Q P Enterprises, Q P Holdings, Q P International, Q P Printing, Q P Sourcing, Q P Trading, Q P (HK), Radiant Keen, DPI Laboratory and Printer's Studio, a director and legal representative of Tian Jin Zen See, Taunus Printing, DPI Laboratory (DG), Dongguan Zensee and Q P (SZ).

Mr. Cheng has over 35 years of experience in the printing industry. In the late 1970s, he worked as a sales representative of Goodyear Printing Products (China) Ltd.. He established our Group in 1985 with Mr. Yeung and served as a director of Q P Printing since its incorporation.

Between December 2016 and December 2018, he had been the vice chairman of the board of directors of the Hong Kong Shine Tak Foundations, a charity organisation, and has been serving as a permanent honorary president since December 2014.

Mr. Cheng completed secondary education in Hong Kong in 1978. He obtained an Executive Diploma in Strategic Brand Management from the University of Hong Kong School of Professional and Continuing Education in February 2012. He did not have any current or past directorships in any listed company in the last three years prior to the Latest Practicable Date.

Mr. Cheng was a director of the following companies prior to their dissolution, all of which were solvent at the time of dissolution:

Name of company	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Q P Investment Limited 雋思投資有限公司	Hong Kong	Investment holding	Deregistration	22 January 2010	Cessation of business
QP (Overseas) Investment Holdings Limited 雋思(海外)投資有限公司	Hong Kong	Investment holding	Deregistration	26 February 2010	No business Operation
北京雋思印刷有限公司 (QP Printing (Beijing) Limited*)	PRC	Printing of packaging	Cancellation of registration	13 July 2006	Cessation of business

To the best knowledge of Mr. Cheng after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against him in his capacity as a director of the abovementioned companies prior to their respective dissolution.

Mr. YEUNG Keng Wu Kenneth (楊鏡湖), aged 61, is one of our founders and an executive Director, and is responsible for formulating overall strategies and planning, and overseeing the manufacturing operations of our Group. Mr. Yeung was appointed as our Director on 19 April 2018 and redesignated as an executive Director on 2 January 2019. He also serves as a director of Archer Praise, Eternity Year, Multi International, Q P Enterprises, Q P Holdings, Q P International, Q P Printing, Q P Sourcing, Q P Trading, Q P (HK), Radiant Keen, Tian Jin Zen See, Dongguan Zensee, Taunus Printing and Printer's Studio.

Mr. Yeung has over 30 years of experience in the printing industry. He established our Group in 1985 with Mr. Cheng and served as a director of Q P Printing since its incorporation.

Between January 2012 and January 2017, he had been a member of the 12th Dongguan Committee of the Chinese People's Political Consultative Conference. He had been serving as a permanent honorary president of Hong Kong Shine Tak Foundation, a charity organisation, since December 2014.

Mr. Yeung obtained a Craft Certificate in General Printing from a Technical Institute of the Education Department in Hong Kong in July 1978. He further obtained a Technician Certificate in Graphic Design from a Technical Institute of the Education Department in Hong Kong in July 1980. He did not have any current or past directorships in any listed company in the last three years prior to the Last Practicable Date.

Mr. Yeung was a director of the following companies prior to their dissolution, all of which were solvent at the time of dissolution:

Name of company	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Q P Industrial Limited 雋思實業有限公司	Hong Kong	Investment holding	Deregistration	22 July 2016	Cessation of business
Q P Investment Limited 雋思投資有限公司	Hong Kong	Investment holding	Deregistration	22 January 2010	Cessation of business
QP (Overseas) Investment Holdings Limited 雋思(海外)投資有限公司	Hong Kong	Investment holding	Deregistration	26 February 2010	No business operation
Xiao Yao Bu Qi Gong Cancer Rehabilitation Center Limited 逍遙步內養功輔導癌癥康復中心有限公司	Hong Kong	Rehabilitation Centre	Member's voluntary winding up	18 September 2013	Cessation of business
北京雋思印刷有限公司 (QP Printing (Beijing) Limited*)	PRC	Printing of packaging	Cancellation of registration	13 July 2006	Cessation of business

To the best knowledge of Mr. Yeung after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against him in his capacity as a director of the abovementioned companies prior to their respective dissolution.

Ms. LIU Shuk Yu Sanny (廖淑如), aged 57, is an executive Director, and is responsible for formulating strategic planning, overseeing overseas sales, human resources, administration and training functions of our Group. Ms. Liu was appointed as our Director on 19 April 2018 and redesignated as an executive Director on 2 January 2019. She also serves as a director of Archer Praise, Eternity Year, Multi International, Q P Enterprises, Q P Holdings, Q P International, Q P Printing, Q P Sourcing, Q P Trading, Q P (HK), Radiant Keen, Tian Jin Zen See, Dongguan Zensee, Taunus Printing and Printer's Studio. Ms. Liu has over 35 years of experience in the printing industry.

Before joining our Group, in October 1979, Ms. Liu joined Patek Printing Industries Limited as a general clerk, and was promoted to the position of production manageress in April 1985, and was mainly responsible for planning, organising, directing and controlling all aspects of production. She left such position in August 1990. She joined our Group in September 1990 and was mainly responsible for overseas business development, formulating strategic plans for the human resources and training department and participating in decision-making.

Ms. Liu obtained a Certificate in Estimating for Printers from the Kwun Tong Technical Institute (currently known as the Hong Kong Institute of Vocational Education) in September 1986. She also obtained a degree of Executive Master of Business Administration from the Hong Kong University of Science and Technology in May 2004. She did not have any current or past directorships in any listed company in the last three years prior to the Latest Practicable Date.

Ms. Liu was a director of the following companies prior to their dissolution, all of which were solvent at the time of dissolution:

Name of company	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
QP (Overseas) Investment Holdings Limited	Hong Kong	Investment holding	Deregistration	26 February 2010	No business operation
北京雋思印刷有限公司 (QP Printing (Beijing) Limited*)	PRC	Printing of packaging	Cancellation of registration	13 July 2006	Cessation of business

To the best knowledge of Ms. Liu after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against her in her capacity as a director of the abovementioned companies prior to their respective dissolution.

Mr. CHAN Wang Tao Thomas (陳宏道), aged 56, is an executive Director, and is responsible for overseeing business development and sales functions of our Group. Mr. Chan was appointed as our Director on 19 April 2018 and redesignated as an executive Director on 2 January 2019. He also serves as a director of Archer Praise, Eternity Year, Multi International, Product Innovator, Q P Enterprises, Q P Holdings, Q P International, Q P Printing, Q P Sourcing, Q P Trading, Q P (HK), Radiant Keen and Printer's Studio. He joined our Group in October 2000 and has been responsible for overseeing business development and sales functions of our Group. Mr. Chan possesses over 20 years of experience in the paper-based items manufacturing and printing industry.

In mid to late 1990s, he worked at New Island Printing Holdings Limited (currently known as Huajun International Group Limited, Stock code: 377), a company listed on the Main Board of the Stock Exchange, and a printing and packaging company as a business development manager.

Mr. Chan completed a programme in Executive Master of Business Administration and obtained a degree of Master of Business Administration from The Chinese University of Hong Kong in November 2013. He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. Chan was a director or legal representative of the following companies prior to their dissolution, all of which were solvent at the time of dissolution:

Name of company	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
KzJoy Holdings Limited 兒樂控股有限公司	Hong Kong	No business operation	Deregistration	22 November 2013	Cessation of business
Power Legend Holdings Limited 栢駿集團有限公司	Hong Kong	Property holding	Striking off	30 October 2015	Cessation of business
北京新意無限貿易有限公司 (Beijing Xinyi Wuxian Limited*)	PRC	Wholesale of apparel, household items, gifts, office supplies, etc.	Cancellation of registration	4 June 2013	Cessation of business

To the best knowledge of Mr. Chan after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against him in his capacity as a director of the abovementioned companies prior to their respective dissolution.

Ms. HUI Li Kwan (許莉君), aged 58, is an executive Director, and is responsible for managing material development and supply. Ms. Hui was appointed as our Director on 19 April 2018 and redesignated as an executive Director on 2 January 2019. She also serves as a director of Archer Praise, Eternity Year, Multi International, Q P Enterprises, Q P Holdings, Q P International, Q P Printing, Q P Trading, Q P Sourcing, Q P (HK), Radiant Keen and Printer's Studio. She joined our Group in July 1985 and was responsible for overseeing materials development and procurement functions of our Group. Ms. Hui has over 35 years of experience in the printing industry.

Between February 1981 and February 1983, she worked at Goodyear Printing Press Ltd. as a transportation clerk.

She completed secondary education in Hong Kong in 1979. She did not have any current or past directorships in any listed company in the last three years prior to the Latest Practicable Date.

Mr. MAK Chin Pang (麥展鵬), aged 47, is an executive Director, and is responsible for overseeing administrative and legal compliance matters, accounting and corporate finance functions of our Group. Mr. Mak was appointed as our Director on 19 April 2018 and redesignated as an executive Director on 2 January 2019. He also serves as a director of Archer Praise, Eternity Year, Multi International, Printer's Studio, Product Innovator, Q P Enterprises, Q P Holdings, Q P International, Q P Printing, Q P Sourcing, Q P Trading, Q P (HK), Radiant Keen and DPI Laboratory, and is the chairman of the risk management committee and a member of the remuneration committee and nomination committee of our Company. He joined our Group in May 2001 and has been responsible for overseeing administrative and legal compliance matters, accounting and corporate finance functions of our Group. Mr. Mak has over 20 years of experience in accounting, finance, corporate governance, capital management and strategic planning matters.

In April 1997, he joined Poon & Co, an audit firm, as an audit assistant, and was mainly responsible for conducting audit tests and verification procedures, finalisation of accounts and preparing schedules for profits tax computation. He left such employment in March 2001 as an audit senior.

Mr. Mak obtained a degree of Bachelor of Business Administration in Finance from the Hong Kong University of Science and Technology in November 1994. He obtained a membership of the Hong Kong Institute of Certified Public Accountants (HKICPA) in April 2001, and was admitted a fellow of the Association of Chartered Certified Accountants (ACCA) in November 2005. He also obtained Six Sigma Green Belt from Six Sigma Institute in July 2013. He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Independent non-executive Directors

Mr. CHAN Hiu Fung Nicholas (陳曉峰), *MH*, aged 45, was appointed as our independent non-executive Director on 20 December 2019. He is also the Chairman of the remuneration committee and a member of the audit committee, nomination committee and risk management committee of our Company. Mr. Chan is currently a practising solicitor in Hong Kong and has over 20 years of experience in the legal practice.

Between August 1997 and February 1999, Mr. Chan worked at Deacons, a law firm, as a paralegal/trainee, and was employed as an associate in the Commercial Department between March 1999 and June 1999. He joined Squire Patton Boggs (formerly known as Squire, Sanders & Dempsey L.L.P., Squire, Sanders & Dempsey and Squire Sanders), a law firm, as an associate in July 1999 and has become a partner of the firm since September 2005.

Mr. Chan was admitted to practise law as a solicitor in Hong Kong in May 1999 and has since then become a member of The Law Society of Hong Kong. He was admitted to practise law in the Australian Capital Territory and Victoria, Australia in June 1997 and October 2000, respectively, and was admitted to practice as a solicitor in England and Wales in October 2007. Mr. Chan graduated from The University of Melbourne, Australia, with a double degree of Bachelor of Laws and Bachelor of Science in March 1997.

Mr. Chan served as a council member of The Law Society of Hong Kong from December 2014 to May 2019. He has also been serving as a council member of The Hong Kong University of Science and Technology since April 2016. In August 2018, he was appointed as a member to the Legal Aid Services Council for a term of two years from 1 September 2018. He was also appointed as a lay assessor to the Medical Council of Hong Kong. He has been appointed as chairman of eBRAM International Online Dispute Resolution Centre Limited (formerly known as eBRAM Centre Limited), a non-governmental organisation in Hong Kong focused on establishing Hong Kong as a world leading online disputes resolution centre. Since November 2018, he has been serving as a council member of Fu Hong Society, a non-governmental organisation in Hong Kong dedicated to help the mentally handicapped and those in need to live with dignity. He has also been appointed as a member of the Hospital Governing Committee of Castle Peak Hospital and Siu Lam Hospital. Mr. Chan was awarded the Medal of Honours from the Government of Hong Kong in July 2016. Mr. Chan was appointed as a representative of the 13th National People's Congress of the PRC in 2019.

On 2 September 2019, Mr. Chan has been appointed as an independent non-executive director, member of the audit committee and member of the remuneration committee of Sa Sa International Holdings Limited (Stock Code: 178), a company listed on the Main Board of the Stock Exchange. Save as disclosed herein, he did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. CHENG Man Chung Daniel (鄭文聰), *BBS, MH*, *JP*, aged 62 was appointed as our independent non-executive Director on 20 December 2019. He is also the Chairman of the nomination committee and a member of the audit committee, remuneration committee and risk management committee of our Company. He has over 20 years of experience in the engineering industry.

Since August 1993, he has been serving as the Managing Director of Dunwell Group (including Dunwell Industrial (Holdings) Ltd., Dunwell Technology (Holdings) Ltd., Dunwell Enviro-Tech International Ltd.). The business of its group of companies covers collection and handling of waste oil, waste water and chemical waste, manufacturing and installation of waste water treatment and recycling system and provision of technical advisory services.

Mr. Cheng serves as the President of the Hong Kong Environmental Industry Association. Between July 2015 and July 2017, he served as the Chairman of the Federation of Hong Kong Industries, and was appointed as its Honorary President since July 2017. He also currently serves as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development, the Committee on Innovation, Technology and Re-industrialisation and the Advisory Committee on Water Supplies. He is a Fellow of The Hong Kong Institute of Engineers and a registered professional engineer of the Engineers Registration Board.

Mr. Cheng was appointed by The University of Hong Kong as Honorary Professor for the period from March 2016 to February 2019 and as Adjunct Professor for the period from March 2019 to February 2021 in the Department of Industrial and Manufacturing Systems Engineering. He has also been appointed by The Hong Kong Polytechnic University as Professor of Practice (Management) in the Department of Management and Marketing. He was awarded the Medal of Honours from the Government of Hong Kong in July 2007 and appointed as a Justice of the Peace by the Government of Hong Kong in July 2011. In 2017, he received the Bronze Bauhinia Star (BBS) from the Hong Kong government.

He obtained a degree of Bachelor of Science in Industrial Engineering from the California State Polytechnic University, Pomona, the United States, in June 1981. In February 2014, he received the Certificate of Congressional Recognition for his induction into the Hall of Fame Class of 2014 from the California State Polytechnic University, Pomona, the United States.

Mr. Cheng was a director of the following companies prior to their dissolution, all of which were solvent at the time of dissolution:

Name of company	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Dunwell Enviro-Energy Development Company Limited 正昌環保節能開發有限公司	Hong Kong	Trading	Deregistration	3 February 2012	Inactive
Pipe Success Limited 永昌喉管有限公司	Hong Kong	Trading	Deregistration	30 June 2005	Inactive

To the best knowledge of Mr. Cheng after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against him in his capacity as a director of the abovementioned companies prior to their respective dissolution.

He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. NG Shung (吳崇), *JP (Australia)*, aged 56, was appointed as our independent non-executive Director on 20 December 2019. He is also the Chairman of the audit committee and a member of the remuneration committee, nomination committee and risk management committee of our Company. He is a fellow certified public accountant in Hong Kong and has over 10 years of experience in professional accounting.

In the late 1980s, Mr. Ng worked at Coopers & Lybrand and John Simmons & Partners in Australia, which were audit firms, and held the positions of senior assistant and supervisor, respectively. In early 1990s, he set up his own accounting firm, Ng Shung and Company in Australia, and practiced as a Certified Public Accountant. After his return to Hong Kong, he co-founded The Saint News Limited in 1996, which principally engaged in publishing racing newspapers and providing telephone infoline service. In 2001, he founded Content Management Consultancy Limited, which engages in media production and management and public relations consultancy. Between January 2003 and July 2017, Mr. Ng worked as a publisher of Racing World Publications Limited, which principally engages in the publication of a monthly racing magazine. He has also been serving as the chairman of the board of directors of Racing World Publications Limited since 2003.

He obtained a degree of Bachelor of Economics from Macquarie University, Australia, in April 1986, and a degree of Master of Commerce in Organizational Behaviour from the University of New South Wales, Australia, in April 1988. He was admitted to the status of Certified Practising Accountant of the Australian Society of Certified Practising Accountants in September 1992, and was issued a Public Practice Certificate by the Australian Society of Certified Practising Accountants in February 1993. He was admitted as a fellow of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in March 1999. He was also admitted as a fellow of The Hong Kong Institute of Director in January 2018.

Mr. Ng had served in the Executive Committee of the Hong Kong Paralympic Committee & Sports Association For The Physically Disabled from 2009 to 2015, and had been the chairman of its public relations and marketing sub-committee from 2010 to 2013. He had served as chairman of the Public Relations and Fundraising Subcommittee and an Elected Member of the General Committee of Riding For The Disabled Association Limited from 2003 to 2010, and the vice-chairman of the International Liaison Subcommittee and vice-chairman of the Rehab Subcommittee from 2011 to 2013 and 2012 to 2015, respectively. He was re-elected as chairman of the Public Relations and Fundraising Subcommittee and an Elected Member of the General Committee and served such roles from 2015 to 2016. He had also served as the president of Hong Kong Racehorse Owners Association from 2014 to 2015. He was appointed as a Voting Member of the Hong Kong Jockey Club in 2016. He was appointed as Justice of the Peace by the Government of New South Wales, Australia, in 1992, and was awarded Chief Executive's Commendation for Community Service by the Government of Hong Kong in 2009.

Mr. Ng was a director of the following companies prior to their dissolution, all of which were solvent at the time of dissolution:

Name of company	Place of incorporation	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Hong Kong Racing Services Centre Limited 香港賽馬資訊中心有限公司	Hong Kong	Information service provider	Deregistration	21 August 2015	Cessation of business
Thoroughbred Services Limited 高超有限公司 (formerly known as Glory Metro Limited高超有限公司)	Hong Kong	Information service provider	Deregistration	14 March 2003	Cessation of business
Racing World Timeform Limited (賽馬態況有限公司)	Hong Kong	Information service provider	Deregistration	7 September 2007	Cessation of business

To the best knowledge of Mr. Ng after making reasonable enquiries, as at the Latest Practicable Date, there was no outstanding liability or on-going claim or litigation against him in his capacity as a director of the abovementioned companies prior to their respective dissolution.

He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. HUNG Wai Ming Kenny (洪偉明), aged 58, joined our Group in May 1994. Mr. Hung is the assistant general manager of production of our Group, and is responsible for the management and supervision of our production and manufacturing operations. He also serves as a director of Q P International.

Mr. Hung has over 30 years of experience in production management. Between 1986 and 1993, he worked at Shelcore HK Limited and his last position was production materials control manager.

Mr. Hung completed secondary education in Hong Kong in 1978.

He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. TO Kam Yiu Daniel (杜鑑耀), aged 61, joined our Group in October 1999. Mr. To is the director of supply chain operations of our Group, and is responsible for overseeing the procurement and supply chain operations of our Group. He also serves as a director of Q P Sourcing.

Mr. To has over 15 years of experience in supply chain operation management. He joined our Group in October 1999 as a purchasing manager and was mainly responsible for material sourcing and purchasing, and was promoted to the position of senior manager of material management in April 2010. He left our Group in December 2013. He rejoined our Group as the director of supply chain operation in August 2014.

Mr. To obtained a degree of Bachelor of Science from the Florida International University in the United States in August 1988. He also obtained a degree in food and nutrition from the Fu Jen Catholic University (天主教輔仁大學, formerly known as 私立輔仁大學) in Taiwan in June 1983. Mr. To was certified as a certified purchasing professional and a certified professional purchasing manager by the American Purchasing Society on 15 and 16 December 2008, respectively. He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. CHU Chong Kei Elvis (朱創基), aged 56, joined our Group in November 2008. Mr. Chu is the director of quality assurance and compliance of our Group, and is responsible for the management and supervision of our quality assurance and compliance department. He also serves as a director of Q P International.

Mr. Chu has over 25 years of experience in the quality control and assurance management in the manufacturing industry. He joined M.C. Packaging (Hong Kong) Limited in September 1983, and his last position was trainee engineer in the quality control department and was mainly responsible for quality control activities and statistical process control techniques before his departure in September 1991. He then joined Bausch & Lomb (Hong Kong) Ltd., as an assistant quality assurance engineer in the department of quality assurance, from October 1991 to June 1996. Between August 1997 and August 1998, he worked as a quality assurance manager at Lucky Bell Plastic Factory Limited. From November 1998 to June 2002, he worked in Chit Tat Metal Plastic Industrial Co., Ltd. as an assistant senior manager in the China QA/AC department, and was mainly responsible for overseeing the daily operation and administration of the said department. Between July 2002 and July 2003, he worked at Wealthwise Industrial Ltd. as quality assurance manager of the quality department. He then joined Wah Shing Toys Co., Ltd in July 2003 as senior manager in the quality assurance department. He left such employment in October 2006, and joined Radica Limited in November 2006 as quality director. His position was retitled as director, product integrity, since December 2007, and he left such position in September 2008. In November 2008, he joined our Group as director of quality assurance and compliance.

Mr. Chu obtained a certificate in chemical technology from Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1988. He also obtained a higher certificate in chemical technology from Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1990. He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. HUI Chun Yip David (許駿業), aged 41, joined our Group in November 2009. Mr. Hui is the engineering director of our Group, and is responsible for the management and supervision of our engineering department. He also serves as a director of Q P International.

Mr. Hui has over 16 years of experience in the engineering area of the manufacturing industry. From 2001 to 2007, he worked in Jetta Company Ltd. and his last position held was project engineer, and was mainly responsible for project development from design to production stages. In August 2007, he joined KT Enterprise Group Limited as a project manager. Prior to joining our Group, between March 2008 and November 2009, Mr. Hui worked as a mechanical manager at Automatic Manufacturing Limited, and was responsible for managing the mechanical engineering team and monitoring the progress of projects from the design phase to the production phase. His duties also included negotiation with vendor and keeping contact with clients.

In July 2001, Mr. Hui obtained a Higher Diploma in Engineering Management from Hong Kong Technical Colleges. He further obtained a degree of Bachelor of Engineering in Manufacturing Informatics and Systems Engineering from the City University of Hong Kong in November 2006. He also obtained a degree of Master of Engineering in Engineering Management from the Open University of Hong Kong in October 2016.

Mr. Hui obtained a fundamental diploma in theory of constraints (TOC) from the Six Sigma Institute of Hong Kong, and was certified by the Six Sigma Institute as a Registered Lean Specialist (Life Type Registration), in October 2014. He was further awarded a certificate of achievement in TOC fundamentals by the Theory of Constraints International Certification Organisation in October 2014. In March 2015, Mr. Hui obtained a registered lean sigma black belt from the Six Sigma Institute of Hong Kong. In September 2015, he obtained a certificate of certified six sigma black belt from the China Association for Quality. He completed Industry 4.0 Program Facilitator Training from February 2017 to June 2017, and was awarded a certificate of completion from the Fraunhofer Institutes of Production Technology and the Hong Kong Productivity Council. He also received a Certificate of Achievement for completing a course of instruction in Project Management Professional (PMP) Preparation Course from Informatics Education (HK) Limited in January 2017.

He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. HA Kevin Tu Hao (何賜豪), aged 54, joined our Group in November 2003. Mr. Ha is the director of technology development of our Group, and is responsible for the management and supervision of our technology department. He also serves as a director of Q P International.

Mr. Ha has over 20 years of experience in the printing and publishing industry. In September 1997, Mr. Ha joined ACP Publishing Pty Limited in Sydney, Australia, and his last position was network administrator, and was mainly responsible for network functionality and desktop support. He then joined ACP Asia Pte Ltd in November 2000, the Singapore-based Asian arm of Australia-based media conglomerate, as an IT administrator and was responsible for all computer networks and associated support systems in the Singapore and Kuala Lumpur offices. Before his departure in May 2003, he was promoted to the position of IT manager, and was responsible for the maintenance and expansion of desktop publishing systems supporting eight monthly magazines in two countries, together with advertising and production of computer systems and financial systems.

He attended the University of Wollongong, Australia, in 1986.

He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. CHEUNG Chun Man (張俊文), aged 47, joined our Group in October 2012. Mr. Cheung is the IT director of our Group, and is responsible for management and supervision of our IT department.

Mr. Cheung has over 20 years of experience in the information and technology. In April 1997, he joined IPL Research Limited as a programmer, and was promoted to the position of senior programmer in October 1997. He then joined Cosco Information & Technology (H.K.) Limited in March 1998, and his last position was the deputy manager of software development department. In April 2001, Mr. Cheung joined ITCrystal.com (HK) Ltd as project manager. He was deployed to the associate company of ITCrystal.com (HK) Ltd, namely Job88.com Limited, in January 2003 as chief IT manager, and was responsible for the IT operation of such company. He left such position in January 2005. Between January 2005 and June 2005, he worked as a contract systems analyst of InfoTech Services (Hong Kong) Limited. During such employment, he was seconded fulltime to the Office of the Government Chief Information and the Social Welfare Department of the Government of Hong Kong. Between June 2005 and November 2006, he rejoined Job88.com Limited as a project consultant. He then joined Leo Paper Bags Manufacturing (1982) Ltd., and worked as an assistant project manager of the IT division of the system research and development team in the global information strategy and solution department between November 2006 and March 2009, and was promoted to the position of project manager of the same department in April 2009. He then held the position of manager of the same department, between April 2011 and December 2011. He then joined Pansoft (China) Company Limited in January 2012, and his last position held was product development director of business process management system unit of such company.

Mr. Cheung obtained a degree of a Bachelor of Mathematics from the University of Waterloo in Canada in May 1997.

He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

Mr. WONG Hung Pan (黃鴻斌), aged 34, joined our Group in March 2017. Mr. Wong is the financial controller of our Group and the company secretary of our Company, and is responsible for financial matters, corporate governance, capital management, company secretarial matters, strategic planning and legal compliance work.

Mr. Wong has over 11 years of experience in accounting, auditing, internal control, capital management, investor relations, corporate governance, company secretarial, and strategic planning. In March 2008, he joined Grant Thornton, an accounting firm, and left as a senior accountant of assurance in June 2010. He then worked at PricewaterhouseCoopers from June 2010 and left as a manager in February 2014. From February 2014 to January 2016, he worked at KTL Jewellery Trading Limited, an indirect wholly-owned subsidiary of KTL International Holdings Group Limited (currently known as Hifood Group Holdings Co., Limited, Stock code: 442), a company listed on the Main Board of the Stock Exchange, which principally engages in the manufacture and trading of jewellery. He was mainly responsible for accounting and financial reporting, before he left as a senior manager, financial reporting. Prior to joining our Group, from January 2016 to March 2017, he worked as a senior finance manager, and was mainly responsible for accounting and company secretarial matters, at Ahsay Systems Corporation Limited, an indirect wholly-owned subsidiary of Ahsay Backup Software Development Company Limited (Stock code: 8290), a company listed on GEM of the Stock Exchange, which principally engages in provision of online backup software solution to clients via the Internet.

Mr. Wong obtained a degree of Bachelor of Arts in Accounting and Finance from the University of Exeter, the United Kingdom, in July 2007 and further obtained a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2019. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012 and admitted as a fellow in March 2019. He has also been an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly know as The Institute of Chartered Secretaries and Administrators) in the United Kingdom since November 2019.

He did not have any current or past directorship in any listed company in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. WONG Hung Pan (黃鴻斌) was appointed as our company secretary on 20 July 2018. Please see "– Senior Management" for his biography.

BOARD COMMITTEES

Audit Committee

An audit committee was established by our Company pursuant to a resolution of the Board on 20 December 2019 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve our Group's financial reporting process and internal control system. The members of the audit committee are Mr. NG Shung, Mr. CHAN Hiu Fung Nicholas and Mr. CHENG Man Chung Daniel, all of whom are independent non-executive Directors. Mr. NG Shung is the chairman of the audit committee.

Remuneration Committee

A remuneration committee was established by our Company pursuant to a resolution of the Board on 20 December 2019 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. The members of the remuneration committee are Mr. CHAN Hiu Fung Nicholas, Mr. CHENG Man Chung Daniel, Mr. NG Shung and Mr. MAK Chin Pang. Mr. CHAN Hiu Fung Nicholas is the chairman of the remuneration committee.

Nomination Committee

A nomination committee was established by our Company pursuant to a resolution of the Board on 20 December 2019 with written terms of reference. The primary duties of the nomination committee are to make recommendations to the Board on appointment of Directors and the management of the Board succession. The members of the nomination committee are Mr. CHENG Man Chung Daniel, Mr. CHAN Hiu Fung Nicholas, Mr. NG Shung and Mr. MAK Chin Pang. Mr. CHENG Man Chung Daniel is the chairman of the nomination committee.

Risk Management Committee

A risk management committee was established by our Company pursuant to a resolution of the Board on 20 December 2019 with written terms of reference. The primary duties of the risk management committee are to review our Company's significant transactions together with our finance department, and our Company's risk management policies and standards, monitoring our Company's exposure to sanctions law risks and our implementation of the related internal control procedures. The members of the risk management committee are Mr. MAK Chin Pang, Mr. CHAN Hiu Fung Nicholas, Mr. CHENG Man Chung Daniel and Mr. NG Shung. Mr. MAK Chin Pang is the chairman of the risk management committee.

COMPENSATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of our Company. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

The compensation paid to our Directors for FY2016, FY2017, FY2018 and 6M2019 were HK$14.7 million, HK$12.4 million, HK$11.4 million and HK$5.2 million, respectively.

For FY2016 and FY2017, the five individuals whose emoluments were the highest in our Group comprised our Directors. For FY2018 and 6M2019, the five individuals whose emoluments were the highest in our Group comprised four Directors and a member of the senior management team. The emoluments payable to the member of senior management team for FY2018 and 6M2019 was HK$1.5 million and HK$0.7 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office during the Track Record Period.

Under the arrangement currently in force, the aggregate remuneration of our Directors for FY2019 is estimated to be HK$12.3 million.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in "Statutory and General Information – D. Share Option Scheme" in Appendix V to this prospectus.

CORPORATE GOVERNANCE

Our Company intends to comply with all code provisions in the Corporate Governance Code after Listing except for paragraph A.2.1 of the Corporate Governance Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The role of Chairman and chief executive officer of our Company are currently performed by Mr. Cheng. In view of Mr. Cheng's substantial contribution to our Group since our establishment and his extensive experience in the printing industry, we consider that having Mr. Cheng acting as both our Chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Cheng continues to act as both our Chairman and chief executive after the Listing, and therefore currently do not propose to separate the functions of Chairman and chief executive officer.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategies and planning, human resources, administration and training, business development, sales, material development, procurement, accounting and corporate finance, administrative and legal compliance. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board. Taking into account our existing business model and specific needs as well as the different background of our directors, the composition of our Board satisfies our board diversity policy.

Our nomination committee is responsible for ensuring the diversity of our Board members. After the Listing, our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Guotai Junan Capital as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

(i) 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 buy-backs;

(iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information 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 our 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 13.45 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or the chief executive of our Company as at the Latest Practicable Date, immediately following completion of the Global Offering and Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), the persons (other than a Director or the chief executive of our Company) who will have interests and/or short positions in our Shares, underlying Shares or debentures of our Company which will 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 once our Shares are listed on the Stock Exchange or who 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 other member of our Group are as follows:

Long position in the Shares

Name of substantial shareholders	Type of interests	As at the date of this submission		Immediately following completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme)	
		Number of Shares	Shareholding percentage	Number of Shares[1]	Shareholding percentage
Good Elite	Beneficial owner[2]	120,408	77.78	310,353,954 (L)	58.34%
Mr. Cheng	Interest in a controlled corporation[3]	120,408	77.78	310,353,954 (L)	58.34%
Mr. Yeung	Interest in a controlled corporation[3]	120,408	77.78	310,353,954 (L)	58.34%
Ms. Hui	Interest of spouse[4]	120,408	77.78	310,353,954 (L)	58.34%
Ms. Wong Lai Ying	Interest of spouse[5]	120,408	77.78	310,353,954 (L)	58.34%
Cypress Spurge	Beneficial owner[6]	25,104	16.22	64,706,046 (L)	12.16%
Ms. Liu	Interest in a controlled corporation[7]	25,104	16.22	64,706,046 (L)	12.16%

Notes:

1. The letter "L" denotes the entity/person's long position (as defined under Part XV of the SFO) in such Shares.

2. Our Company will be directly owned as to 58.34% by Good Elite immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and/or options which may be granted under the Share Option Scheme).

3. Good Elite is beneficially owned equally by Mr. Cheng and Mr. Yeung. Each of Mr. Cheng and Mr. Yeung is deemed to be interest in the same number of Shares that are held by Good Elite under the SFO. Mr. Cheng and Mr. Yeung are regarded as a group of Controlling Shareholders to exercise their voting rights in our Company through Good Elite and they together will be interested in a total of 58.34% of the issued share capital of our Company upon the completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme).

4. Ms. Hui is the spouse of Mr. Cheng and is therefore deemed to be interested in the same number of Shares in which Mr. Cheng is interested under the SFO.

5. Ms. Wong Lai Ying is the spouse of Mr. Yeung and is therefore deemed to be interested in the same number of Shares in which Mr. Yeung is interested under the SFO.

6. Our Company will be directly owned as to 12.16% by Cypress Spurge immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme).

7. Cypress Spurge is beneficially wholly-owned by Ms. Liu. Ms. Liu is deemed to be interest in the same number of Shares that are held by Cypress Spurge under the SFO.

Save as disclosed in this prospectus, so far as is known to any Directors or the chief executive of our Company as at the Latest Practicable Date, immediately following completion of the Global Offering and Capitalisation Issue (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), there are no other person (other than a Director or the chief executive of our Company) who will have interests and/or short positions in the Shares, the underlying Shares or debentures of our Company which will 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 once our Shares are listed on the Stock Exchange or who 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 other member of our Group.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company and the share capital of our Company to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering:

As at the date of this prospectus

Number	Aggregate nominal value
	HK$
Authorised share capital:	
2,000,000,000 Shares	20,000,000
Issued share capital:	
154,800 Shares	1,548

Assuming the Over-allotment Option is not exercised and without taking into account any Share which may be issued pursuant to any option which may be granted under the Share Option Scheme, the share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid:

		HK$
154,800	Shares in issue immediately prior to the Capitalisation Issue	1,548
398,845,200	Shares to be issued under the Capitalisation Issue	3,988,452
133,000,000	Shares to be issued under the Global Offering	1,330,000
532,000,000	**Shares in total**	5,320,000

Assuming the Over-allotment Option is exercised in full and without taking into account any Share which may be issued pursuant to any option which may be granted under the Share Option Scheme, the share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows:

Shares in issue or to be issued, fully paid or credited as fully paid:

		HK$
154,800	Shares in issue immediately prior to the Capitalisation Issue	1,548
398,845,200	Shares to be issued under the Capitalisation Issue	3,988,452
133,000,000	Shares to be issued under the Global Offering	1,330,000
19,950,000	Shares to be issued upon exercise of the Over-allotment Option in full	199,500
551,950,000	**Shares in total**	5,519,500

Pursuant to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, at least 25% of our Company's total number of issued shares must at all times be held by the public (as defined in the Listing Rules).

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant to the Global Offering. It does not take into account any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or which may be issued or bought back by our Company under the general mandates of any Shares referred to below.

RANKING

The Offer Shares will rank pari passu 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 the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

On 20 December 2019, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in "Statutory and General Information – D. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to allot or issue and deal with unissued Shares with an aggregate nominal value of not more than:

(a) 20% of the number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue; and

(b) the number of Shares bought back by our Company (if any) under the mandate referred to in "– General mandate to buy back Shares".

This mandate will expire until the earliest of:

- the conclusion of our next annual general meeting;

- the expiration of the period within which we are required by the Articles of Association or any applicable laws to hold our next annual general meeting; or

- the date on which the authority given to our Directors is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Particulars of this general mandate are set out in "Statutory and General Information – A. Further Information about our Group – 3. Resolutions in writing of our Shareholders passed on 20 December 2019" in Appendix V to this prospectus.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the Global Offering becoming unconditional, the Directors have been granted a general mandate to exercise all the powers of our Company to buy back Shares with a total of not more than 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Share which may be issued pursuant to exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme).

This mandate only relates to buy-backs made on the Main Board, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules are set out in "Statutory and General Information – A. Further information about our Group" in Appendix V to this prospectus.

This mandate will expire until the earliest of:

- the conclusion of our next annual general meeting;

- the expiration of the period within which we are is required by its Articles of Association or any applicable laws to hold our next annual general meeting; or

- the date on which the authority given to our Directors varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Particulars of this general mandate are set out in "Statutory and General Information – A. Further Information about our Group – 3. Resolutions in writing of our Shareholders passed on 20 December 2019" in Appendix V to this prospectus.

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set forth in the Accountant's Report included as Appendix I and our selected financial information and operating data included elsewhere in this prospectus. The consolidated financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Potential investors should read the whole of the Accountant's Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains 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 us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements" for discussions of those risks and uncertainties.

OVERVIEW

We are a paper product manufacturing and printing services provider with a portfolio of diversified products offering value-adding and customised product engineering services and printing solutions to our customers. Our products are mainly classified into five categories, comprising: (i) tabletop games, which accounted for 45.2%, 37.1%, 43.3% and 39.5% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively; (ii) greeting cards, which accounted for 36.8%, 45.2%, 38.0% and 45.5% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively; (iii) educational items, which accounted for 8.3%, 8.8%, 10.6% and 7.4% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively; (iv) premium packaging, which accounted for 4.0%, 4.5%, 3.8% and 3.2% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively; and (v) others, which accounted for 5.7%, 4.4%, 4.3% and 4.4% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively.

Our products are sold to (i) OEM customers through our own sales team, which accounted for 92.2%, 92.5%, 92.3% and 92.0% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively; and (ii) individual and corporate customers through online channels, namely our self-operated websites, which accounted for 7.8%, 7.5%, 7.7% and 8.0% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively.

Our cost of sales mainly comprise (i) the cost of our raw materials which accounted for 48.2%, 48.1%, 48.3% and 47.1% of our total cost of sales for FY2016, FY2017, FY2018 and 6M2019, respectively; (ii) staff cost in relation to our production process which accounted for 23.0%, 22.1%, 23.6% and 22.8% of our total cost of sales for FY2016, FY2017, FY2018 and 6M2019, respectively; and (iii) subcontracting fee which accounted for 11.5%, 16.3%, 13.9% and 18.2% of our total cost of sales for FY2016, FY2017, FY2018 and 6M2019, respectively.

For FY2016 and FY2017, our revenue was HK$886.3 million and HK$1,079.6 million, respectively, representing a year-on-year growth of 21.8%. Our gross profit for the corresponding years was HK$271.0 million and HK$275.7 million, representing a year-on-year increase of 1.7%, whereas our gross profit margin was 30.6% and 25.5%, respectively. Our net profits for these years were HK$89.8 million and HK$78.9 million, respectively, representing a year-on-year decline of 12.2%, whereas our net profit margin was 10.1% and 7.3%, respectively.

For FY2017 and FY2018, our revenue was HK$1,079.6 million and HK$1,163.0 million, respectively, representing a year-on-year growth of 7.7%. Our gross profit for the corresponding years was HK$275.7 million and HK$282.1 million, representing a year-on-year increase of 2.3%, whereas our gross profit margin was 25.5% and 24.3%, respectively. Our net profits for these years were HK$78.9 million and HK$51.0 million, respectively, representing a year-on-year decline of 35.4%, whereas our net profit margin was 7.3% and 4.4%, respectively. Excluding the non-recurring Listing expenses of HK$20.6 million incurred for FY2018, our net profit for FY2018 would be HK$71.5 million, representing a year-on-year decline of 9.3%.

For 6M2018 and 6M2019, our revenue was HK$509.1 million and HK$564.9 million, respectively, representing a period-on-period growth of 11.0%. Our gross profit for the corresponding periods was HK$109.4 million and HK$160.7 million, representing a period-on-period increase of 46.9%, whereas our gross profit margin was 21.5% and 28.5%, respectively. We incurred a net loss for the period of HK$0.5 million for 6M2018, while our net profits and net profit margins was HK$21.0 million and 3.7% for 6M2019, respectively. Excluding the non-recurring Listing expenses of HK$9.6 million and HK$3.3 million incurred for 6M2018 and 6M2019, respectively, our net profit for 6M2018 and 6M2019 would be HK$9.1 million and HK$24.3 million, respectively, representing a period-on-period increase of 166.2%.

PROFITABILITY DURING THE TRACK RECORD PERIOD

Decrease in net profit, gross profit margin and net profit margin during FY2016, FY2017 and FY2018

For FY2016, FY2017 and FY2018, we recorded a decreasing trend in our net profit, gross profit margin and net profit margin, (i) our net profit was HK$89.8 million, HK$78.9 million and HK$51.0 million; (ii) our gross profit margin was 30.6%, 25.5% and 24.3%; and (iii) our net profit margin was 10.1%, 7.3% and 4.4%, respectively. For FY2016, FY2017 and FY2018, our gross profit was HK$271.0 million, HK$275.7 million and HK$282.1 million, respectively.

Analysis of our profitability

In order to illustrate the particular factors that affected our Group's profit and gross profit margin during the Track Record Period, we set out in the table below the (i) gross profit; and (ii) gross profit margin of our five principal product categories namely, tabletop games, greeting cards, educational items, premium packaging and other products.

	FY2016		FY2017		FY2018		6M2018		6M2019	
	Gross profit	Gross profit margin	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* *(unaudited)*	*%*	*HK$'000*	*%*
Tabletop games	158,249	39.6	134,346	33.5	178,194	35.4	69,613	34.5	98,463	44.2
Greeting cards	58,445	17.9	62,419	12.8	42,057	9.5	18,466	9.0	30,654	11.9
Educational items	30,018	40.7	42,655	44.7	43,450	35.3	15,222	27.4	17,274	41.1
Premium packaging	8,810	24.8	18,444	38.4	8,666	19.5	4,137	17.6	7,003	38.3
Other products	15,499	30.4	17,799	37.6	9,700	19.6	2,011	8.4	7,346	29.8
Total	271,021	30.6	275,663	25.5	282,067	24.3	109,449	21.5	160,740	28.5

Our Group's gross profit margin was 30.6%, 25.5% and 24.3% for FY2016, FY2017 and FY2018, respectively. The decreasing trend over the corresponding years, in particular decrease from FY2016 to FY2017, was primarily attributable to (i) tabletop games; and (ii) greeting cards, which represents in aggregate 80.0% and 71.4% of our total gross profit for FY2016 and FY2017, respectively. The decrease in gross profit and gross profit margin generated from tabletop games was primarily due to (i) decrease of a one-off purchase order from Customer B in FY2016 which generated a gross profit margin of 51.3%; and (ii) general decrease in average unit selling price for card games and board games. Despite the increase in gross profit of greeting cards from FY2016 to FY2017, the gross profit margin of greeting cards decreased from 17.9% for FY2016 to 12.8% for FY2017 which was primarily due to (i) the 2017 Additional Orders as described below; and (ii) change in pricing guidelines for products sold to Hallmark. Our gross profit increased to HK$282.1 million for FY2018 which was primarily contributed by the increase in sales quantity of tabletop games sold to Mattel of 61.5% which had a higher gross profit margin in FY2018 in comparison to FY2017. While our gross profit margin decreased from 25.5% for FY2017 to 24.3% for FY2018 which was primarily contributed by (i) greeting cards; and (ii) educational items, for details please see "– Review of historical results of operations – FY2018 compared to FY2017 – Gross profit and gross profit margin".

Our Group's gross profit margin was 21.5% and 28.5% for 6M2018 and 6M2019, respectively. The increase over the corresponding period was primarily due to (i) the depreciation of RMB against the HKD during 6M2019 in comparison to 6M2018; and (ii) the increase in tax refund rate for export products announced by the PRC tax authorities which took effect on 15 September 2018, thus reducing the amount of our PRC VAT taxes payable.

(A) Impact of the non-recurring Listing expenses

Our net profit for FY2017 and FY2018 was HK$78.9 million and HK$51.0 million, respectively, representing a year-on-year decline of 35.4%, whereas our net profit margin was 7.3% and 4.4%, respectively. Excluding the non-recurring Listing expenses of HK$20.6 million incurred for FY2018, our profit for FY2018 would have amounted to HK$71.5 million with net profit margin of 6.2% (FY2017: HK$78.9 million and 7.3%).

We incurred a net loss for the period of HK$0.5 million for 6M2018, while a profit for the period of HK$21.0 million for 6M2019. Excluding the non-recurring Listing expenses of HK$9.6 million and HK$3.3 million incurred for 6M2018 and 6M2019, respectively, our profit for the corresponding periods would have amounted to HK$9.1 million and HK$24.3 million, with net profit margin of 1.8% and 4.3%, respectively.

(B) Other non-recurring expenses incurred during FY2018 and 6M2019

During FY2018, we have relocated our Hong Kong office, as such we incurred non-recurring reinstatement cost of our old office and renovation expenses of our new office in aggregate of HK$1.2 million. In preparation of the commencement of Heshan Factory, we incurred additional transportation expenses of HK$0.6 million in relation to transferring production facilities from our Dongguan Factory to Heshan Factory. We also incurred severance payment to our employees as a result of discontinuance of our Tianjin Factory of HK$1.5 million.

During 6M2019, we have incurred (i) payments which amounted HK$7.8 million in relation to the transfer of the land parcels and the application of real estate ownership certificate or immovable property title certificate for certain building blocks in our Dongguan Factory; (ii) the remaining severance payment to our employees as a result of discontinuance of our Tianjin Factory of HK$2.6 million; (iii) under provision of other taxes of approximately HK$1.2 million in relation to the acquisition of Heshan Factory; (iv) additional transportation expenses of HK$0.8 million in relation to the transfer of production facilities from our Dongguan Factory to Heshan Factory; and (v) expenses incurred in relation to the discontinuance of operation in our Tianjin Factory of HK$0.5 million.

(C) Undertaking of orders with lower profit margin in order to optimise production capacity utilisation after decrease in purchase orders for tabletop games from one of our major customers in 2017

We experienced decrease in purchase orders from Customer B in 2017, with sales to it dropped from HK$95.1 million for FY2016 to HK$37.6 million for FY2017. Our revenue arising from Customer B in relation to destination of delivery decreased by 64.9% for the U.S. and by 61.9% for Europe from FY2016 to FY2017. To the best of the knowledge of our Directors after making all reasonable enquiries, the decrease in sales order was because of the change in purchasing practice by Customer B, which might result from a global sourcing strategy that aimed to diversify their purchasing geographically. According to CIC report, the global sourcing strategy is not uncommon among paper-based printing products retailers, as it helps retailers to source quality products at competitive prices, while maintaining sufficient product varieties to cater for the customers' needs. In addition, through a combination of global product sources, retailers can easily shift their purchases between different suppliers worldwide in the event of any uncertainty, such as an increase in price, increased import tariffs, or any dispute between retailers and suppliers, all of which may adversely affect retailers' profitability. Our Directors confirm that there had not been any disagreement between our Group and Customer B. As a result, our Directors decided to seek alternative business opportunities in order to maximise the production capacity utilisation in 2017. Eventually, we had accepted the engagement from Hallmark to take up orders for production of additional quantity of greeting cards besides the ordinary order pursuant to the forecast in 2017 (the "**2017 Additional Orders**"). Although the management were of the view that the profitability of the 2017 Additional Orders would be lower than that of the production of tabletop games because we had agreed on lower pricing guidelines with Hallmark in early 2016 which took effect in mid-2016, we accepted the engagement from Hallmark given that there might be an anticipated decrease in orders in tabletop games from Customer B which would risk under-utilisation of our production facilities and hence an adverse financial performance for the year. As part of the result of the 2017 Additional Orders, the total quantity of greeting cards we produced increased by approximately 37.3% from FY2016 to FY2017. During the Track Record Period, we did not accept certain purchase orders from Hallmark after considering, among others, the delivery schedules of the relevant orders, our production capacity and utilisation rates, and the profitability of such purchase orders. For illustrative purpose and to the best knowledge of our Directors having made all reasonable enquiries, the purchase orders from Hallmark which were not accepted by our Group were estimated to be approximately HK$1.8 million, HK$1.5 million and HK$20.0 million for FY2016, FY2017 and FY2018, respectively. For details of our strategy to enlarge our customer base in the tabletop games and educational items segments, see "Business – Our business strategies – Optimise our product mix and production specialisation by (i) reallocating our production capacity to Heshan and enhancing our operational efficiency and (ii) enlarging our customer base in the tabletop games and educational items segments – (ii) Enlarge our customer base in the tabletop games and educational items segments".

The greeting cards we produced for the 2017 Additional Orders were primarily everyday cards and other greeting cards while the designs of such products involved more manual assembly processes. The average unit selling price for the greeting cards of the 2017 Additional Orders was 136.6% higher than the greeting cards we generally produced for our customer. The revenue generated from the 2017 Additional Orders was HK$69.0 million. Nevertheless, the production processes of the 2017 Additional Orders were labour-intensive, hence we were required to engage subcontractors, in order to fulfil the order within the prescribed time schedule. This was reflected in the substantial increase in subcontracting fees of HK$60.0 million from FY2016 to FY2017, of which HK$11.6 million was attributable to the additional subcontracting activities to satisfy the 2017 Additional Orders. We engaged subcontractors we normally worked with during the Track Record Period and did not include Taunus Printing. The subcontracting fees for greeting cards amounted to HK$25.9 million and HK$70.2 million for FY2016 and FY2017, representing 36.5% and 53.6% of the total subcontracting fees for the corresponding year. Coupled with the increase in raw material costs (mainly paper) and appreciation of RMB against USD and HKD between FY2016 to FY2018 which will be further discussed below, our gross profit for the greeting cards produced for the 2017 Additional Orders amounted to HK$3.9 million with a gross profit margin of only 5.7%.

After taking into consideration of the greeting cards produced in the 2017 Additional Orders, the average unit selling price of greeting cards increased by 9.0% from FY2016 to FY2017 and the average unit cost of greeting cards increased by 15.8%. Our gross profit for greeting cards only slightly increased from HK$58.4 million to HK$62.4 million while our gross profit margin decreased from 17.9% to 12.8% for FY2016 to FY2017.

For illustrative purpose, should the contribution of the 2017 Additional Orders been excluded, our gross profit for greeting cards would be HK$58.5 million for FY2017, and the gross profit margin would be 14.0%. The decrease in gross profit margin from 17.9% for FY2016 to 14.0% for FY2017 was primarily due to (i) lower pricing guidelines which took effect during mid-2016 for all greeting cards sold to Hallmark; (ii) increase in fees charged by our subcontractors which may not be passed on to our customers instantly; and (iii) increase in cost of raws materials in FY2017 compared to FY2016 which may not be passed on to our customers instantly.

(D) Impact on increase in raw material costs especially paper cost used in production of greeting cards and tabletop games during FY2016, FY2017 and FY2018

After completion of the 2017 Additional Orders in 2017, Hallmark purchased less number of greeting cards from us. Also, we needed to bear the increase in paper costs which constituted our major material costs which we could not pass to Hallmark until the fourth quarter in 2018. The quantity of greeting cards we sold decreased by approximately 9.8% from FY2017 to FY2018 given the completion of the 2017 Additional Orders and the average unit selling price slightly increased by 0.4% from FY2017 to FY2018. Our gross profit for greeting cards substantially decreased from HK$62.4 million to HK$42.1 million while our gross profit margin decreased from 12.8% to 9.5% for FY2017 to FY2018.

Among our principal raw materials, purchase cost of paper represented 20.1%, 21.1% and 22.6% of our total cost of sales for FY2016, FY2017 and FY2018, respectively. We experienced increase in paper costs during the Track Record Period and such increase may not be passed on to our customer instantly, which had increased our costs of sales, in particular, the production of greeting cards and tabletop games. Among others, for the production of tabletop games for Mattel which contributed to 16.0% of our total revenue in FY2018, the costs of major types of paper used, namely, (i) grey chipboard recorded an increase of 25.2% in average price per kg from FY2017 to FY2018; (ii) gloss two sided coated paper recorded an increase of 6.6% in average price per kg for FY2017 to FY2018; and (iii) clay coated news back recorded an increase of 9.4% in average price per kg from FY2017 to FY2018. As to the production of greeting cards for Hallmark in FY2018 which contributed 37.2% of our total revenue, the costs of (i) wood free paper recorded an increase of 7.8% in average price per kg from FY2017 to FY2018; and (ii) uncoated board recorded an increase 9.2% in average price per kg from FY2017 to FY2018.

(E) Fluctuations of RMB against USD and HKD

For FY2016, FY2017, FY2018 and 6M2019, 69.1%, 72.1%, 76.0% and 75.6% of our total cost of sales were denominated in RMB, while our receipts are primarily denominated in USD and HKD, consequent fluctuations of RMB against USD and HKD had affected our cost of sales to a certain extent during the Track Record Period. During FY2016, FY2017 and FY2018, we recorded losses resulting from the appreciation of RMB against USD and HKD, however, we did not revise our pricing guidelines to pass such cost increase to our customers. See "– Key factors affecting our results of operations – Fluctuations in foreign exchange rates" for analysis of impact of appreciation on foreign exchange rate.

(F) Acquisition of Taunus Printing

During the Track Record Period, our Dongguan Factory had been in full production capacity. See "Business – Production – Production capacity and utilisation rate" for further details. We acquired Taunus Printing, which owns the Heshan Factory, in March 2018 for the primary purpose of acquiring its manpower and production facilities to implement our plan to optimise our product mix. The addition of Heshan Factory has brought and is expected to continue to bring an impact to our profitability going forward. For FY2018, we recorded additional administrative expenses of HK$9.9 million incurred by Taunus Printing, which mainly comprised staff costs and depreciation charge. For 6M2018 and 6M2019, we recorded additional administrative expenses incurred by Taunus Printing of HK$2.5 million and HK$8.9 million, respectively. Our Directors are of the view that the Heshan Factory is only at the early stage under our management and after we have fully utilised and commercialised the operation of Heshan Factory, our operational efficiency and profitability will be reflected.

(G) Saturated production utilisation which limited the plan for timely optimising our product mix

We have been closely monitoring the product mix we undertake to produce, taking into account the prevailing demands from our customers from time to time and the commercial terms we are able to reach for the orders. Saved for the automated card game production lines and an automated greeting card assembly line which we tailor made for certain of our OEM customers, our other production machines, such as printing presses, can be used for printing different paper products to serve different customers. Even though our Directors intended to optimise the product mix by allocating more resources for the production of tabletop games and educational items (which yielded higher profit margins compared to greeting cards), the allocation process during the Track Record Period was hindered as the production capacity of our Dongguan Factory had already reached over 100%. Please see "Business – Production – Production capacity and utilisation rate" for further details.

BASIS OF PRESENTATION AND PREPARATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liabilities under the Companies Law on 19 April 2018. Through a corporate reorganisation as further explained in "History, Reorganisation and Corporate Structure – Our reorganisation", our Company became the holding company of the subsidiaries now comprising our Group on 27 December 2018, our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Financial information of our Group has been prepared and presented as a continuation of the consolidated financial statements of our Group, with the results, assets and liabilities recognised and measured at the carrying amounts of our Group under the consolidated financial statements for all periods presented, on the basis set out in note 1.3 and 2.1 to the Accountant's Report set out in the Appendix I to this prospectus.

The Financial Information has been prepared in accordance with HKFRS issued by the HKICPA and has been prepared under the historical cost convention, as modified by the revaluation of financial assets/liabilities and investment property which are carried at fair values.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies now comprising our Group are eliminated on combination.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

The financial information of our Group contained in the Accountant's Report as set out in Appendix I to this prospectus has been prepared in accordance with accounting policies which comply with HKFRSs under the historical cost convention, as modified by the revaluation of financial assets/liabilities and investment property which are carried at fair values. It also includes the disclosure requirements of the Companies Ordinance and applicable disclosure provisions of the Listing Rules. All HKFRSs effective for the accounting periods commencing from 1 January 2018 and relevant to our Group, together with the relevant transitional provisions, have been adopted by our Group in the preparation of our financial statements consistently throughout the Track Record Period. The application of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* do not have significant impact on the financial position and financial performance of the Group compared to the requirement of HKAS 18 *Revenue* and HKAS 39 *Financial Instruments: Recognition and Measurement*, respectively. The significant accounting policies adopted by our Group are set forth in details in note 2 to the Accountant's Report set out in Appendix I to this prospectus.

Some of the accounting policies involve judgements, estimates, and assumptions made by our management. The estimates and associated assumptions are based on the experience of our management and other factors that are considered to be relevant. Further information regarding the key estimates and judgements made in applying our accounting policies are set forth in note 4 to the Accountant's Report set out in Appendix I to this prospectus.

Intangible Assets

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

Our goodwill arose from the acquisition of Taunus Printing during FY2018. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Our Group tests annually, as and when appropriate, whether goodwill has suffered any impairment. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by our management covering a five-year-period. Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 15% and management believes it reflects specific risks relating to the segment. Based on the impairment assessment performed by management, the estimated recoverable amount over its carrying amount (i.e. the headroom) is HK$66.0 million as at 31 December 2018.

Had the aforementioned key parameters (i.e. revenue growth rate and gross profit margin) been changed, with all other variables held constant, the headroom would be changed as follows:

	As at 31 December 2018
	HK$'000
– Revenue growth rate decreased by 10%	59,000
– Gross profit margin decreased by 10%	18,000

Based on the impairment assessment conducted by our Group utilising the key assumptions, the recoverable amounts of the CGU estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary. For further details, please see note 17 to the Accountant's Report set out in Appendix I to this prospectus. As at 30 June 2019, based on the unaudited latest financial results of Taunus Printing, the recoverable amount exceeds the carrying amount of goodwill, and thus no impairment was required.

In accordance with our accounting policies, goodwill is tested for impairment on an annual basis at each year end. As at 30 June 2019, we did not identify any impairment indicators and we are not aware of any significant changes that could have adverse impact on our business. As a result, no impairment assessment as of 30 June 2019 was considered. In the opinion of our Directors, no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

Golf club membership

Golf club membership is stated at historical cost. The club membership has an indefinite life which is not subject to amortisation and is tested annually for impairment. During the Track Record Period, no impairment was made in relation to the golf club membership.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and our financial condition have been and will continue to be affected by a number of factors, including those set out below.

Economic and regulatory conditions in the overseas markets, in particular the U.S. market

Our Group's revenue is mainly derived from customers in overseas markets. As such our financial performance and operation results rely on the demand and the macroeconomic conditions in the origin of our customers and the ultimate consumer. In addition, there are various macro and micro factors that may affect consumer spending in the overseas market that are beyond our control, including but not limited to disposable income, growth of population product trends, consumer preference, etc.

In particular, substantial portion of our revenue was derived from the U.S.. For FY2016, FY2017, and FY2018, our revenue based on the destination of the U.S. amounted to HK$636.3 million, HK$788.8 million, and HK$823.9 million, represented 71.8%, 73.1%, and 70.8% of our total revenue for the corresponding period, respectively. Going forward, we expect that our revenue from the U.S. market will continue to account for a substantial portion of our revenue. Any changes in the economic and regulatory conditions in the U.S. may have a material impact on our business and financial performance.

Since 2018, the U.S. government has imposed additional tariffs on top of the normal tariff rates on certain products imported from the PRC into the U.S.. Responding to the U.S. additional tariffs, the PRC government has also imposed tariffs on certain products imported from the U.S. into the PRC. For details, see "Business – Recent trade war between the U.S. and the PRC".

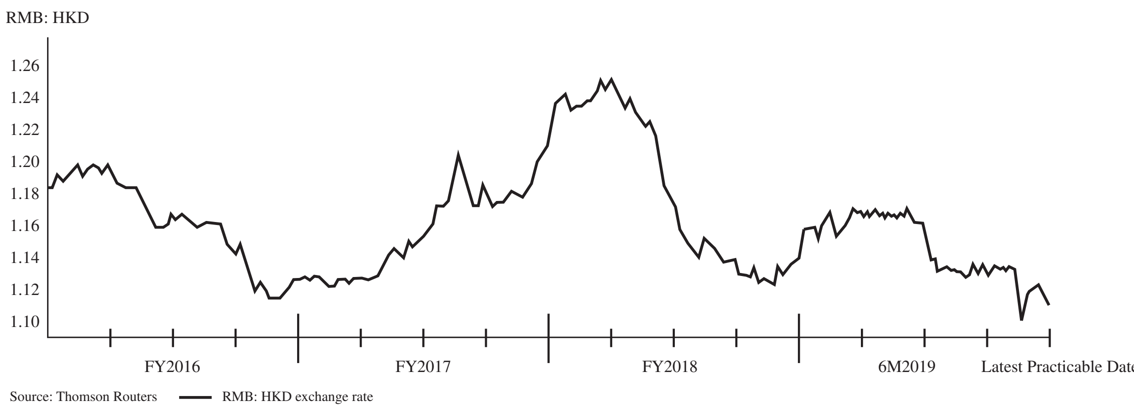
If these products, or any other products we manufacture in the PRC and export to the U.S. are subject to further increase in tariffs in the future, this would affect our customers' purchase costs of our products as long as these products remain to be produced in the PRC. If our customers from the U.S. market reduce or cease to place purchase orders with us or change in market conditions related to government, we cannot guarantee that we could increase orders from other geographic markets to place purchase orders with us in the same quantities or at the same price, or at all. In the event of the Section 301 List 3 Additional Tariff and Section 301 List 4 Additional Tariff being imposed, our U.S. customers may source their products elsewhere, and hence will decrease our Group's revenue and net profit. For the maximum potential impact of U.S. additional tariff on the Group's revenue and net profit during the Track Record Period, assuming that (i) such U.S. additional tariffs were imposed at the beginning of the Track Record Period, (ii) no measures were adopted to mitigate any impact arising from such U.S. additional tariffs and (iii) the Group took up all such U.S. additional tariffs by way of price reduction negotiations with its customers for purchasing products subject to the U.S. tariffs, see "Business – Recent trade war between the U.S. and the PRC – Section 301 List 3 and Section 301 List 4 Additional Tariffs imposed by the U.S. government" for a sensitivity analysis of the hypothetical fluctuations arising from the U.S. additional tariffs on our Group's revenue and net profit in the above circumstances.

Nevertheless, to minimise the potential impact of the U.S. additional tariffs on our business going forward, we have adopted and will continue to adopt the Immediate Measures. For details, see "Business – Recent trade war between the U.S. and the PRC – Immediate measures being adopted in response to the recent trade war between the U.S. and the PRC". In the event that the Section 301 List 4 Additional Tariff is increased from 15% to 25% or above in the future, our Group has formulated a contingency measure to relocate further production of products subject to the U.S. tariffs outside the PRC, which the Directors have undertaken to implement immediately to cope with any potential impact arising from such increased tariff. For details of the latest development as well as immediate and contingency measures formulated by our Group in respect of the continuing trade war between the U.S. and the PRC, see "Business – Recent trade war between the U.S. and the PRC".

Fluctuations in foreign exchange rates

While our headquarters is located in Hong Kong, substantially all of our production facilities are located in the PRC, most of our production cost and operating expenses are primarily denominated in HKD and RMB. Whereas our revenue is mainly denominated in USD and HKD. We are exposed to foreign currency risks primarily as a result of revenue that is denominated in foreign currencies other than HKD and purchases that are denominated in foreign currencies other than HKD.

For illustrative purpose, the chart below sets out the movement of RMB against HKD exchange rate in the Track Record Period.



	FY2016	FY2017	FY2018	6M2018	6M2019
RMB: HKD					
High	1.201	1.205	1.252	1.252	1.174
Low	1.115	1.114	1.124	1.177	1.130
Average	1.169	1.153	1.186	1.230	1.156

With the depreciation of RMB against HKD, our profit for each purchase order will generally be more favourable as the production cost will be lower. Whereas, in the event that RMB appreciates against HKD, our production cost related to each purchase order will increase resulting in a lower gross profit margin, which may in turn materially and adversely affect our business and financial condition. For FY2016, FY2017, FY2018 and 6M2019, 69.1%, 72.1%, 76.0% and 75.6% of our total cost of sales were denominated in RMB mainly comprised of cost of raw materials, staff cost, and subcontracting fees. The difference in exchange rates at which the payables are recorded and finally settled may give rise to transactional foreign currency exchange gain or loss.

During the Track Record Period, our Group has incurred a net exchange gain amounted to HK$6.6 million, HK$6.3 million and HK$2.6 million for FY2016, FY2018 and 6M2019, respectively, while we incurred a net exchange loss of HK$7.1 million and HK$4.6 million for FY2017 and 6M2018, respectively. Such amounts represented the differences between foreign exchange rates arising from settlement of transactions and from the translation at year end exchange rates of these transactions. Furthermore, we also recognised in other comprehensive income, currency translation differences loss of HK$21.0 million, HK$24.4 million, HK$1.1 million and HK$0.9 million for FY2016, FY2018, 6M2018 and 6M2019, respectively, and gain of HK$23.8 million for FY2017. Such currency translation differences arise when we translate the financial statements of our PRC subsidiaries that have functional currency different from the presentation currency into our Group's presentation currency at each financial year end. Such currency translation differences gain/loss were driven by the movements of RMB against HKD exchange rates during each of the financial year as shown above.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our profit before tax in relation to the changes of RMB against HKD in cost of sales during the Track Record Period, assuming all other variables, including cost of sales, remained constant. Appreciation or depreciation changes of RMB against HKD are assumed to be 1% and 5%, based on the historical fluctuations during the Track Record Period.

	Increase/(decrease) on our profit before tax			
	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB appreciated (+)/depreciated (–) against HK$ by:				
+5%	(21,267)	(28,971)	(33,473)	(15,274)
+1%	(4,254)	(5,794)	(6,695)	(3,055)
-1%	4,254	5,794	6,695	3,055
-5%	21,267	28,971	33,473	15,274

Having considered that HKD and USD are pegged under linked-exchange rate system, the effect of such currency fluctuations is not significant and not included in the above sensitivity analysis.

Our profit margin will be negatively affected to the extent that we are unable to increase selling prices of our products we sell to our customers to account for any appreciation of the RMB against USD or HKD; or maintain competitive pricing against our competitors to avoid loss of customers. Furthermore, any future significant fluctuations in exchange rates will result in increases or decreases in our reported costs, earnings, our carrying value of our non-HKD denominated assets and equity. Accordingly, our business, financial condition, results of operations and prospects may be materially and adversely affected. For details, please refer to note 3.1(a)(i) of the Accountant's Report in this prospectus.

During the Track Record Period, our Group entered into forward foreign exchange contracts to hedge against foreign exchange risk. See "– Derivative financial instruments and hedging activities" for details.

Demand from our customers

Our top five customers accounted for 69.2%, 71.2%, 70.0% and 72.9% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. We do not enter into long term agreement with customers which establish minimum purchase amount or volume, and the actual purchase volumes are generally determined on an ongoing basis based on purchase orders placed by the customers. While certain of our major customers provide us with forecasts to indicate their supply needs for certain products, they have no obligations to place purchase orders with us since these forecast are non-binding. Some of our customers may also place one-off orders in certain periods in which may cause fluctuations in our results from year-to-year. Although we have developed long term business relationships with most of our major customers, they are not obliged in any way to continue placing orders with us and the quantity of our products they order from us depends on their sales forecast (if any) and/or sales performance in the market. Furthermore, the popularity of paperless and digital products may slow down or replace the demand for paper products from end consumers, thereby leading to reduced demand for our products from our customers.

We cannot guarantee these customers will continue to do business with our Group in the future or paper products will continue to be demanded by end customers. If we are unsuccessful in maintaining business relationship with these major customers, and we are unable to secure new customers to recover such loss of revenue, our business, financial condition and results of operations may be materially and adversely affected.

Our acquisition of Taunus Printing

On 21 March 2018, we completed our acquisition of Taunus Printing which owns Heshan Factory, with an aim to increase our operational efficiency and reallocate our production capacity. Our consolidated statements of profit or loss for FY2018 includes the results of Taunus Printing from 21 March 2018 through 31 December 2018, and our consolidated statements of financial position as of 31 December 2018 reflects our Group inclusive of Taunus Printing. Prior to the acquisition, they were a subsidiary of one of our subcontractors for printing and assembling certain of our products, such subcontracting fees were included in cost of sales during the Track Record Period prior to the completion of acquisition. Subsequent to the completion of the acquisition, we commenced to take up the Heshan Factory and gradually implement changes into Heshan Factory in order to accommodate our Group's production schedules and practices and aligning our business strategy going forward. As such, we expect to take a period of time to implement and integrate Heshan Factory into our Group. Subsequent to the acquisition of Taunus Printing, our Group took approximately four months to substantially integrate Heshan Factory into the Group's operation. During such period, our Group had to bear its additional staff costs for around 400 workers and other operating costs, while the corresponding increase in revenue was slower which is one of the factors for the decrease in our overall gross profit margin for FY2018. In addition, we also increase our borrowings and incurred additional finance cost to finance such acquisition. Upon substantial completion of the integration in July 2018, our Group has gradually allocated production orders to Taunus Printing for full production, as such the profitability of Taunus Printing has improved since September 2018.

For detailed information, see "History, Reorganisation and Corporate Structure – Our acquisition – Taunus Printing". For financial information regarding our acquisition, please refer to note 32 of the Accountant's Report in this prospectus.

Cost of raw materials

Our cost of raw materials represents a sizeable portion of our cost of sales. The raw materials we procure primarily include paper, auxiliary accessories, ink and other miscellaneous items. Our principal raw materials were paper which represented 20.1%, 21.1%, 22.6% and 22.0% of our total cost of sales for FY2016, FY2017, FY2018 and 6M2019, respectively. Our average purchase cost of paper was approximately RMB5.4 per kg, RMB6.2 per kg, RMB6.4 per kg, RMB6.4 per kg and RMB6.5 per kg for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively, which showed an increasing trend over the corresponding period. Any significant fluctuations in the supply and purchase cost of paper may materially affect our overall cost of sales and our profitability.

During the Track Record Period, we did not enter into any long-term contract with our suppliers. As we generally purchase paper on a back-to-back basis upon receipts of orders from our customers based on our customers' request, the purchase price of paper are generally subject to market prices. We do not have any hedging facilities to minimise the risk of raw materials price fluctuations. As a result, the cost of our raw materials will be subject to market fluctuations. According to the CIC Report, the average price of major raw materials in the printing and packaging industry in the PRC, which are printing-and-writing paper and packaging paper, was generally in a decreasing trend between 2013 and 2016. The prices started to quickly rise at the beginning of 2017, as the supply-side reform was initiated in a number of key industries, which has led to a tighter supply of paper in the overall market, causing the market prices to sharply rise. It is expected that the paper price will maintain their current levels as the overall balance between supply and demand in China has been largely restored. There is no assurance that we will be able to accurately anticipate and react to the changes in prices of our principal raw materials, or that we will be able to pass on the increase in purchase cost of our raw materials to our customers, our business and profitability may be materially and adversely affected. If we pass on the increased costs to our customers, our pricing may become less competitive and may lead to a loss of orders/customers.

In addition, the price of paper as well as other raw materials may be subject to price volatility and periodic shortages caused by various factors beyond our control, which include, among other things, weather conditions, tree harvest conditions, policies of the respective local governments of the territories in which the forestries or paper mills operate, as well as market competition.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our profit before tax in relation to the changes of cost of paper during the Track Record Period, assuming all other variables, including consumption of paper, remained constant. Fluctuations in cost of paper assumed to be 2% and 15%, based on the historical fluctuations during the Track Record Period are set below.

	Increase/(decrease) on our profit before tax			
	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Paper cost increase/ decrease by:				
+15%	(18,596)	(25,491)	(29,899)	(13,332)
+2%	(2,479)	(3,399)	(3,987)	(1,778)
-2%	2,479	3,399	3,987	1,778
-15%	18,596	25,491	29,899	13,332

Mix of product offering and specifications

Our mix of products offerings and specifications directly impacts our results of operations and financial condition. The products we offer are primarily categorised into five categories (i) greeting cards, (ii) tabletop games, (iii) educational items, (iv) premium packaging and (v) others products, each with its own distinctive features, specifications, and different cost composition. We generally determine our selling prices on a cost-plus basis. Each product often carries a different unit selling price and gross profit margin which is dependent on various factors, including but not limited to the prevailing price of our principal raw materials, business relationship with customers, quantity of purchase order, discount offer for bulk purchases, expected delivery schedule, and any other specified requirements by our customers. We may also have to incur higher subcontracting fees if we consider such outsourcing will give us cost-saving, or when such outsourcing is needed because our production capacity has reached its peak. Consequently, any changes in such factors may directly impact our gross profit margins. Thus, our results of operations may vary from period to period as a result of changes in the composition of our revenue from different product mix and customers' specified requirements on their products in the future.

Staff cost

Our staff cost primarily comprise salaries, wages, bonuses and allowances paid to our employees, pension costs-defined contribution plans and other employee benefits. As at the Latest Practicable Date, we had a total of 2,617 employees (inclusive of our executive Directors) and our staff cost amounted to HK$221.3 million, HK$262.6 million, HK$313.1 million and HK$154.0 million, representing 25.0%, 24.3%, 26.9% and 27.3% of our total revenue for FY2016, FY2017, FY2018 and 6M2019, respectively. The increase in our staff cost was primarily due to the combined effects of (i) change in our headcount; and (ii) annual salary increment for the Track Record Period.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our profit before tax in relation to the changes of staff cost during the Track Record Period, assuming all other variables, including headcount, remained constant. Fluctuations in staff cost assumed to be 3% and 5%, based on the historical fluctuations during the Track Record Period are set below.

	Increase/(decrease) on our profit before tax			
	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Staff cost increase/decrease by:				
+5%	(11,067)	(13,132)	(15,655)	(7,701)
+3%	(6,640)	(7,879)	(9,393)	(4,621)
-3%	6,640	7,879	9,393	4,621
-5%	11,067	13,132	15,655	7,701

Seasonality

In addition, seasonal fluctuations exist in our manufacturing and printing services. The demand for our services is generally higher in the second half of the year when our customers generally place orders to us to meet their sales demand mainly for Thanksgiving, Christmas and New Year holidays. See "Business – Seasonality" for details.

Early Adoption of HKFRS 16

Our historical consolidated financial information has been prepared based on our underlying financial statements, in which HKFRS 16, "Leases" ("**HKFRS 16**") has been adopted and applied consistently since the beginning of, and throughout, the Track Record Period. We have to adopt HKFRS 16, in lieu of HKAS 17, "Leases" ("**HKAS 17**") in the preparation of our underlying financial statements, such that our historical consolidated financial information under HKFRS 16 is comparable on a period-to-period basis and allows the investors to better understand our financial performance and position. Accordingly, we have prepared and maintained only one set of consolidated financial statements adopting HKFRS 16 for the Track Record Period. Neither we had prepared, nor the reporting accountant had audited or reviewed, our consolidated financial statements for the Track Record Period prepared based on HKAS 17.

Nonetheless, in order to provide additional information to investors, we has carried out internal assessments with our best efforts based on the principles set out in HKAS 17, and set forth below certain estimated key impact on our financial position and performance if HKAS 17 was adopted instead.

Under HKAS 17, operating lease commitments are disclosed separately in a note to the consolidated financial statement and are recognised outside of the consolidated statement of financial position. Under HKFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of assets (being the right-of-use assets in our financial statements) and financial liabilities (being the lease liabilities in our financial statements) on our consolidated statements of financial position at the commencement of respective leases.

By applying HKFRS 16, as at 31 December 2016, 2017 and 2018 and 30 June 2019, we recognise right of use assets amounted to HK$14.2 million, HK$77.7 million, HK$126.5 million and HK$123.3 million, respectively. Our Directors consider that the early adoption of HKFRS16, as compared to the requirements of HKAS 17, would increase our consolidated assets and consolidated liabilities, but would not result in a significant impact to our consolidated financial position and performance.

SUMMARY OF RESULTS OF OPERATIONS

The following table summarises our consolidated statements of profit or loss of our Group for the Track Record Period, as extracted from the Accountant's Report set out in Appendix I to this prospectus:

	FY2016	FY2017	FY2018	6M2018	6M2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	886,343	1,079,630	1,162,979	509,106	564,858
Cost of sales	(615,322)	(803,967)	(880,912)	(399,657)	(404,118)
Gross profit	271,021	275,663	282,067	109,449	160,740
Other gains/(losses), net	3,121	4,917	4,303	(4,915)	1,122
Other income, net	6,903	10,054	33,318	16,710	5,712
Selling and distribution expenses	(72,131)	(89,053)	(99,619)	(45,249)	(47,253)
Administrative expenses	(97,831)	(104,691)	(155,047)	(73,832)	(90,271)
Operating profit	111,083	96,890	65,022	2,163	30,050
Finance income	1,046	371	125	83	59
Finance costs	(643)	(1,002)	(5,995)	(2,178)	(3,750)
Finance income/(costs), net	403	(631)	(5,870)	(2,095)	(3,691)
Profit before income tax	111,486	96,259	59,152	68	26,359
Income tax expense	(21,651)	(17,370)	(8,161)	(566)	(5,347)
Profit/(loss) for the year/period	89,835	78,889	50,991	(498)	21,012
Non-HKFRS Financial Measures (unaudited):					
Adjusted net profit[(1)]	89,835	78,889	71,544	9,146	24,343

Note:

(1) We define adjusted net profit as profit for the year/period adjusted for the Listing expenses which is non-recurring and not related to our ordinary course of business. For a reconciliation of profit for the year/period to adjusted net profit as we define, please see "– Non-HKFRS financial measures" in this section.

Non-HKFRS financial measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profit, adjusted net profit before interest and tax and adjusted net profit margin as non-HKFRS financial measures which are not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS financial measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impact of item that do not affect our ongoing operating performance. Such non-HKFRS financial measures allow investors to consider matrices used by our management in evaluating our performance. The use of the non-HKFRS financial measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies.

We adjusted for certain items as our non-HKFRS financial measures, which is non-recurring in nature and not considered by us as normal in the ordinary course of our business nor indicative of our ongoing core operating performance, in order to provide the potential investors with a complete and fair understanding of our core operating results and financial performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance.

The table below sets forth the adjusted net profit, adjusted net profit before interest and tax and adjusted net profit margin in each respective year/period during the Track Record Period:

	FY2016	**FY2017**	**FY2018**	**6M2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Profit(loss) for the year/period	**89,835**	**78,889**	**50,991**	**(498)**	**21,012**
Add: Listing expenses	–	–	20,553	9,644	3,331
Adjusted net profit for the year/period (unaudited)	**89,835**	**78,889**	**71,544**	**9,146**	**24,343**
Adjusted net profit margin[(1)]	10.1%	7.3%	6.2%	1.8%	4.3%
Profit before income tax	**111,486**	**96,259**	**59,152**	**68**	**26,359**
Add: Interest expenses	643	1,002	5,995	2,178	3,750
Net profit before interest and tax (unaudited)	**112,129**	**97,261**	**65,147**	**2,246**	**30,109**
Add: Listing expenses	–	–	20,553	9,644	3,331
Adjusted net profit before interest and tax (unaudited)	**112,129**	**97,261**	**85,700**	**11,890**	**33,440**
Adjusted net profit margin before interest and tax[(2)]	12.7%	9.0%	7.4%	2.3%	5.9%

Notes:

(1) Adjusted net profit margin is calculated by profit (loss) for the year/period adding back the Listing expenses divided by revenue for the respective year/period and multiplied by 100%. It is not defined under HKFRS and thus a non-HKFRS financial measure.

(2) Adjusted net profit margin before interest and tax is calculated by profit before income tax adding back the interest expenses and the Listing expenses divided by revenue for the respective year/period and multiplied by 100%. It is not defined under HKFRS and thus a non-HKFRS financial measure.

Our net profit and net profit margin deteriorated in FY2018 as compared to FY2017 mainly because of the inclusion of the Listing expense of approximately HK$20.6 million. If excluding such non-recurring Listing expenses, our adjusted net profit for the year would be HK$71.5 million in FY2018, while our adjusted net profit margin for the year would be 6.2% which was primarily due to the additional administrative expenses incurred in Heshan Factory upon completion of acquisition. Our adjusted net profit for the period increased to HK$24.3 million in 6M2019 as compared to 6M2018, which was primarily attributable to the increase in gross profit by HK$51.3 million. Our adjusted net profit margin increased from 1.8% in 6M2018 to 4.3% in 6M2019 which was primarily attributable to the increase in gross profit, as mentioned before.

Our adjusted net profit before interest and tax increased in 6M2019 as compared to 6M2018, from HK$11.9 million to HK$33.4 million, excluding non-recurring Listing expense HK$3.3 million in 6M2019, which was primarily attributable to the increase in gross profit by HK$51.3 million, as mentioned before. Our adjusted net profit margin before interest and tax further increased from 2.3% in 6M2018 to 5.9% in 6M2019.

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we derived our revenue from five principal product categories consisting of: (i) tabletop games (including card games, board games and puzzles), (ii) greeting cards (including everyday cards and seasonal cards), (iii) educational items (including classroom learning kits and activity books), (iv) premium packaging and (v) other products.

Our revenue was HK$886.3 million, HK$1,079.6 million, HK$1,163.0 million, HK$509.1 million and HK$564.9 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. Our total revenue increased by HK$193.3 million, or 21.8% from FY2016 to FY2017, increased by HK$83.3 million or 7.7% from FY2017 to FY2018 and increased by HK$55.8 million or 11.0% from 6M2018 to 6M2019.

(i) Revenue by product categories

The following table sets forth the breakdown of our revenue by product categories for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Tabletop games	**399,871**	**45.2**	**400,753**	**37.1**	**503,278**	**43.3**	**201,903**	**39.7**	**222,928**	**39.5**
• Card games	168,919	19.1	204,852	19.0	242,452	20.9	96,587	19.0	132,298	23.4
• Board games	148,523	16.8	109,004	10.1	151,521	13.0	42,067	8.3	50,705	9.0
• Puzzles	35,747	4.0	32,784	3.0	43,867	3.8	19,825	3.9	18,747	3.3
• Others *(Note 1)*	46,682	5.3	54,113	5.0	65,438	5.6	43,424	8.5	21,178	3.8
Greeting cards	**326,240**	**36.8**	**488,127**	**45.2**	**442,681**	**38.0**	**204,174**	**40.1**	**256,968**	**45.5**
• Everyday cards	136,995	15.5	211,997	19.6	219,085	18.8	113,455	22.3	107,890	19.1
• Seasonal cards	136,613	15.4	169,484	15.7	204,964	17.6	79,848	15.7	123,610	21.9
• Others *(Note 2)*	52,632	5.9	106,646	9.9	18,632	1.6	10,871	2.1	25,468	4.5
Educational items	**73,778**	**8.3**	**95,343**	**8.8**	**122,989**	**10.6**	**55,483**	**10.9**	**41,989**	**7.4**
• Classroom learning kits	62,969	7.1	73,755	6.8	100,810	8.7	44,974	8.8	32,191	5.7
• Activities books	10,809	1.2	21,588	2.0	22,179	1.9	10,509	2.1	9,798	1.7
Premium packaging	**35,526**	**4.0**	**48,085**	**4.5**	**44,420**	**3.8**	**23,529**	**4.6**	**18,292**	**3.2**
Others *(Note 3)*	**50,928**	**5.7**	**47,322**	**4.4**	**49,611**	**4.3**	**24,017**	**4.7**	**24,681**	**4.4**
Total	**886,343**	**100.0**	**1,079,630**	**100.0**	**1,162,979**	**100.0**	**509,106**	**100.0**	**564,858**	**100.0**

Notes:

1. Others mainly comprise game pieces and other miscellaneous game sets.

2. Others comprise cards for expression of encouragement, new born baby, retirement, etc..

3. Others mainly comprise other products from our websites and third-party online market places such as apparel, bags and other accessories, booklets, baby photo frames, baby books, baby teeth keepsake books and revenue generated from our laboratory testing services.

Tabletop games

The tabletop games we print are categorised as: (i) card games; (ii) board games; (iii) puzzles; and (iv) others. Our revenue from tabletop games increased by HK$0.9 million, or 0.2% from FY2016 to FY2017, increased by HK$102.5 million, or 25.6% from FY2017 to FY2018 and increased by HK$21.0 million, or 10.4% from 6M2018 to 6M2019. The increase in our revenue from this product category during FY2016 and FY2017 was primarily driven by the increase in revenue from card games, which was partially offset by decrease in revenue of board games. The increase from FY2017 to FY2018 was primarily driven by a general increase of all products in this category. The increase in our revenue from 6M2018 to 6M2019 was primarily driven by the increase in revenue from card games and board games, which was offset by the decrease in revenue from other tabletop games items.

– Card games

Our revenue from card games increased by HK$35.9 million, or 21.3% from FY2016 to FY2017, increased by HK$37.6 million, or 18.4% from FY2017 to FY2018 and increased by HK$35.7 million, or 37.0% from 6M2018 to 6M2019. The increase from FY2016 to FY2017 was primarily due to (i) increase in sales quantity sold to Mattel of 95.5%, which was partially offset by decrease in average unit selling price sold to Mattel as a result of discount provided during FY2017; and (ii) increase in sales quantity from our websites through which products are generally sold at a relatively higher price. The increase from FY2017 to FY2018 was primarily due to increase in sales quantity sold to Mattel of 70.0%, which was partially offset by decrease in average unit selling price sold to Mattel for FY2018 in comparison to FY2017. The increase from 6M2018 to 6M2019 was primarily due to increase in sales quantity sold to Mattel of 99.2%, which was partially offset by the decrease in average unit selling price sold to Mattel for 6M2019 in comparison to 6M2018.

– Board games

Our revenue from board games decreased by HK$39.5 million, or 26.6% from FY2016 to FY2017, increased by HK$42.5 million, or 39.0% from FY2017 to FY2018 and increased by HK$8.6 million, or 20.5% from 6M2018 to 6M2019. The decrease from FY2016 to FY2017 was primarily due to the combined effects of (i) a one-off purchase order placed by Customer B which had a higher average unit selling price in FY2016, the absence of which has led to a decrease in sales quantity from FY2016 to FY2017. The decrease in sales order was because of the change in purchasing practice by Customer B in 2017. Our Directors anticipated such change and decided to seek alternative business opportunities in order to fulfil the production capacity in 2017; and (ii) increase in sales quantity sold to Mattel which was partially offset by the decrease in average selling price sold to Mattel. The increase from FY2017 to FY2018 was primarily due to the increase in sales quantity sold to Customer B of 99.8% and Mattel of 46.9%. The increase from 6M2018 to 6M2019 was primarily due to the increase in average unit selling price sold to Customer B for 6M2019 in comparison to 6M2018.

– Puzzles

Our revenue from puzzles decreased by HK$3.0 million, or 8.3% from FY2016 to FY2017, increased by HK$11.1 million, or 33.8% from FY2017 to FY2018 and decreased by HK$1.1 million, or 5.4% from 6M2018 to 6M2019. The decrease from FY2016 to FY2017 was primarily due to general decrease in average unit selling price, which was partially offset by general increase in sales quantity of our customers in this product category. The increase from FY2017 to FY2018 was primarily due to increase in sales quantity sold of 23.8% to our customers, which also had a higher average selling price. The slight decrease from 6M2018 to 6M2019 was primarily due to the decrease in average selling price sold to our customers during 6M2019 in comparison to 6M2018, which was partially offset by the increase in sale quantity of 6.6%.

– Other tabletop games

Our revenue from other tabletop games increased by HK$7.4 million, or 15.9% from FY2016 to FY2017, increased by HK$11.3 million, or 20.9% from FY2017 to FY2018 and decreased by HK$22.2 million, or 51.2% from 6M2018 to 6M2019. The increase from FY2016 to FY2017 was primarily due to increase in sales quantity sold to certain customers with higher average unit selling price in FY2017 in comparison to FY2016. The increase from FY2017 to FY2018 was primarily due to a general increase in overall average unit selling price of other tabletop games. The decrease from 6M2018 to 6M2019 was primarily due to the decrease in average selling price sold to our customers during 6M2019 in comparison to 6M2018.

Greeting cards

The greeting cards we print are categorised as: (i) everyday cards; (ii) seasonal cards; and (iii) others. Our revenue from greeting cards increased by HK$161.9 million, or 49.6% from FY2016 to FY2017, decreased by HK$45.4 million, or 9.3% from FY2017 to FY2018 and increased by HK$52.8 million, or 25.9% from 6M2018 to 6M2019. The increase in our revenue from this product category during FY2016 and FY2017 was primarily driven by the increase in revenue from everyday cards and other greeting cards. The decrease in our revenue from FY2017 to FY2018 was primarily due to the decline in revenue from our other greeting cards. The increase in our revenue from 6M2018 to 6M2019 was primarily driven by the increase in revenue from seasonal cards and other greeting cards.

– Everyday cards

Our revenue from everyday cards increased by HK$75.0 million, or 54.7% from FY2016 to FY2017, increased by HK$7.1 million or 3.3% from FY2017 to FY2018 and decreased by HK$5.6 million, or 4.9% from 6M2018 to 6M2019. The increase from FY2016 to FY2017 was primarily due to (i) increase in sales quantity as Hallmark approached and asked us if we had capacity to take up orders for production of additional quantity of greeting cards in 2017 (the "**2017 Additional Orders**") on top of the ordinary orders pursuant to the forecast; and (ii) general increase in average unit selling price sold to Hallmark. The increase from FY2017 to FY2018 was primarily due to increase in sales quantity sold to Hallmark of 9.1%, while was partially offset by decrease in average unit selling price sold to Hallmark. The decrease from 6M2018 to 6M2019 was primarily due to the decrease in average selling price sold to Hallmark, which was partially offset by the increase in sales quantity sold to Hallmark of 16.4%.

– Seasonal cards

Our revenue from seasonal cards increased by HK$32.9 million, or 24.1% from FY2016 to FY2017, increased by HK$35.5 million or 20.9% from FY2017 to FY2018 and increased by HK$43.8 million, or 54.8% from 6M2018 to 6M2019. The increase from FY2016 to FY2017 was primarily due to (i) general increase in sales quantity; and (ii) general increase in average unit selling price of products sold to Hallmark. The increase from FY2017 to FY2018 was primarily due to increase in average unit selling price of products sold to Hallmark. The increase from 6M2018 to 6M2019 was primarily due to the increase in sales quantity sold to Hallmark of 92.8% in 6M2019 in comparison to 6M2018, which was partially offset by the decrease in average unit selling price of products sold to Hallmark.

– Other greeting cards

Our revenue from other greeting cards increased by HK$54.0 million or 102.6% from FY2016 to FY2017, decreased by HK$88.0 million or 82.5% from FY2017 to FY2018 and increased by HK$14.6 million, or 134.3% from 6M2018 to 6M2019. The increase from FY2016 to FY2017 was primarily due to (i) increase in sales quantity pursuant to the 2017 Additional Orders; and (ii) increase in average unit selling price. The decrease from FY2017 to FY2018 was primarily due to (i) decrease in sales quantity sold to Hallmark pursuant to the completion of the 2017 Additional Orders in FY2017; and (ii) decrease in average unit selling price sold to Hallmark. The increase from 6M2018 to 6M2019 was primarily due to increase in sales quantity sold to Hallmark of 268.5% in 6M2019 in comparison to 6M2018, which was partially offset by the decrease in sales quantity sold to other customers of 11.2%.

For FY2016, FY2017, FY2018 and 6M2019, we derived 97.2%, 97.5%, 97.6% and 98.3%, respectively, of our total revenue from our greeting cards from Hallmark, which was our largest customer during the Track Record Period. For our business relationship and major terms of sales agreement with Hallmark, see "Business – Sales and Marketing – Customers – Our relationship with Hallmark – Business relationship and arrangement with Hallmark" to this prospectus.

Educational items

The educational items we print are categorised as (i) classroom learning kits; and (ii) activities books. Our revenue from educational items increased by HK$21.6 million, or 29.2% from FY2016 to FY2017, increased by HK$27.6 million, or 29.0% from FY2017 to FY2018 and decreased by HK$13.5 million, or 24.3% from 6M2018 to 6M2019. The increases in revenue from this product category was primarily driven by the increase of in revenue of both classroom learning kits and activities books from FY2016 to FY2017 and FY2017 to FY2018. The decrease in our revenue from 6M2018 to 6M2019 was primarily driven by the decrease in both classroom learning kits and activities books.

– Classroom learning kits

Our revenue from classroom learning kits increased by HK$10.8 million, or 17.1% from FY2016 to FY2017, increased by HK$27.1 million, or 36.7% from FY2017 to FY2018 and decreased by HK$12.8 million, or 28.4% from 6M2018 to 6M2019. The increase from FY2016 to FY2017 was primarily due to the combined effects of (i) increase in sales quantity sold to Customer D of 26.2%; (ii) overall increase in average unit selling price for classroom learning kits. The increase from FY2017 to FY2018 was primarily due to the combined effects of (i) increase in sales quantity sold to Customer D of 64.5%; and (ii) increase in sales quantity sold to other customers of 132.5%, which was partially offset by the general decrease in average unit selling price. The decrease from 6M2018 to 6M2019 was primarily due to (i) decrease in average unit selling price for classroom learning kits; and (ii) decrease in sales quantity sold to our customers of 1.4%.

– Activities books

Our revenue from activities books increased by HK$10.8 million, or 99.7% from FY2016 to FY2017, increased by HK$0.6 million, or 2.7% from the FY2017 to FY2018 and decreased by HK$0.7 million, or 6.8% from 6M2018 to 6M2019. The increase from FY2016 to FY2017 was primarily due to new contribution from Mattel which had a lower average selling price than our other activities books products. The increase from FY2017 to FY2018 was primarily due to the combined effects of (i) increase in sales quantity sold to Mattel of 7.6% which had a higher average unit selling price; and (ii) decrease in sales quantity sold of 41.5% to other customers in this product category. The decrease from 6M2018 to 6M2019 was primarily due to the decrease in average unit selling cost, which was partially offset by the increase in sales quantity sold to our customers of 56.8%.

Premium packaging

The premium packaging we print include boxes for storage of various products, such as skin care, cosmetics and tea. Our revenue from premium packaging increased by HK$12.6 million, or 35.4% from FY2016 to FY2017, decreased by HK$3.7 million, or 7.6% from FY2017 to FY2018 and decreased by HK$5.2 million, or 22.3% from 6M2018 to 6M2019. The increase from FY2016 to FY2017 was primarily due to (i) HK$5.6 million sales derived from a new customer; and (ii) increase in average unit selling price sold to other customers which had a higher average selling price than our other premium packaging products. The decrease from FY2017 to FY2018 and 6M2018 to 6M2019 was primarily due to a general decrease in sales quantity of 16.8% and 62.9% sold to our customers, respectively.

Others

Others primarily consist of products from our websites such as apparel, bags and other accessories, booklets, baby photo frames, baby books, baby teeth keepsake books and revenue generated from our laboratory testing services. Revenue from others amounted to HK$50.9 million, HK$47.3 million, HK$49.6 million, HK$24.0 million and HK$24.7 million, representing 5.7%, 4.4%, 4.3%, 4.7% and 4.4% of our total revenue for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The decrease from FY2016 to FY2017 was primarily due to decrease in sales quantity sold to Hallmark of 27.1% which had a higher average unit selling price. Revenue from others products remained relatively stable between FY2017 to FY2018 and 6M2018 to 6M2019.

(ii) Revenue by sales channels

The following table sets forth the breakdown of our revenue by sales channels for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
OEM sales *(Note)*	817,081	92.2	998,679	92.5	1,073,956	92.3	468,976	92.1	519,764	92.0
Self-operated websites	69,262	7.8	80,951	7.5	89,023	7.7	40,130	7.9	45,094	8.0
Total	886,343	100.0	1,079,630	100.0	1,162,979	100.0	509,106	100.0	564,858	100.0

Note: Revenue from OEM sales includes an insignificant portion of revenue derived from sales from third-party online market places.

We sell our products through two distinctive sales channels namely (i) OEM sales and (ii) self-operated websites. Our OEM sales channel accounted for 92.2%, 92.5%, 92.3%, 92.1% and 92.0% of our total revenue for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The trend of our revenue generated from OEM sales channels are generally in line with that of our total revenue during the Track Record Period. The remaining revenue are derived from sales of personalised products via our websites.

We provide a wide range of personalised product on our websites, including but not limited to playing cards, tabletop games, puzzles, greeting cards, baby gifts, photo books, apparels, phone cases and boxes. Our revenue from our websites increased by HK$11.7 million or 16.9% from FY2016 to FY2017, increased by HK$8.1 million or 10.0% from FY2017 to FY2018 and increased by HK$5.0 million or 12.4% from 6M2018 to 6M2019. The continuous growth in revenue generated through our websites was primarily due to increase in orders of our playing cards products, and our efforts in marketing and promotion to gain awareness and reputation by participating in international trade shows and exhibitions. Please see "Business – Sales and marketing – Our online sales channels" for detailed information of our websites.

(iii) Revenue by geographic locations

The following table sets forth the breakdown of our revenue by geographic location based on the destination of delivery of our products for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
U.S.	636,325	71.8	788,828	73.1	823,934	70.8	358,252	70.4	424,297	75.1
Europe*(Note 1)*	112,766	12.7	102,877	9.5	148,470	12.8	56,128	11.0	63,436	11.2
Hong Kong	66,095	7.5	84,723	7.8	82,627	7.1	46,571	9.1	32,539	5.8
PRC	14,242	1.6	23,610	2.2	31,921	2.7	17,075	3.4	15,739	2.8
Others*(Note 2)*	56,915	6.4	79,592	7.4	76,027	6.6	31,080	6.1	28,847	5.1
Total	886,343	100.0	1,079,630	100.0	1,162,979	100.0	509,106	100.0	564,858	100.0

Notes:

(1) The countries in Europe that contributed to our Group's revenue mainly comprise France, Czech Republic, the United Kingdom, Germany, Netherlands, Switzerland, Belgium, Italy, Spain and Greece.

(2) Others mainly comprise Australia and Canada. Revenue derived from these countries was mainly through our websites.

Cost of sales

Our Group's cost of sales mainly consists cost of raw materials, direct staff cost, subcontracting fees, depreciation, utilities and factory overhead. For FY2016, FY2017, FY2018, 6M2018 and 6M2019, our cost of sales was HK$615.3 million, HK$804.0 million, HK$880.9 million, HK$399.7 million and HK$404.1 million, representing 69.4%, 74.5%, 75.7%, 78.5% and 71.5% of our total revenue, respectively. Our cost of sales increased by HK$188.6 million, or 30.7% from FY2016 to FY2017, increased by HK$76.9 million, or 9.6% from FY2017 to FY2018 and increased by HK$4.5 million, or 1.1% from 6M2018 to 6M2019.

The following table sets forth the breakdown of our cost of sales for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Raw materials	**296,458**	**48.2**	**387,478**	**48.1**	**425,514**	**48.3**	**183,625**	**45.9**	**190,363**	**47.1**
• Paper	123,971	20.1	169,938	21.1	199,325	22.6	86,201	21.6	88,882	22.0
• Auxiliary accessories	105,040	17.1	133,229	16.6	127,701	14.5	52,636	13.2	53,308	13.2
• Ink	9,328	1.5	10,765	1.3	10,574	1.2	4,905	1.2	5,739	1.4
• Others *(Note 1)*	58,119	9.5	73,546	9.1	87,914	10.0	39,883	9.9	42,434	10.5
Staff cost	141,427	23.0	177,507	22.1	207,943	23.6	96,628	24.2	92,288	22.8
Subcontracting fees	70,977	11.5	130,990	16.3	122,560	13.9	54,239	13.6	73,564	18.2
Depreciation	26,535	4.3	24,351	3.0	26,345	3.0	13,816	3.4	13,264	3.3
Utilities	15,643	2.5	16,281	2.0	18,184	2.1	8,543	2.1	8,392	2.1
Factory overhead	8,950	1.5	10,848	1.4	12,447	1.4	6,077	1.5	7,321	1.8
Others *(Note 2)*	55,332	9.0	56,512	7.1	67,919	7.7	36,729	9.3	18,926	4.7
Total	615,322	100.0	803,967	100.0	880,912	100.0	399,657	100.0	404,118	100.0

Notes:

(1) Other raw materials mainly comprise glue, packing materials, glitter, hot stamping materials and other miscellaneous materials.

(2) Others comprise consumables used and testing fees, change in inventory position, technical maintenance support, outsource labour, VAT taxes and other miscellaneous expenses.

Cost of raw materials

Our cost of paper represents purchase cost of paper which is the major cost component of our products. Our cost of paper increased by HK$46.0 million, or 37.1% from FY2016 to FY2017, increased by HK$29.4 million, or 17.3% from FY2017 to FY2018 and increased by HK$2.7 million, or 3.1% from 6M2018 to 6M2019. The increasing trend of our cost of paper was primarily due to the combined effects of (i) increase usage of kilograms of paper in our production over the comparable periods; (ii) increase of average price of paper over the comparable period; and (iii) the fluctuations of RMB against HKD during each periods. Our cost of paper as a percentage of our cost of sales remained relatively stable over the Track Record Period. See "– Key factors affecting our results of operations – Cost of raw materials" for further details.

Our cost of auxiliary accessories represents semi-finished goods purchased from suppliers to incorporate in our products such as plastic chess pieces, and specific packaging materials. The auxiliary accessories we purchase may vary differently from each product and depends on each specific purchase order from our customers, as such our cost of auxiliary accessories will differ from time-to-time based on each purchase order. Our cost of auxiliary accessories increased by HK$28.2 million, or 26.8% from FY2016 to FY2017, decreased by HK$5.5 million, or 4.1% from FY2017 to FY2018 and increased by HK$0.7 million, or 1.3% from 6M2018 to 6M2019. The fluctuations of our cost of auxiliary accessories over the corresponding periods were primarily due to the combined effects of (i) purchase quantity of auxiliary accessories; and (ii) purchase price per unit of auxiliary accessories.

Our cost of ink increased by HK$1.4 million, or 15.4% from FY2016 to FY2017, decreased by HK$0.2 million, or 1.8% from FY2017 to FY2018 and increased by HK$0.8 million, or 17.0% from 6M2018 to 6M2019. The fluctuations over the Track Record Period was due to the production volume for the respective periods. Our cost of ink as a percentage of our cost of sales remained relatively stable over the Track Record Period.

Staff cost

Staff cost represents salaries and wages and benefits for our labour involved in production. Our staff cost incurred in cost of sales increased by HK$36.1 million, or 25.5% from FY2016 to FY2017, increased by HK$30.4 million, or 17.1% from FY2017 to FY2018 and decreased by HK$4.3 million, or 4.5% from 6M2018 to 6M2019. The fluctuations in our staff cost between the corresponding period were primarily due to the combined effects of (i) changes in headcount to facilitate our sales orders; (ii) overtime charges by our production staff; and (iii) annual salary increments. Our staff cost as a percentage of our total cost of sales remained relatively stable over the Track Record Period.

Subcontracting fees

We also engaged subcontractors to complement our production process for cost effective and time efficient considerations. Our subcontracting fees represent the fees paid to our subcontractors mainly for (i) carrying out certain production process, including printing, die-cutting and assembly; and (ii) performing certain labour-intensive production procedures to accommodate large volume of orders during peak seasons. The fluctuations of our subcontracting fees between the corresponding period were primarily due to the combined effects of (i) the amount of labours and/or production process required to accommodate our purchase orders; and (ii) increase in fees charged by our subcontractors. Our subcontracting fees as a percentage of our cost of sales increased from FY2016 to FY2017 was primarily due to increase in subcontracting services used in production pursuant to the 2017 Additional Orders, while the decrease from FY2017 to FY2018 was primarily due to decrease in subcontracting fees paid to Taunus Printing as a results of acquisition of Taunus Printing in March 2018. Our subcontracting fee as a percentage of our cost of sales increased from 6M2018 to 6M2019 was primarily due to increase in sales quantity of greeting cards during 6M2019 in which we generally engage our subcontractors for assembly work.

Depreciation

Our depreciation in relation to our cost of sales decreased by HK$2.2 million, or 8.2% from FY2016 to FY2017, increased by HK$2.0 million, or 8.2% from FY2017 to FY2018 and decreased by HK$0.6 million, or 4.0% from 6M2018 to 6M2019. The fluctuations of our depreciation expenses during the Track Record Period were primarily driven by (i) additions of plant and machineries in manufacturing process; and (ii) additions of property, plant and equipment in Heshan factory subsequent to the completion of acquisition of Taunus Printing, which were partially offset by fully depreciated machineries for the respective periods. Our depreciation as a percentage of our cost of sales decreased from FY2016 to FY2017 was primarily due to increase in fully depreciated machineries in FY2017, while FY2017 compared with FY2018 and 6M2018 compared with 6M2019 remained relatively stable.

Utilities

Utilities represents electricity, and water used in our manufacturing process. Our utilities expenses in relation to our cost of sales increased by HK$0.6 million, or 4.1% from FY2016 to FY2017, increased by HK$1.9 million, or 11.7% from FY2017 to FY2018 and decreased by HK$0.2 million, or 1.8% from 6M2018 to 6M2019. The fluctuations of our utilities expenses were primarily determined by (i) volume of production; (ii) operating hours of our printing presses; and (iii) changes in average price tariff for utilities. Our utilities as a percentage of our cost of sales remained relatively stable over the Track Record Period.

Factory overhead

Our factory overhead mainly represent rental expenses of production sites in Dongguan and Tianjin and repair and maintenance of our production facilities. Our factory overhead increased by HK$1.9 million, or 21.2% from FY2016 to FY2017, increased by HK$1.6 million, or 14.7% from FY2017 to FY2018 and increased by HK$1.2 million, or 20.5% from 6M2018 to 6M2019. Our factory overhead expenses exhibited an increasing trend, which is primarily attributable to the increase in repair and maintenance costs resulting from more frequent repairing is carried out for our aged plant and machinery.

Others

Others mainly represent consumables, testing fees, change in inventory position, technical maintenance support, outsource labour, VAT taxes and other miscellaneous expenses. Our other cost of sales increased by HK$1.2 million or 2.1% from FY2016 to FY2017, increased by HK$11.4 million, or 20.2% from FY2017 to FY2018 and decreased by HK$17.8 million, or 48.5% from 6M2018 to 6M2019. The decrease from 6M2018 to 6M2019 was primarily due to the increase in tax refund rate for export products announced by the PRC tax authorities which took effect on 15 September 2018.

(i) Cost of sales by product categories

The following table sets forth the breakdown of our cost of sales by product categories for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Tabletop games	241,622	39.3	266,407	33.1	325,084	36.9	132,290	33.1	124,465	30.8
Greeting cards	267,795	43.5	425,708	52.9	400,624	45.5	185,708	46.5	226,314	56.0
Educational items	43,760	7.1	52,688	6.6	79,539	9.0	40,261	10.1	24,715	6.1
Premium packaging	26,716	4.3	29,641	3.7	35,754	4.1	19,392	4.9	11,289	2.8
Others	35,429	5.8	29,523	3.7	39,911	4.5	22,006	5.4	17,335	4.3
Total	615,322	100.0	803,967	100.0	880,912	100.0	399,657	100.0	404,118	100.0

Our cost of sales related to tabletop games increased by HK$24.8 million, or 10.3% from FY2016 to FY2017, increased by HK$58.7 million, or 22.0% from FY2017 to FY2018 and decreased by HK$7.8 million, or 5.9% from 6M2018 to 6M2019. Our cost of sales related to tabletop games during the Track Record Period are principally determined by the composition of raw materials used in each finished product. Certain tabletop products require auxiliary accessories which we purchase from specific third parties, as such purchase cost will differ from order to order, whereas our card game products will generally require less auxiliary accessories and thus less cost to manufacture. Consequently, the fluctuations of our cost of sales related to tabletop games vary for each respective period.

Our cost of sales related to greeting cards increased by HK$157.9 million, or 59.0% from FY2016 to FY2017 and decreased by HK$25.1 million, or 5.9% from FY2017 to FY2018 and increased by HK$40.6 million, or 21.9% from 6M2018 to 6M2019. The significant increase of our cost of sales related to greeting cards between FY2016 and FY2017 was primarily due to the additional manpower for production and assembly and subcontracting services to accommodate the increase of sales quantity pursuant to the 2017 Additional Orders placed by Hallmark, while the increase between 6M2018 and 6M2019 was in line with the increase in revenue generated from greeting cards. Such cost of sales decrease between FY2017 and FY2018 was in line with the decrease in revenue generated from greeting cards.

Our cost of sales related to educational items increased by HK$8.9 million, or 20.4% from FY2016 to FY2017, increased by HK$26.9 million, or 51.0% from FY2017 to FY2018 and decreased by HK$15.5 million, or 38.6% from 6M2018 to 6M2019. The fluctuations of our cost of educational items was primarily driven by the combined effects of (i) total quantity produced for each of the respective period; and (ii) composition of materials used in each product.

Our cost of sales related to premium packaging increased by HK$2.9 million, or 10.9% from FY2016 to FY2017, increased by HK$6.1 million, or 20.6% from FY2017 to FY2018 and decreased by HK$8.1 million, or 41.8% from 6M2018 to 6M2019. The fluctuations of our premium packaging was primarily driven by the combined effects of (i) total quantity produced for each of the respective period; and (ii) composition of materials used in each product.

(ii) Cost of sales by sales channel

The following table sets forth the breakdown of our cost of sales by sales channel for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
OEM sales	596,061	96.9	783,337	97.4	854,710	97.0	389,257	97.4	392,174	97.0
Self-operated websites	19,261	3.1	20,630	2.6	26,202	3.0	10,400	2.6	11,944	3.0
Total	615,322	100.0	803,967	100.0	880,912	100.0	399,657	100.0	404,118	100.0

The majority of our cost of sales was derived from our OEM sales channel amounted to HK$596.1 million, HK$783.3 million, HK$854.7 million, HK$389.3 million and HK$392.2 million, representing 96.9%, 97.4%, 97.0%, 97.4% and 97.0% of our total cost of sales for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The fluctuations of our cost of sales related to OEM sales channel are generally in line with the fluctuations of our revenue generated from our OEM sales channel, which accounted for the majority of our total cost of sales.

Our cost of sales derived from our websites amounted to HK$19.3 million, HK$20.6 million, HK$26.2 million, HK$10.4 million and HK$11.9 million, representing 3.1%, 2.6%, 3.0%, 2.6% and 3.0% of our total cost of sales for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The fluctuations of our cost of sales related to our websites are generally in line with the fluctuations of our revenue derived from our websites sales channel.

Gross profit and gross profit margin

(i) Gross profit and gross profit margin by product category

The following table sets forth the breakdown of gross profit and gross profit margin by product categories for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	Gross profit	Gross profit margin	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 (unaudited)*	*%*	*HK$'000*	*%*
Tabletop games	158,249	39.6	134,346	33.5	178,194	35.4	69,613	34.5	98,463	44.2
Greeting cards	58,445	17.9	62,419	12.8	42,057	9.5	18,466	9.0	30,654	11.9
Educational items	30,018	40.7	42,655	44.7	43,450	35.3	15,222	27.4	17,274	41.1
Premium packaging	8,810	24.8	18,444	38.4	8,666	19.5	4,137	17.6	7,003	38.3
Others	15,499	30.4	17,799	37.6	9,700	19.6	2,011	8.4	7,346	29.8
Total	271,021	30.6	275,663	25.5	282,067	24.3	109,449	21.5	160,740	28.5

We generally adopt a cost-plus model and our services are priced individually after assessing the relevant factors enclosed in each purchase order placed by our customers. The selling price takes into account the relevant costs that we expect to incur for each purchase order including, but not limited to raw materials, subcontracting cost (if any), staff cost and a mark-up profit margin which may be adjusted on an order-by-order basis to enhance price competitiveness. Our gross profit for FY2016, FY2017, FY2018, 6M2018 and 6M2019 amounted to HK$271.0 million, HK$275.7 million, HK$282.1 million, HK$109.4 million and HK$160.7 million, respectively, and our gross profit margin was 30.6%, 25.5%, 24.3%, 21.5% and 28.5%, respectively.

Our product mix directly impacts our results of operations and financial condition. We primarily categorise our printing products into five distinctive types which are provided to OEM customers and corporate customers and individual customers from our websites. Different types of products we produce carries different unit selling prices and margins depending on the complexity and volume demands, as such purchase orders from our customers may affect our Group's revenue, cost of sales, and margins.

Our gross profit margin for tabletop games products were 39.6%, 33.5%, 35.4%, 34.5% and 44.2% for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The decrease of our gross profit margin from 39.6% for FY2016 to 33.5% for FY2017 was primarily due to the decrease in average unit selling price. The increase of our gross profit margin from 33.5% for FY2017 to 35.4% for FY2018 was primarily due to sales of higher profit margin products. The increase of our gross profit margin from 34.5% for 6M2018 to 44.2% for 6M2019 was primarily due to (i) decrease in average unit cost in our tabletop games; and (ii) the depreciation of RMB against HKD from 6M2018 to 6M2019.

Our gross profit margin for greeting cards products were 17.9%, 12.8%, 9.5%, 9.0% and 11.9% for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. Such decreasing trend of our gross profit margin over FY2016, FY2017 and FY2018 was resulted from (i) change in pricing guidelines for products sold to Hallmark; and (ii) increase in average unit cost of greeting cards. In early 2016, we negotiated the general price in the pricing guidelines the greeting cards production with Hallmark. In envisage of the long-established relationship with Hallmark and to remain our competitiveness, we agreed to lower the pricing guidelines which took effect in mid-2016. See "– Profitability during the Track Record Period" for further details. The increase of our gross profit margin from 9.0% for 6M2018 to 11.9% for 6M2019 was primarily due to the net effect of (i) decrease in average unit cost in our greeting cards; and (ii) the depreciation of RMB against HKD from 6M2018 to 6M2019.

Our gross profit margin for educational items were 40.7%, 44.7%, 35.3%, 27.4% and 41.1% for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The increase of our gross profit margin from 40.7% for FY2016 to 44.7% for FY2017 was primarily due to the combined effects of (i) change in sales mix in higher priced and lower priced items; and (ii) decrease in average unit selling price. The decrease of our gross profit margin from 44.7% for FY2017 to 35.3% for FY2018 was primarily due to decrease in average selling price per unit. The increase of our gross profit margin from 27.4% for 6M2018 to 41.1% for 6M2019 was primarily due to (i) decrease in average unit cost in our educational items; and (ii) the depreciation of RMB against HKD from 6M2018 to 6M2019.

Our gross profit margin for premium packaging were 24.8%, 38.4%, 19.5%, 17.6% and 38.3% for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The increase of our gross profit margin from 24.8% for FY2016 to 38.4% for FY2017 was primarily due to the increase in average unit selling price. The decrease of our gross profit margin from 38.4% for FY2017 to 19.5% for FY2018 was primarily due to the increase in average unit cost. The increase of our gross profit margin from 17.6% for 6M2018 to 38.3% for 6M2019 was primarily due to (i) increase in average unit selling price of our premium packaging products; and (ii) the depreciation of RMB against HKD from 6M2018 to 6M2019.

(ii) Gross profit and gross profit margin by sales channels

The following table sets forth the breakdown of gross profit and gross profit margin by sales channels for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	Gross Profit	Gross profit margin	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 (unaudited)*	*%*	*HK$'000*	*%*
OEM sales	221,020	27.0	215,342	21.6	219,246	20.4	79,719	17.0	127,590	24.5
Self-operated websites	50,001	72.2	60,321	74.5	62,821	70.6	29,730	74.1	33,150	73.5
Total	271,021	30.6	275,663	25.5	282,067	24.3	109,449	21.5	160,740	28.5

Our gross profit derived from OEM sales channel amounted to HK$221.0 million, HK$215.3 million, HK$219.2 million, HK$79.7 million and HK$127.6 million and our gross profit margin were 27.0%, 21.6%, 20.4%, 17.0% and 24.5% for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The decrease of our gross profit margin mainly derived by the decrease of gross profit margin from our largest customer from greeting cards. The increase of our gross profit margin from 6M2018 to 6M2019 was primarily due to (i) increase in gross profit margin of our products sold to our OEM customers; (ii) the reduction of PRC tax resulting from the increase in tax refund rate for export products as announced by the PRC tax authorities which took effect on 15 September 2018; and (iii) the depreciation of RMB against HKD from 6M2018 to 6M2019.

Our gross profit derived from websites channel amounted to HK$50.0 million, HK$60.3 million, HK$62.8 million, HK$29.7 million and HK$33.2 million and the gross profit margin were 72.2%, 74.5%, 70.6%, 74.1% and 73.5% for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. We typically achieve a higher margin for products sold through our websites sales channel as it is generally for customers required personalisation and order services at a relatively higher price. As such quantities per each purchase order will be significantly smaller than those of our OEM customers.

Other gains/(losses), net

The following table sets forth a breakdown of our other gains/(losses), net for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Foreign exchange gain/(loss)	6,568	210.4	(7,071)	(143.8)	6,338	147.3	(4,570)	93.0	2,586	230.5
Fair value gain on investment property	665	21.3	265	5.4	245	5.7	355	(7.2)	(140)	(12.5)
(Loss)/gain on derivative financial instruments	(4,169)	(133.6)	11,695	237.8	–	–	–	–	–	–
Gain/(loss) on disposal of property, plant and equipment	57	1.9	28	0.6	(2,280)	(53.0)	(700)	14.2	(1,324)	(118.0)
Total	3,121	100.0	4,917	100.0	4,303	100.0	(4,915)	100.0	1,122	100.0

A portion of our revenue and cost are denominated in currencies other than HKD and RMB, respectively, as such settlement of receipts and payments are subject to foreign exchange gain or loss. We recorded an exchange gain of HK$6.6 million, HK$6.3 million and HK$2.6 million for FY2016, FY2018 and 6M2019, respectively and an exchange loss of HK$7.1 million and HK$4.6 million for FY2017 and 6M2018, respectively. See "– Key factors affecting our results of operations – Fluctuations in foreign exchange rates" for details.

To reduce our foreign exchange risk exposure, we entered into foreign exchange contracts to hedge against exchange risk between USD and RMB during the Track Record Period. Our gain or loss on derivative financial instruments in relation to such foreign exchange contracts amounted to a loss of HK$4.2 million for FY2016 and a gain of HK$11.7 million for FY2017. No amount was recorded for FY2018 as there were no outstanding derivative financial instruments as at 31 December 2017 and thereafter. Please see "– Derivative financial instruments and hedging activities" for further details.

During FY2018 and 6M2019, we incurred loss on disposal of property, plant and equipment amounted to HK$2.3 million and HK$1.3 million, respectively, primarily due to disposal of machineries located in our Dongguan Factory and Tianjin Factory.

Other income, net

The following table sets forth a breakdown of our other income for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Sales of scrap materials	5,128	74.3	8,427	83.8	13,782	41.4	5,877	35.2	5,220	91.4
Government grants	1,733	25.1	6,394	63.6	11,111	33.3	3,742	22.4	310	5.4
Insurance claims	–	–	13,463	133.9	6,777	20.3	6,777	40.6	–	–
Rental income	31	0.4	37	0.4	48	0.1	24	0.1	24	0.4
Inventories written-off related to factory fire incident	–	–	(14,894)	(148.1)	–	–	–	–	–	–
Provision for factory fire incident loss	–	–	(4,148)	(41.3)	–	–	–	–	–	–
Others	11	0.2	775	7.7	1,600	4.9	290	1.7	158	2.8
Total	6,903	100.0	10,054	100.0	33,318	100.0	16,710	100.0	5,712	100.0

Our sales of scrap materials represent income from remaining paper parts after production which cannot be reused, which amounted to HK$5.1 million, HK$8.4 million, HK$13.8 million, HK$5.9 million and HK$5.2 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively. The increase from FY2016 to FY2017 was generally in line with the increase in our consumption of paper. The increase from FY2017 to FY2018 was primarily due increase in average selling price of scrap materials. Our sales of scrap materials remained relatively stable for 6M2018 and 6M2019.

Our government grants represent subsidy provided by the local PRC government to certain subsidiaries of our Group for technical advancement and industry development. Our government grants amounted to HK$1.7 million, HK$6.4 million, HK$11.1 million, HK$3.7 million and HK$0.3 million for FY2016, FY2017, FY2018, 6M2018 and 6M2019, respectively.

During FY2017, a fire incident occurred in a warehouse of our Dongguan Factory, as a result of this event, we incurred an inventories written-off related to factory fire incident of HK$14.9 million for destroyed finished goods, provision for factory fire incident loss of HK$4.1 million in relation to provision claim from the owner of the leased property and insurance claims amounted to HK$13.5 million, HK$6.8 million and HK$6.8 million for FY2017, FY2018 and 6M2018, respectively. See "Business – Occupational health and work safety – Fire incident during the Track Record Period" for detailed information related to this event.

Selling and distribution expenses

The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Transportation expenses	32,732	45.4	49,551	55.6	51,423	51.6	21,991	48.6	23,495	49.7
Staff cost	23,032	31.9	24,686	27.7	28,197	28.1	14,180	31.4	14,157	30.0
Commission paid	3,256	4.5	3,071	3.4	4,069	4.1	1,692	3.7	1,696	3.6
Service charges	1,732	2.4	2,243	2.5	3,294	3.3	1,102	2.4	1,608	3.4
Motor vehicle and travelling expenses	2,998	4.2	2,560	2.9	3,124	3.1	1,357	3.0	2,251	4.8
Entertainment	1,774	2.5	1,771	2.0	2,038	2.0	1,139	2.5	953	2.0
Declaration and customs expenses	1,685	2.3	1,447	1.6	1,383	1.4	642	1.4	610	1.3
Others *(Note)*	4,922	6.8	3,724	4.3	6,091	6.4	3,146	7.0	2,483	5.2
Total	72,131	100.0	89,053	100.0	99,619	100.0	45,249	100.0	47,253	100.0

Note: Others mainly comprise promotion expenses, agency fee, repair and maintenance and other miscellaneous expenses.

Transportation expenses mainly represent expenses incurred in relation to delivery of finished goods, which accounts a large portion of our selling and distribution expenses during the Track Record Period. Our transportation expenses increased by HK$16.8 million, or 51.4% from FY2016 to FY2017, increased by HK$1.9 million, or 3.8% from FY2017 to FY2018 and increased by HK$1.5 million, or 6.8% from 6M2018 to 6M2019. The increase of our transportation expenses between FY2016 and FY2017 was primarily due to (i) increase in total sales orders; and (ii) express air freight used subsequent to the fire incident in order to fulfill our customers' delivery demands which were generally higher than sea freight. The increase of our transportation expenses between FY2017 and FY2018 was primarily due to increase in our revenue, which was partially offset by the absence of express air freight used subsequent to the fire incident during FY2017. The increase of our transportation expenses between 6M2018 and 6M2019 was primarily due to the increase in our revenue.

Staff cost related to selling and distribution activities increased by HK$1.7 million, or 7.2% from FY2016 to FY2017, increased by HK$3.5 million, or 14.2% from FY2017 to FY2018 and remained relatively stable at HK$14.2 million for 6M2018 and 6M2019. The fluctuation between FY2016 and FY2017 was primarily driven by the increase in salary. The staff cost increased between FY2017 and FY2018 was primarily due to increase in headcount. The staff cost remained relatively stable between 6M2018 and 6M2019.

Administrative expenses

The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	FY2016		FY2017		FY2018		6M2018		6M2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Staff cost	56,875	58.1	60,438	57.7	76,954	49.6	33,715	45.7	47,583	52.8
Depreciation and amortisation	20,124	20.6	21,693	20.7	27,225	17.6	13,248	17.9	14,208	15.7
Legal and professional fees	1,715	1.7	2,013	1.9	4,830	3.1	2,147	3.0	2,889	3.2
Consultancy fee	–	–	–	–	–	–	–	–	6,533	7.2
Other taxes	1,476	1.5	1,114	1.1	1,280	0.8	526	0.7	3,432	3.8
Listing expenses	–	–	–	–	20,553	13.2	9,644	13.1	3,331	3.7
Motor vehicle and travelling expenses	2,050	2.1	2,129	2.0	3,218	2.1	1,466	2.0	2,437	2.7
Utilities expenses	2,208	2.3	2,306	2.2	3,144	2.0	1,134	1.5	1,816	2.0
Repair and maintenance	573	0.6	190	0.2	1,784	1.2	1,719	2.3	1,312	1.5
Office supplies	2,196	2.2	2,829	2.7	3,607	2.3	2,445	3.3	1,298	1.4
Entertainment	457	0.5	1,326	1.3	2,095	1.4	1,153	1.6	508	0.6
Rent and rates	1,435	1.5	1,861	1.8	1,188	0.8	847	1.1	407	0.5
Insurance	510	0.5	554	0.5	915	0.6	690	0.9	477	0.5
Others *(Note)*	8,212	8.4	8,238	7.9	8,254	5.3	5,098	6.9	4,040	4.4
Total	97,831	100.0	104,691	100.0	155,047	100.0	73,832	100.0	90,271	100.0

Note: Others mainly comprise recruitment expenses, consumable, bank charges and other miscellaneous expenses.

Our administrative expenses mainly comprise staff cost, Listing expenses, depreciation and amortisation, rent and rates, office supplies, legal and professional fees and motor vehicle and travelling expenses. Our administrative expenses increased by HK$6.9 million, or 7.0% from FY2016 to FY2017, increased by HK$50.4 million, or 48.1% from FY2017 to FY2018 and increased by HK$16.4 million, or 22.3% from 6M2018 to 6M2019. The increase between FY2016 and FY2017 was primarily due to the increase in staff cost resulted from increase in headcount in respective to our administrative activities. The increase between FY2017 and FY2018 was primarily due to (i) Listing expenses incurred during FY2018 of HK$20.6 million; (ii) general increase of overall administrative expenses resulted from Heshan Factory; and (iii) increase in repair and maintenance expenses in relation to the renovation of our Hong Kong office which began in FY2018. The increase between 6M2018 and 6M2019 was primarily due to (i) the increase in staff cost of approximately HK$13.9 million; (ii) the increase in consultancy fees of approximately HK$6.5 million in relation to the transfer of the land parcels and the application of real estate ownership certificate for certain building blocks in our Dongguan Factory; and (iii) the increase in other taxes of approximately HK$2.9 million.

Finance income/(costs), net

Finance income/(costs) mainly comprise interest expense on bank borrowings, interest expense on lease liabilities and bank interest income. We recorded a net finance income of HK$0.4 million for FY2016, whereas we recorded a net finance costs of HK$0.6 million, HK$5.9 million, HK$2.1 million and HK$3.7 million for FY2017, FY2018, 6M2018 and 6M2019, respectively. The increase in our net finance cost was primarily due to the increase of our average bank borrowings balance for FY2018 in comparison to FY2017 and 6M2019 in comparison to 6M2018.

Income tax expense

Income tax expenses consist of (i) current income tax; (ii) over provision in prior years; and (iii) deferred income tax. Our current tax primarily comprise of (i) Hong Kong profit tax payable for sales in Hong Kong and export sales to other countries; and (ii) the PRC tax payable by our PRC subsidiaries. Save as Hong Kong and the PRC, our Group had no tax payable in other jurisdictions during the Track Record Period.

The following table sets forth the breakdown of our income tax expense for the periods indicated:

	FY2016	**FY2017**	**FY2018**	**6M2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Current income tax	18,668	19,353	9,141	4,880	9,410
Over provision in prior years	–	(2)	–	–	–
Deferred income tax	2,983	(1,981)	(980)	(4,314)	(4,063)
	21,651	17,370	8,161	566	5,347

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5%, on the estimated assessable profit for the Track Record Period.

PRC enterprise income tax

Under the PRC Enterprise Income Law effective from January 1, 2008, our subsidiaries established and operated in the PRC are subject to the PRC Corporate Income Tax at the rate of 25%. Pursuant to the relevant laws and regulations in the PRC, one of our Group's subsidiaries was accredited as high-tech technology enterprise, and is entitled to a preferential tax rate of 15% since 2017. Pursuant to the relevant laws and regulations in the PRC, certain entities of the Group qualified as small-scale and marginal profit enterprises. As a result, they were entitled to a reduction in tax base of 50% and a preferential tax rate of 20% during the Track Record Period.

Our income tax expense decreased by HK$4.3 million, or 19.8% from FY2016 to FY2017, decreased by HK$9.2 million, or 53.0% from FY2017 to FY2018 and increased by HK$4.8 million, or 844.7% from 6M2018 to 6M2019. The decrease of our income tax expense from FY2016 to FY2017 was primarily due to the decrease in profit before income tax of HK$15.2 million from FY2016 to FY2017, and the 15% preferential tax rate attributable to high-tech technology enterprise status obtained by a subsidiary of our Group. The decrease in our income tax expense from FY2017 to FY2018 was primarily due to decrease in profit before income tax of HK$37.1 million for FY2018 in comparison to FY2017. The increase in our income tax expense from 6M2018 to 6M2019 was primarily due to the increase of profit before income tax from 6M2018 to 6M2019. Our effective tax rate were 19.4%, 18.0%, 13.8%, 832.4% and 20.3%, for each of the respective periods.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with relevant tax authorities.

Transfer Pricing

Most of our sales orders are concluded by related companies in Hong Kong with our customers. During the Track Record Period, our Group had three factories in the PRC, namely the Dongguan Factory, the Tianjin Factory and the Heshan Factory, as our production arms. These factories operated as import processing manufacturers which conducted buy-sell transactions with our Group's trading companies in Hong Kong. The trading companies in Hong Kong would then resell the products to third party customers directly or through other related parties in Hong Kong.

Our Group has engaged an independent tax consultant to conduct an independent transfer pricing study to evaluate the major transfer pricing arrangements of the intra-group transactions between group companies in the PRC and Hong Kong during the Track Record Period.

Please see "Business – Transfer pricing arrangements".

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

6M2019 compared to 6M2018

Revenue

(i) Revenue by product categories

Our total revenue increased by HK$55.8 million, or 11.0% from HK$509.1 million for 6M2018 compared with HK$564.9 million for 6M2019. The increase was primarily attributable to the combined effects of:

(i) revenue from greeting cards increased by HK$52.8 million, or 25.9% from HK$204.2 million for 6M2018 to HK$257.0 million for 6M2019, primarily due to the increase in sales quantity of 43.6%, which was partially offset by the decrease in average selling price;

(ii) revenue from tabletop games increased by HK$21.0 million, or 10.4% from HK$201.9 million for 6M2018 to HK$222.9 million for 6M2019, primarily due to the increase in sales quantity of 79.9%, which was partially offset by decrease in average selling price per unit; and

(iii) such increase was partially offset by the decrease in revenue from educational products which decreased by HK$13.5 million, or 24.3% from HK$55.5 million for 6M2018 to HK$42.0 million for 6M2019, primarily due to the decrease in average selling price.

(ii) Revenue by sales channels

Our revenue derived from OEM sales channel increased by HK$50.8 million, or 10.8% from HK$469.0 million for 6M2018 to HK$519.8 million for 6M2019 was primarily due to (i) the increase in sales quantity of our tabletop games to our corporate customers; and (ii) the increase in sales quantity of our greeting cards, which was partially offset by the decrease in sales quantity of our premium packaging.

Our revenue derived from our websites increased by HK$5.0 million, or 12.4% from HK$40.1 million for 6M2018 to HK$45.1 million for 6M2019 was primarily due to the increase in sales quantity during 6M2019 in comparison to 6M2018, which was partially offset by a decrease in our average selling price per unit from our websites.

Cost of sales

Our cost of sales increased by HK$4.5 million, or 1.1% from HK$399.7 million for 6M2018 to HK$404.1 million for 6M2019. The increase was primarily attributable to the combined effects of:

(i) the increase in subcontracting fees by HK$19.3 million, or 35.6% from HK$54.2 million for 6M2018 to HK$73.6 million for 6M2019 was primarily due to increase in sales quantity of our greeting cards during 6M2019;

(ii) the increase in overall raw materials by HK$6.7 million or 3.7% from HK$183.6 million for 6M2018 to HK$190.4 million for 6M2019 was primarily due to increase in our overall sales quantities during the corresponding periods;

(iii) which were primarily offset by depreciation of RMB against USD and HKD during 6M2018 in comparison to 6M2019; and

(iv) the increase in tax refund rate for export products announced by the PRC tax authorities which took effect on 15 September 2018.

Gross profit and gross profit margin

Our overall gross profit increased by HK$51.3 million, or 46.9% from HK$109.4 million for 6M2018 to HK$160.7 million for 6M2019, whereas our gross profit margin increased from 21.5% to 28.5% for the corresponding periods, respectively. The increase was mainly due to the combined effects of:

(i) the increase in gross profit and gross profit margin of tabletop games from HK$69.6 million and 34.5% for 6M2018, respectively, to HK$98.5 million and 44.2% for 6M2019, respectively. Such increase was primarily due to the decrease in average unit cost;

(ii) the increase in gross profit and gross profit margin of greeting cards from HK$18.5 million and 9.0% for 6M2018, respectively, to HK$30.7 million and 11.9% for 6M2019, respectively. Such increase was primarily due to the decrease in average unit cost;

(iii) the increase in gross profit and gross profit margin of educational items from HK$15.2 million and 27.4% for 6M2018, respectively, to HK$17.3 million and 41.1% for 6M2019, respectively. Such increase was primarily due to the decrease in average unit cost by 48.6% used in our products during 6M2019; and

(iv) the increase in gross profit and gross profit margin of premium packaging from HK$4.1 million and 17.6% for 6M2018, respectively, to HK$7.0 million and 38.3% for 6M2019, respectively. Such increase was primarily due to increase in average selling price for 6M2019 in comparison to 6M2018.

Other gains/(losses), net

We incurred other losses of HK$4.9 million for 6M2018, while we incurred other gains of HK$1.1 million for 6M2019. Such fluctuations was primarily due to foreign exchange loss of HK$4.6 million for 6M2018, compared with a foreign exchange gain of HK$2.6 million for 6M2019.

Other income

Our other income decreased by HK$11.0 million, or 65.8% from HK$16.7 million for 6M2018 to HK$5.7 million for 6M2019. The decrease was primarily due (i) the absence of insurance claims of HK$6.8 million recognised during 6M2018 in relation to the fire incident; and (ii) decrease in government grants of HK$3.4 million from 6M2018 to 6M2019.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$2.0 million, or 4.4% from HK$45.2 million for 6M2018 to HK$47.3 million for 6M2019 was primarily due to (i) the increase of transportation expenses of HK$1.5 million, (ii) the increase in motor vehicle and travelling expenses of HK$0.9 million, and (iii) the increase in service charges of HK$0.5 million for payment to the logistic service providers during 6M2019.

Administrative expenses

Our administrative expenses increased by HK$16.4 million, or 22.3% from HK$73.8 million for 6M2018 to HK$90.3 million for 6M2019 was primarily due to (i) the increase in staff cost of HK$13.9 million as resulted from (a) the increase in salary of HK$6.2 million primarily due to additional staff cost incurred arising from full period in relation to Heshan Factory during 6M2019 in comparison to approximately three months incurred in 6M2018 and the increase in average salary and headcount from 6M2018 to 6M2019; (b) the increase in social insurance expenses of HK$4.0 million as resulted from full compliance of social insurance since 2018; and (c) the increase in severance payment to our employees of HK$3.4 million primarily as a result of discontinuance of our Tianjin Factory of HK$2.6 million, (ii) the increase in consultancy fees in relation to the transfer of the land parcels and the application of real estate ownership certificate for certain building blocks in our Dongguan Factory in aggregate of HK$6.5 million, partially offset by the decrease in Listing expenses of approximately HK$6.3 million; and (iii) the increase in other taxes of approximately HK$2.9 million mainly due to the taxation charge of approximately HK$1.3 million in relation to the transfer of land parcels and the under provision of other taxes of approximately HK$1.2 million in relation to the acquisition of Heshan Factory.

Finance cost, net

Our finance cost, net increased by HK$1.6 million or 76.2% from HK$2.1 million for 6M2018 to HK$3.7 million for 6M2019, mainly due to increase in average bank borrowings balance for 6M2019 in comparison to the corresponding period.

Income tax expense

Our income tax expense increased by HK$4.8 million, or 844.7% from HK$0.6 million for 6M2018 to HK$5.3 million for 6M2019. The increase was primarily due to the increase in profit before income tax from HK$0.1 million for 6M2018 to HK$26.4 million for 6M2019. Our effective tax rate was 832.4% and 20.3% for 6M2018 and 6M2019, respectively. Excluding the non-recurring Listing expenses of HK$9.6 million and HK$3.3 million incurred in 6M2018 and 6M2019, respectively, which were non-deductible for tax purposes, our effective tax rate would be 5.8% and 18.0% for 6M2018 and 6M2019, respectively. Such increase from 6M2018 to 6M2019 was primarily due to the decrease of income not subject to taxation occurred during 6M2018 in comparison to 6M2019.

Profit/(loss) for the period

As a result of the above, we incurred a loss for the period of HK$0.5 million for 6M2018, while recorded a profit for the period of HK$21.0 million and net profit margin of 3.7% for 6M2019. Excluding the non-recurring Listing expenses of HK$9.6 million and HK$3.3 million incurred for 6M2018 and 6M2019, respectively, our profit for the period and net profit margin would be HK$9.1 million and 1.8% for 6M2018, respectively, and HK$24.3 million and 4.3% for 6M2019, respectively.

FY2018 compared to FY2017

Revenue

(i) Revenue by product categories

Our total revenue increased by HK$83.3 million, or 7.7% from HK$1,079.6 million for FY2017 to HK$1,163.0 million for FY2018. The increase was primarily attributable to the combined effects of:

(i) revenue from tabletop games increased by HK$102.5 million, or 25.6% from HK$400.8 million for FY2017 to HK$503.3 million for FY2018, primarily due to (i) increase in sales quantity of 16.4%; and (ii) increase in average selling price per unit;

(ii) revenue from educational items increased by HK$27.6 million, or 29.0% from HK$95.3 million for FY2017 to HK$123.0 million for FY2018, primarily due to the increase in sales quantity of 47.4%, mainly driven by Mattel and Customer D, which was partially offset by decrease in average selling price per unit; and

(iii) such increase was partially offset by the decrease in revenue from greetings cards which decreased by HK$45.4 million, or 9.3% from HK$488.1 million for FY2017 to HK$442.7 million for FY2018, primarily due to the decrease in sales quantity of other greeting cards, pursuant to the completion of the 2017 Additional Orders placed by Hallmark in FY2017.

(ii) Revenue by sales channels

Our revenue derived from OEM sales channel increased by HK$75.3 million or 7.5% from HK$998.7 million for FY2017 to HK$1,074.0 million for FY2018 was primarily due to the increase in sales quantity of our tabletop games from our corporate customer, which was partially offset by the decrease in sales quantity of our greeting cards from Hallmark, as mentioned previously.

Our revenue derived from our websites increased by HK$8.1 million or 10.0% from HK$81.0 million for FY2017 to HK$89.0 million for FY2018 was primarily due to the increase in sales quantity during FY2018 in comparison to FY2017, which was partially offset by a decrease in our average selling price per unit from our websites.

Cost of sales

Our cost of sales increased by HK$76.9 million, or 9.6% from HK$804.0 million for FY2017 to HK$880.9 million for FY2018. The increase was primarily attributable to the combined effects of:

(i) the increase in staff cost by HK$30.4 million, or 17.1% from HK$177.5 million for FY2017 to HK$207.9 million for FY2018, primarily due to (i) the increase in headcount upon completion of acquisition of Taunus Printing during FY2018; and (ii) salary increment for FY2018 in comparison to FY2017;

(ii) the increase in cost of paper by HK$29.4 million, or 17.3% from HK$169.9 million for FY2017 to HK$199.3 million for FY2018, primarily due to increase in average purchase price of paper for FY2018 in comparison to FY2017;

(iii) the increase in cost of other raw materials by HK$14.4 million, or 19.5% from HK$73.5 million from FY2017 to HK$87.9 million for FY2018, generally in line with the increase in revenue for FY2018 in comparison to FY2017; and

(iv) which was partially offset by the decrease of subcontracting fee of HK$8.4 million, or 6.4% from HK$131.0 million for FY2017 to HK$122.6 million for FY2018 primarily due to the decrease in subcontracting fee paid to Taunus Printing as a result of acquisition of Taunus Printing in March 2018.

Gross profit and gross profit margin

Our overall gross profit increased by HK$6.4 million, or 2.3% from HK$275.7 million for FY2017 to HK$282.1 million for FY2018, whereas our gross profit margin decreased from 25.5% to 24.3% for the corresponding period, respectively. The decrease was mainly due to the combined effects of:

(i) the decrease in gross profit and gross profit margin of greeting cards from HK$62.4 million and 12.8% for FY2017, respectively, to HK$42.1 million and 9.5% for FY2018, respectively, primarily due to the combined effects of (i) increase in average unit cost of greeting cards; and (ii) increase in average paper cost;

(ii) the gross profit and gross profit margin for educational items were HK$42.7 million and 44.7% for FY2017, respectively, and HK$43.5 million and 35.3% for FY2018, respectively, primarily due the combined effects of (i) decrease in average selling price for certain products in FY2017 in comparison to FY2018 from certain customers; (ii) decrease in average unit selling price of classroom learning kits sold to Customer D despite the increase in sales quantity of 64.5%; and (iii) increase in sales quantity of activities books sold to Mattel of 7.6% which had higher average unit price in FY2018 in comparison to FY2017;

(iii) the decrease in gross profit and gross profit margin of premium packaging from HK$18.4 million and 38.4% for FY2017, respectively, to HK$8.7 million and 19.5% for FY2018, respectively, primarily due to general increase in average unit cost in FY2018 in comparison to FY2017; and

(iv) the decrease was partially offset by the increase in gross profit and gross profit margin of tabletop games from HK$134.3 million and 33.5% for FY2017, respectively, to HK$178.2 million and 35.4% for FY2018, respectively, primarily due to the increase in sales quantity sold to Mattel of 61.5% which had a higher gross profit margin in FY2018 in comparison to FY2017.

Other gains

Our other gains decreased by HK$0.6 million, or 12.5% from HK$4.9 million for FY2017 to HK$4.3 million for FY2018 primarily due to (i) absence of gain on derivative financial instruments in FY2018 which was recognised in FY2017 of HK$11.7 million; (ii) foreign exchange loss of HK$7.1 million for FY2017 as resulted from appreciation of RMB against HKD, while foreign exchange gain of HK$6.3 million for FY2018 as resulted from depreciation of RMB against HKD; and (iii) loss on disposal of property, plant and equipment of HK$2.3 million for FY2018 resulted from disposal of machineries located in our Dongguan Factory.

Other income

Our other income increased by HK$23.3 million, or 231.4% from HK$10.1 million for FY2017 to HK$33.3 million for FY2018 primarily due to (i) absence of inventories written-off related to factory fire incident of HK$14.9 million recognised for FY2017; (ii) absence of provision for factory fire incident loss of HK$4.1 million recognised for FY2017; (iii) increase in sale of scrap materials of HK$5.4 million from FY2017 to FY2018; and (iv) increase of government grants of HK$4.7 million from FY2017 to FY2018.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$10.6 million, or 11.9% from HK$89.1 million for FY2017 to HK$99.6 million for FY2018 was primarily due to (i) increase in staff cost; and (ii) general increase in overall selling and distribution related expenses.

Administrative expenses

Our administrative expenses increased by HK$50.4 million, or 48.1% from HK$104.7 million for FY2017 to HK$155.0 million for FY2018 was primarily due to (i) Listing expenses incurred during FY2018 of HK$20.6 million; (ii) additional administration expenses incurred from Heshan Factory upon completion of acquisition; and (iii) increase in repair and maintenance expenses in relation to the renovation of our Hong Kong office which began in 2018.

Finance cost, net

Our finance cost, net increased by HK$5.2 million or 830.3% from HK$0.6 million for FY2017 to HK$5.9 million for FY2018, mainly due to increase in borrowings.

Income tax expense

Our income tax expense decreased by HK$9.2 million, or 53.0% from HK$17.4 million for FY2017 to HK$8.2 million for FY2018. The decrease was primarily due to (i) decline in profits before income tax as resulted from increase in selling and distribution expenses and increase of administrative expenses; and (ii) increase in tax deduction for research and development received during FY2018. Our effective tax rate was 18.0% and 13.8% for FY2017 and FY2018, respectively. Excluding the non-recurring Listing expenses of HK$20.6 million incurred in FY2018 which was non-deductible for tax purposes, our effective tax rate would be 10.2%.

Profit for the year

As a result of the above, our profit for the year decreased by HK$27.9 million, or 35.4% from HK$78.9 million for FY2017 to HK$51.0 million for FY2018. Our net profit margin was 7.3% and 4.4% for FY2017 and FY2018, respectively. Excluding the non-recurring Listing expenses of HK$20.6 million incurred for FY2018, our profit and net profit margin for FY2018 would have amounted to HK$71.5 million and 6.2%, respectively.

Material acquisition for the year

During FY2018, our Group has completed the acquisition of Taunus Printing, for further details, please see "History, Reorganisation and Corporate Structure" to this prospectus. As a result of this acquisition, our Group obtained control over Taunus Printing and thus the financial performance of Taunus Printing has been consolidated with that of our Group since the completion date. For financial details on this material acquisition, please refer to note 32 of the Accountant's Report in Appendix I to this prospectus.

FY2017 compared to FY2016

Revenue

(i) Revenue by product categories

Our total revenue increased by HK$193.3 million, or 21.8% from HK$886.3 million for FY2016 to HK$1,079.6 million for FY2017. The increase was primarily attributable to the combined effects of:

(i) revenue from greeting cards increased by HK$161.9 million, or 49.6% from HK$326.2 million for FY2016 to HK$488.1 million for FY2017, primarily due to (i) increase in sales quantity of greeting cards pursuant to the 2017 Additional Orders placed by Hallmark in FY2017; and (ii) change in pricing guidelines sold to Hallmark, as mentioned before;

(ii) revenue from educational items increased by HK$21.6 million, or 29.2% from HK$73.8 million for FY2016 to HK$95.3 million for FY2017, primarily due to the combined effects of (i) new revenue contribution from Mattel of 0.9 million pieces of activities books which had a lower average unit selling price than our other activities books products; and (ii) increase in sales quantity of classroom learning kits sold to Customer D which had a higher average unit selling price in FY2017 in comparison to FY2016;

(iii) revenue from premium packaging increased by HK$12.6 million, or 35.4% from HK$35.5 million for FY2016 to HK$48.1 million for FY2017, primarily due to the combined effects of (i) increase in sales quantity from certain new customer with a relatively higher average unit selling price in comparison with other customers in this product category; and (ii) general increase in average unit selling price; and

(iv) revenue from tabletop games increase by HK$0.9 million, or 0.2% from HK$399.9 million for FY2016 to HK$400.8 million for FY2017, primarily due to the increase in sales quantity of cards games sold to Mattel, which was partially offset by the decrease in tabletop games as resulted from a one-off purchase order placed by Customer B of HK$33.0 million which had a higher average unit selling price and was substantially completed in FY2016.

(ii) Revenue by sales channels

Our revenue derived from OEM sales channel increased by HK$181.6 million, or 22.2% from HK$817.1 million for FY2016 to HK$998.7 million for FY2017 was primarily due to (i) increase in sales quantity of other greeting cards pursuant to the 2017 Additional Orders launched by Hallmark in FY2017; and (ii) increase in sales quantity of our tabletop games derived from Mattel.

Our revenue derived from our websites increased by HK$11.7 million, or 16.9% from HK$69.3 million for FY2016 to HK$81.0 million for FY2017 was primarily due to increase in orders of our playing cards products, and increasing effort in marketing and promotion to gain awareness of our reputation by participating international trade shows and exhibitions.

Cost of sales

Our cost of sales increased by HK$188.6 million, or 30.7% from HK$615.3 million for FY2016 to HK$804.0 million for FY2017. The increase was primarily attributable to the combined effects of:

(i) the increase in cost of raw materials by HK$91.0 million, or 30.7% from HK$296.5 million for FY2016 to HK$387.5 million for FY2017, primarily due to (i) increase in average purchase price of paper; and (ii) increase in overall sales quantity in FY2017 compared to FY2016;

(ii) the increase in subcontracting fees by HK$60.0 million, or 84.6% from HK$71.0 million for FY2016 to HK$131.0 million for FY2017 was due to (i) additional subcontracting services used in production pursuant to the 2017 Additional Orders; and (ii) fees increment charged by our subcontractors; and

(iii) the increase in staff cost by HK$36.1 million, or 25.5% from HK$141.4 million for FY2016 to HK$177.5 million for FY2017 was primarily due to the increase in headcount to facilitate our increase in production process in FY2017.

Gross profit and gross profit margin

Our overall gross profit increased by HK$4.6 million, or 1.7% from HK$271.0 million for FY2016 and to HK$275.7 million for FY2017, whereas our gross profit margin decreased from 30.6% to 25.5% for the corresponding period. The decrease was mainly due to the combined effects of:

(i) the decrease in gross profit and gross profit margin of tabletop games from HK$158.2 million and 39.6% for FY2016, respectively, to HK$134.3 million and 33.5% for FY2017, respectively, primarily due to the combined effects of (i) decrease in sales quantity of board games as resulted from a one-off purchase order placed by Customer B in FY2016 which generated a gross profit margin of 51.3%. We were able to obtain a higher gross profit margin for such one-off purchase order was because of the complexity associated with the paper mechanics and printing mechanics of the outer display of the product we print; and (ii) general decrease in average unit selling price for card games and board games; and

(ii) the decrease in gross profit margin of greeting cards from 17.9% for FY2016 to 12.8% for FY2017, primarily due to the combined effects of (i) increase in average unit cost as a result of additional subcontracting services used in production pursuant to the 2017 Additional Orders; (ii) lower pricing guidelines which took effect in mid-2016 sold to Hallmark; (iii) fees increment charged by our subcontractors; and (iv) increase in cost of paper in FY2017 compared to FY2016. Despite such decrease in gross profit margin, the increase in gross profit from HK$58.4 million for FY2016 to HK$62.4 million for FY2017 was primarily due increase in sales quantity pursuant to the 2017 Additional Orders.

Other gains

Our other gains increased by HK$1.8 million, or 57.5% from HK$3.1 million for FY2016 to HK$4.9 million for FY2017 primarily due to loss on derivative financial instruments of HK$4.2 million recognised for FY2016 as resulted from depreciation of RMB against USD, while gain on derivative financial instruments of HK$11.7 million recognised for FY2017 as resulted from appreciation of RMB against USD, which was partially offset by foreign exchange gain of HK$6.6 million recognised for FY2016 as resulted from depreciation of RMB against HKD, while foreign exchange loss of HK$7.1 million recognised for FY2017 as resulted from appreciation of RMB against HKD.

Other income

Our other income increased by HK$3.2 million, or 45.6% from HK$6.9 million for FY2016 to HK$10.1 million for FY2017 primarily due to (i) insurance claims in relation to fire incident of HK$13.5 million for FY2017; (ii) increase of government grants of HK$4.7 million; (iii) increase of sales of scrap materials HK$3.3 million, which was partially offset by (i) inventories written-off related to factory fire incident of HK$14.9 million for FY2017; and (ii) provision for fire incident loss of HK$4.1 million for FY2017.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$16.9 million or 23.5% from HK$72.1 million for FY2016 to HK$89.1 million for FY2017. The increase in selling and distribution expenses was primarily attributable to the increase in transportation expenses of HK$16.8 million as resulted from (i) increase in delivery of finished goods; and (ii) express air freight used subsequent to the fire incident in order to fulfill our customers' delivery demands.

Administrative expenses

Our administrative expenses increased by HK$6.9 million, or 7.0% from HK$97.8 million for FY2016 to HK$104.7 million for FY2017 primary due to the increase in staff cost of HK$3.6 million or 6.3% as a result of salary increment, which was partially offset by decrease in headcount.

Finance income/(costs), net

We recorded a net finance income of HK$0.4 million for FY2016 and a net finance costs of HK$0.6 million for FY2017. The change was primarily attributable to (i) an increase in interest expense on bank borrowings from HK$0.4 million for FY2016 to HK$0.8 million for FY2017 resulted from additional borrowing during FY2017; and (ii) a decrease in bank interest income from HK$1.0 million for FY2016 to HK$0.4 million for FY2017 resulted from reduction in overall bank balance in FY2017.

Income tax expense

Our income tax expenses decreased by HK$4.3 million, or 19.8% from HK$21.7 million for FY2016 to HK$17.4 million for FY2017, the decrease was primarily due to decrease in our profit before tax during the year. Our effective tax rate was 19.4% and 18.0% for FY2016 and FY2017, respectively.

Profit for the year

As a result of the above, our profit for FY2017 decreased by HK$10.9 million, or 12.2% from HK$89.8 million for FY2016 to HK$78.9 million for FY2017. Our net profit margin was 10.1% and 7.3% for FY2016 and FY2017, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash are to fund working capital and other recurring expenses, to fund dividend payments, to service our indebtedness and to fund capital expenditures. We have financed our operations mainly by cash flow generated from our operations and available banking facilities. We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital and operations. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed "Future Plans and Use of Proceeds".

Cash flows

The following table summarises, for the periods indicated, our statements of cash flows:

	FY2016	**FY2017**	**FY2018**	**6M2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*	*HK$'000*
Operating cash flow before movements in working capital *(Note)*	157,062	161,086	120,754	29,469	56,212
Net cash generated from operating activities	116,843	58,781	114,275	42,902	41,512
Net cash used in investing activities	(54,659)	(210,152)	(130,805)	(91,757)	(27,181)
Net cash (used in)/generated from financing activities	(42,526)	94,222	14,935	26,594	(16,970)
Net increase/(decrease) in cash and cash equivalents	19,658	(57,149)	(1,595)	(22,261)	(2,639)
Cash and cash equivalents at beginning of year/period	99,155	116,158	63,967	63,967	59,867
Effect of changes in foreign exchange rates	(2,655)	4,958	(2,505)	944	(843)
Cash and cash equivalents at end of year/period	116,158	63,967	59,867	42,650	56,385

Note: For adjusted items before movements in working capital, see note 33 of the Accountant's Report of the Appendix I to this prospectus.

Net cash generated from operating activities

During our Track Record Period, our cash inflows from operating activities were mainly generated from our sales of products and printing services. Our cash outflows mainly comprised of payments for purchase of raw materials, staff costs and other operating expenses.

For FY2016, our Group had net cash generated from operating activities of HK$116.8 million, which was cash generated from operations of HK$131.0 million, and offset by income tax paid of HK$14.1 million. Negative changes in working capital mainly reflected by (i) increase in trade receivables balance of HK$19.7 million due to increase in billings resulted from increase in revenue during November and December of 2016 compared with similar periods of 2015; and (ii) increase in inventories of HK$15.6 million as resulted from increase in purchase of raw materials to accommodate the confirmed purchase orders received from our customers. Such negative changes in working capital were partially offset by increase in trade payables of HK$8.9 million as a result of our increase in the purchases of raw materials.

For FY2017, our Group had net cash generated from operating activities of HK$58.8 million, which was cash generated from operations of HK$78.1 million, and offset by income tax paid of HK$19.4 million. Negative changes in working capital mainly reflected by (i) increase in inventories of HK$40.8 million due to increase of finished goods close to financial end of 2017 which was not delivered, (ii) increase in prepayments, deposit and other receivables of HK$38.6 million due to prepayment to subcontractor to complement our production process; and (iii) increase in trade receivables of HK$25.6 million due to increase in billings resulted from increase in revenue during November and December of 2017 compared with similar periods of 2016. Such negative changes were partially offset by (i) increase in accruals, provisions and other payables of HK$12.1 million due to provision for claims related to fire incident in FY2017; and (ii) increase in trade payables of HK$10.0 million.

For FY2018, our Group had net cash generated from operating activities of HK$114.3 million, which was cash generated from operation of HK$138.1 million, and offset by income tax paid of HK$23.8 million. Positive changes in working capital mainly reflected from (i) increase in trade payable of HK$19.0 million upon increase in purchases of raw materials to cope with production orders schedule to be delivered in January 2019; (ii) increase in accruals, provisions and other payables of HK$8.3 million; and (iii) decrease in prepayments, deposit and other receivables of HK$7.0 million due to decrease in deposits paid to Taunus Printing upon completion of acquisition in March 2018. Such positive changes in working capital were partially offset by increase of trade receivables of HK$20.0 million due to increase in billings resulted from increase in revenue during November and December of 2018 compared with similar periods of 2017.

For 6M2019, our Group had net cash generated from operating activities of HK$41.5 million, which was cash generated from operation of HK$59.2 million, and offset by income tax paid of HK$17.7 million. Positive changes in working capital mainly reflected (i) decrease in trade receivables of HK$16.4 million resulted from settlements of trade receivables which were aged over 90 days as at 31 December 2018 during 6M2019; and (ii) decrease in prepayments, deposits and other receivables of HK$3.8 million resulted from decrease in deposits paid for machineries which were received during 6M2019. Such positive changes were partially offset by (i) decrease in trade payables of HK$15.5 million as resulted from settlements of trade payables of prior year end; and (ii) decrease in accruals, provisions and other payables of HK$5.3 million as resulted from settlements of Listing expenses during 6M2019.

Net cash used in investing activities

During our Track Record Period, our cash inflows from investing activities were principally from interest received and proceeds from disposal of property, plant and equipment. Our cash outflows from investing activities were mainly purchase of property, plant and equipment and deposit for property, plant and equipment, acquisition of a subsidiary and settlement of derivative financial instruments.

For FY2016, our Group had net cash used in investing activities of HK$54.7 million, primarily attributable to (i) settlement of derivative financial instruments of HK$31.4 million; and (ii) purchase of property, plant and equipment and deposit paid for property, plant and equipment of HK$24.5 million mainly for our Dongguan Factory, which were partially offset by interest received of HK$1.0 million.

For FY2017, our Group had net cash used in investing activities of HK$210.2 million, primarily attributable to (i) purchase of property, plant and equipment and deposit paid for property, plant and equipment of HK$159.2 million mainly for our Hong Kong office and Dongguan Factory; and (ii) deposit paid in respect of acquisition of subsidiary of HK$33.8 million; (iii) settlement of derivative financial instruments of HK$17.4 million, which were partially offset by interest received of HK$0.4 million.

For FY2018, our Group had net cash used in investing activities of HK$130.8 million, primarily attributable to (i) purchase of property, plant and equipment and deposits paid for such property, plant and equipment of HK$75.4 million mainly for our Dongguan Factory and Heshan Factory; (ii) acquisition of Taunus Printing of HK$44.6 million; and (iii) repayment of long term loan from former shareholder of a subsidiary of HK$11.4 million, which were partially offset by proceeds from disposal of property, plant and equipment of HK$0.9 million.

For 6M2019, our Group had net cash used in investing activities of HK$27.2 million, primarily attributable to purchase of property, plant and equipment and deposits paid for such property, plant and equipment of HK$28.6 million mainly for our Heshan Factory, which was partially offset by proceeds from disposal of property, plant and equipment of HK$1.4 million.

Net cash (used in)/generated from financing activities

During Track Record Period, our cash inflow from financing activities was principally from proceeds from borrowings. Our cash outflow used in financing activities mainly included dividend payment, repayment of borrowings, repayments of obligations under finance lease and interest paid.

For FY2016, our Group had net cash used in financing activities of HK$42.5 million, primarily attributable to (i) dividends paid amounted to HK$30.0 million to the shareholders of the Group; (ii) repayment of borrowings amounted to HK$10.0 million; (iii) payment for lease liabilities of HK$6.9 million; and (iv) interest paid of HK$0.4 million, which were partially offset by advances from directors of HK$4.8 million.

For FY2017, our Group had net cash generated from financing activities of HK$94.2 million, primarily attributable to proceeds from borrowings of HK$130.6 million, which was partially offset by (i) dividends paid to our shareholders of HK$15.0 million; (ii) repayment to directors of HK$10.3 million; (iii) payment for lease liabilities of HK$7.4 million; (iv) repayment of borrowings of HK$2.9 million; and (v) interest paid of HK$0.8 million.

For FY2018, our Group had net cash generated from financing activities of HK$14.9 million, primarily attributable to proceeds from borrowings of HK$271.6 million, which were partially offset by (i) repayment of borrowings of HK$221.9 million; (ii) dividends paid of HK$10.0 million to our shareholders; (iii) repayment to directors of HK$9.6 million; (iv) payment for lease liabilities of HK$6.3 million; (v) interest paid of HK$5.8 million; and (vi) Listing expenses paid of HK$3.1 million.

For 6M2019, our Group had net cash used in financing activities of HK$17.0 million, primarily attributable to (i) repayment of borrowings of HK$83.0 million; (ii) interest paid of HK$3.2 million; (iii) Listing expenses paid of HK$2.8 million; and (iv) payment for lease liabilities of HK$2.3 million, which was partially offset by proceeds from borrowings of HK$74.4 million.

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available banking facilities and the estimated net proceeds from the Global Offering, we have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and Use of Proceeds".

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net current assets

The following table sets forth the breakdown of our current assets, current liabilities and net current assets as at 31 December 2016, 2017 and 2018 and 30 June 2019.

	As at 31 December			As at 30 June	As at 31 October
	2016	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Current assets					
Inventories	65,096	89,666	82,726	79,230	73,566
Trade receivables	147,569	173,217	193,035	176,605	171,277
Prepayments, deposits and other receivables	23,327	61,819	42,897	42,014	49,328
Income tax recoverable	4,837	2,432	13,104	25,135	26,804
Pledged deposits	379	382	381	381	381
Cash and cash equivalents	116,158	63,967	59,867	56,385	63,327
	357,366	391,483	392,010	379,750	384,683
Current liabilities					
Trade payables	81,701	91,754	109,747	94,548	84,608
Accruals, provisions and other payables	59,648	76,857	99,159	94,688	89,754
Amounts due to directors	19,873	9,620	–	–	–
Current income tax liabilities	19,699	17,448	13,480	16,035	28,743
Borrowings	10,000	137,696	134,590	111,151	87,191
Lease liabilities	5,950	4,101	4,253	3,221	3,006
Derivative financial instruments	29,111	–	–	–	–
	225,982	337,476	361,229	319,643	293,302
Net current assets	131,384	54,007	30,781	60,107	91,381

Our net current assets position as at 31 December 2017 decreased from that of 31 December 2016 was primarily due to (i) increase in borrowings of HK$127.7 million for financing our purchase of leasehold land and building in relation to Hong Kong office and purchase of plant and machineries for Dongguan factory, and deposit for acquisition of Taunus Printing; and (ii) distributions to our shareholders of HK$15.0 million during FY2017.

Our net current assets position as at 31 December 2018 decreased from that of 31 December 2017 was primarily due to (i) decrease in prepaid subcontracting charges paid to Taunus Printing upon completion of acquisition; (ii) capital used for purchase of and deposits paid in relation to property, plant and equipment; and (iii) distribution to our shareholders of HK$10.0 million.

Our net current assets position as at 30 June 2019 increased from that of 31 December 2018 was primarily due to raising new borrowings which were classified as non-current.

Our net current assets position as at 31 October 2019 increased from that of 30 June 2019 was primarily due to the increase in cash and cash equivalents generated from our operations during the period.

Property, plant and equipment

Our property, plant and equipment principally comprise leasehold land, buildings, leasehold improvements, plant and machinery, furniture and equipment, motor vehicles and right-of-use assets. As of 31 December 2016, 2017 and 2018 and 30 June 2019, the carrying amount of our property, plant and equipment amounted to HK$204.9 million, HK$266.4 million, HK$353.0 million and HK$366.7 million, respectively. Buildings, which are principally used as our production factories, warehouses, offices and staff quarters, accounted for approximately 15.0%, 27.2%, 37.6% and 35.2%, and plant and machinery, which mainly comprise production machines, accounted for approximately 51.9%, 47.0%, 34.9% and 38.6%, of our total property, plant and equipment, as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. The increase in property, plant and equipment from 31 December 2016 to 31 December 2017 was principally attributable to (i) to the addition of leasehold land and buildings of HK$42.6 million in relation to Hong Kong office acquired as our office building for long term cost saving; and (ii) additions of plant and machinery of HK$35.3 million mainly for Dongguan factory, which were partially offset by annual depreciation charge of HK$39.6 million for FY2017.

The increase in property, plant and equipment from 31 December 2017 to 31 December 2018 was principally attributable to (i) the additions of Heshan Factory, which held buildings with aggregate carrying amount of HK$75.3 million, and (ii) additions of plant and machinery of HK$6.5 million, which were partially offset by annual depreciation charge of HK$45.3 million for the FY2018.

The increase in property, plant and equipment from 31 December 2018 to 30 June 2019 was principally attributable to additions of plant and machinery of HK$31.1 million, which was partially offset by (i) annual depreciation charge of HK$23.6 million for 6M2019; and (ii) disposals of HK$2.8 million during 6M2019.

For details of our Group's properties and leases, please see "Business – Properties" and the Property Valuation Report set out in Appendix III to this prospectus.

Inventories

Inventories primarily consist of raw materials, work-in-progress and finish goods. The following table sets forth the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	26,072	21,145	23,879	29,657
Work in progress	19,054	30,719	33,323	20,717
Finished goods	19,970	37,802	25,524	28,856
	65,096	89,666	82,726	79,230

Raw materials primarily consist of paper, auxiliary accessories and other components for our products, whereas finished goods consist products available for shipment. The increase in inventory from 31 December 2016 to 31 December 2017 was primarily attributable to the increase of work in progress and finished goods due to increase in purchase orders for delivery in January 2018 in comparison to January 2017. The decrease from 31 December 2017 to 31 December 2018 was principally attributable to our decrease of finished goods due to additional delivery to our customers prior to period end. The further decrease as at 30 June 2019 was principally attributable to the decrease in work in progress as at 30 June 2019 as compared to 31 December 2018.

We have an inventory management policy in place to monitor our inventory level. In order to minimise our inventory carrying cost and the use of our working capital, we strive to maintain optimal inventory levels.

During the Track Record Period, our Group has provided for inventory allowance amounted to HK$2.5 million, HK$1.3 million, HK$1.5 million and HK$0.1 million for FY2016, FY2017, FY2018 and 6M2019, respectively. Such general decreasing trend of our inventory allowance was primarily due to the improvement of our inventory control to reduce obsolete inventory. For FY2017, our Group has written-off inventories amounted to HK$14.9 million, resulted from a fire incident occurred in a warehouse located in our Dongguan Factory for FY2017.

The following table sets forth our average inventory turnover days for the periods indicated:

	FY2016	FY2017	FY2018	6M2019
Average inventory turnover days(1)	34	35	35	36

(1) Average inventory turnover days are derived by dividing the average of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by the number of days in the relevant period.

The average inventory turnover days were approximately 34 days, 35 days, 35 days and 36 days for FY2016, FY2017, FY2018 and 6M2019, respectively. Our average inventory turnover days remained relatively stable throughout the Track Record Period.

As at the Latest Practicable Date, HK$72.5 million or 91.5% of our inventory as at 30 June 2019 were subsequently consumed or sold.

Trade receivables

We recognised our trade receivables when we have delivered the goods to the customers and when the title has passed. In general, we offer a general credit period within 90 days to our OEM customers based on factors such as their business relationship with us and their historical repayment records, and we do not grant any credit period to customers from our websites. The following table sets forth our trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	147,569	173,217	193,035	176,605

Our trade receivables increased by HK$25.6 million or 17.4% from HK$147.6 million as at 31 December 2016 to HK$173.2 million as at 31 December 2017 was primarily due to our Group has experienced an increase in revenue during the months of November and December of 2017 in comparison to similar months of 2016. Our trade receivables increased by HK$19.8 million, or 11.4% from HK$173.2 million as at 31 December 2017 to HK$193.0 million as at 31 December 2018 was primarily due to our Group has experienced an increase in revenue during the months of November and December of 2018 in comparison to similar months of 2017 which were unsettled as at 31 December 2018 and the increase in the level of trade receivable aged over 30 days. Our trade receivables decreased by HK$16.4 million, or 8.5% was primarily due to settlements of trade receivables which aged over 90 days from certain customers prior to period ended 30 June 2019.

The following table sets forth the aging analysis of our trade receivables, based on invoice date and net of allowance for doubtful debts, as at the dates indicated:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 30 days	82,972	82,598	93,529	104,445
31-60 days	33,995	41,524	42,656	39,164
61-90 days	12,516	29,686	23,319	25,956
Over 90 days	18,086	19,409	33,531	7,040
	147,569	173,217	193,035	176,605

We adopted certain measures to monitor the recoverability of our trade receivables including reviewing the credit terms and credit limits granted to customers, their financial performance and historical payment records and keeping regular communications with customers to gain up to date understanding of changes in customers' business and financial condition.

Our Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Our Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the Track Record Period, the expected losses for customers of sales of goods is minimal, given there is no history of significant defaults from customers. No provision for impairment of trade receivables has been made throughout the Track Record Period.

The table below sets forth our average turnover days of trade receivables as at the dates indicated:

	FY2016	**FY2017**	**FY2018**	**6M2019**
Average turnover days of trade receivables[(1)]	56	54	57	59

(1) Average turnover days of trade receivables are derived by dividing the average of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by the number of days in the relevant period.

The average turnover days of our trade receivables were approximately 56 days, 54 days, 57 days and 59 days for FY2016, FY2017, FY2018 and 6M2019, respectively. The average trade receivables turnovers days indicates the average number of days required for us to collect payments from our customers. For FY2016 and FY2017 our average turnover days of trade receivables remained relatively stable. The increase in our average turnover days of trade receivables from approximately 54 days for FY2017 to approximately 57 days for FY2018 was due to more revenue was generated and billed in the months of November and December of 2018 in comparison to the similar months of 2017. Further increase of our average turnover days of trade receivables as at 30 June 2019 was primarily attributable to relatively less revenue being recorded in the first half of the year since our sales orders and thus the billings are, in general, concentrated on the second half of the year. The trade receivables turnover days were consistent with our usual credit period granted to our customers.

As at the Latest Practicable Date, HK$176.1 million or 99.7% of our trade receivables as at 30 June 2019 were settled.

Prepayments, deposits and other receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	5,031	7,252	14,386	19,491
Prepaid sub-contracting charges	–	29,132	–	–
Other receivables	2,977	4,283	7,653	6,360
Rental and other deposits	12,650	18,024	34,724	24,761
Deposit for acquisition	–	33,785	–	–
VAT receivables	12,440	17,856	18,155	14,476
	33,098	110,332	74,918	65,088
Less: Non-current portion	(9,771)	(48,513)	(32,021)	(23,074)
Current portion	23,327	61,819	42,897	42,014

Our prepayments, deposits and other receivables increased by HK$77.2 million, or 233.3% from HK$33.1 million as at 31 December 2016 to HK$110.3 million as at 31 December 2017 mainly due to (i) deposit for acquisition in relation to Taunus Printing in FY2017; (ii) increase in prepaid sub-contracting charges as resulted from additional prepayments was made for additional subcontracting services required as a result of increase in purchase orders received; and (iii) increase of VAT receivables of HK$5.4 million which is in line with the increase in our purchase of raw materials. The decrease of HK$35.4 million, or 32.1% from HK$110.3 million as at 31 December 2017 to HK$74.9 million as at 31 December 2018 was primarily due to (i) decrease in prepayments in relation to subcontracting with Taunus Printing; and (ii) release of deposits paid for acquisition of Taunus Printing upon completion of such acquisition, which was partially offset by the increase of deposits placed for acquisition of property, plant and equipment. The decrease of HK$9.8 million, or 13.1% from HK$74.9 million as at 31 December 2018 to HK$65.1 million as at 30 June 2019 was primarily due to (i) the decrease in other deposits of HK$7.8 million paid for the purchase of machineries which were delivered during 6M2019; and (ii) the decrease in VAT receivables of HK$3.7 million as a result of the decrease in VAT rate during the period, which was partially offset by the increase in prepayment of HK$5.1 million as a result of the increase in advance payment to a subcontractor.

Trade payables

Trade payables mainly represent payables to our suppliers for the procurement of raw materials and services from our certain subcontractors. The following table sets forth our trade payables as at the dates indicated:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	81,701	91,754	109,747	94,548

Our trade payables primarily relate to the purchase of raw materials from our suppliers. The increase in trade payables of HK$10.1 million, or 12.3% from HK$81.7 million as at 31 December 2016 to HK$91.8 million as at 31 December 2017 was mainly due to the combined effects of (i) our cost of raw materials was higher in FY2017 compared to FY2016; (ii) increase in purchase as our sales orders schedule to be delivered in January 2018 was higher in comparison with of January 2017 and (iii) increase of usage of subcontractors which is generally in line with our increase of revenue. The increase in trade payables of HK$18.0 million, or 19.6% from HK$91.8 million as at 31 December 2017 to HK$109.7 million as at 31 December 2018 was primarily due to increase in purchases of raw materials (i) to cope with the additional production capacity of Taunus Printing facility during FY2018; and (ii) increase in purchase as our sales orders scheduled to be delivered in January 2019 was higher in comparison with that of January 2018. The decrease of HK$15.2 million, or 13.8% from HK$109.7 million as at 31 December 2018 to HK$94.5 million as at 30 June 2019 was primarily due to settlements of trade payables aged over 30 days prior to period end.

The following table sets forth the aging analysis of our trade payables presented based on the invoice dates as at the dates indicated:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	51,811	71,688	52,679	50,960
31-60 days	22,776	11,900	36,877	26,764
61-90 days	3,388	1,824	13,427	11,730
Over 90 days	3,726	6,342	6,764	5,094
	81,701	91,754	109,747	94,548

The following table sets forth our average turnover days of trade payables as at the dates indicated:

	FY2016	FY2017	FY2018	6M2019
Average turnover days of trade payables[(1)]	45	39	41	45

(1) Average turnover days of trade payables are derived by dividing the average of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by the number of days in the relevant period.

The average turnover days of our trade payables were approximately 45 days, 39 days, 41 days and 45 days for FY2016, FY2017, FY2018 and 6M2019, respectively. The average trade payable turnover days indicates the average number of days that we settle the payments to our suppliers and certain subcontractors. The decrease from approximately 45 days for FY2016 to approximately 39 days for FY2017 was primarily due to increase in cost of sales of greeting cards due to the additional manpower for production and assembly and subcontracting services to accommodate the increase of sales quantity pursuant to the 2017 Additional Orders placed by Hallmark, while our average turnover days increased to approximately 41 days for FY2018 primarily attributable to the increase in the average trade payable balance mainly due to more billings were received by us as at 31 December 2018; and further increased to 45 days for 6M2019 primarily attributable to relatively less cost of sales was recorded in the first half of the year since our purchase orders and thus the billings are, in general, concentrated on the second half of the year.

As at the Latest Practicable Date, HK$92.5 million or 97.9% of our trade payables as at 30 June 2019 were settled.

Accruals, provisions and other payables

The following table sets forth the breakdown of accruals, provisions and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued staff costs	22,409	26,475	28,677	27,165
Accrued expenses	3,498	12,924	8,403	9,738
Other taxes payables	1,087	910	1,387	1,650
Contract liabilities *(Note)*	4,520	3,735	2,318	3,417
Listing expenses payable	–	–	15,092	9,648
Provision for social insurance and housing provident fund	23,832	25,271	31,616	30,733
VAT payables	–	–	302	–
Other payables	4,302	7,542	11,364	12,337
	59,648	76,857	99,159	94,688

Note: Represent advance payments from customers for goods.

Our accruals, provisions and other payables increased by HK$17.2 million or 28.9% from HK$59.6 million as at 31 December 2016 to HK$76.9 million as at 31 December 2017 was primarily due to (i) increase of HK$4.1 million of accrued staff cost resulting from increase in total headcount; and (ii) increase in accrued expenses of HK$9.4 million arising from accrual of transportation cost which was not billed. Our accruals, provision and other payables increased by HK$22.3 million or 29.0% from HK$76.9 million as at 31 December 2017 to HK$99.2 million as at 31 December 2018 was primarily due to (i) increase of HK$6.3 million of provision for social insurance and housing provident fund arising from additional staff count from Heshan Factory; and (ii) increase of HK$15.1 million of Listing expenses payable. Our accruals, provision and other payables decreased by HK$4.5 million, or 4.5% from HK$99.2 million as at 31 December 2018 to HK$94.7 million as at 30 June 2019 was primarily due to settlements of Listing expenses of HK$5.4 million during 6M2019.

Amounts due to directors

We had amounts due to directors of HK$19.9 million, HK$9.6 million, nil and nil as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively. Our balances with directors are unsecured, interest-free and repayable on demand. As at the Latest Practicable Date, our amounts due to directors had been fully settled.

Derivative financial instruments and hedging activities

During the Track Record Period, our Group sought to reduce our foreign exchange risk exposure by the use of derivative financial instruments. We primarily entered into forward foreign currency contracts to sell USD and purchase RMB with two licensed banks in Hong Kong to reduce the effects of fluctuating foreign currency exchange rates between USD and RMB. Our Group categorises these instruments as being entered into for hedging purposes.

The instruments purchased were settled in full on a gross basis. Details of the derivative financial liabilities are stated in the table below.

As at 31 December 2016

	Contract durations	Terms of exchange rates	Outstanding notional amount of the outstanding contract	Carrying amounts of the outstanding contract
			(USD'000)	*(HK$'000)*
Contract A	From 13 July 2015 to 17 October 2017 with monthly settlement on notional amount of USD3,000,000 upon maturity.	No settlement is required if the market rate on settlement date is above the contract rate of RMB6.315 and at or below the EKI. While settlement at market rate times USD1,000,000 if the market rate is below the contract rate of RMB6.315 or higher than the EKI.	30,000	27,462
Contract B	From 23 December 2014 to 9 January 2017 with monthly settlement on notional amount of USD1,000,000 upon maturity.	Settlement is calculated as selling USD1,000,000 times the market rate and purchasing RMB at contract rate of RMB6.23 on each settlement date.	1,000	844
Contract C	From 23 December 2014 to 4 January 2017 with monthly settlement on notional amount of USD1,000,000 upon maturity.	Settlement is calculated as selling USD1,000,000 times the market rate and purchasing RMB at contract rate of RMB6.25 on each settlement date.	1,000	805

As at 31 December 2016, 2017 and 2018 and 30 June 2019, our Group had outstanding forward foreign exchange contracts with fair value of HK$29.1 million, nil, nil and nil, respectively. The fair value of forward foreign exchange contracts have been calculated using observable market information as at the consolidated statements of financial position date.

During the Track Record Period, the derivative financial instruments comprised forward foreign exchange contracts, details of which are set out in "– Derivative Financial Instruments and Hedging Activities". The following table sets forth our Group's derivative financial instruments as at 31 December 2016, 2017 and 2018 and 30 June 2019:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Forward foreign exchange contracts				
Opening balance	56,335	29,111	–	–
Loss/(gain) on derivative financial instruments recognised in consolidated statements of profit or loss	4,169	(11,695)	–	–
Settlement of derivative financial instruments	(31,393)	(17,416)	–	–
	29,111	–	–	–

Our derivative financial instruments decreased from HK$29.1 million as at 31 December 2016 to nil as at 31 December 2017, primarily due to expiry of outstanding forward foreign exchange contracts during the Track Record Period. As at 31 December 2017, all of our forward foreign exchange contracts were settled.

Hedging activities

Our foreign exchange hedging activities were managed and overseen by Mr. Mak. During the Track Record Period, Mr. Mak assessed our hedge needs on a monthly basis, taking into account factors such as (i) the prevailing foreign exchange market condition and trends of the exchange rate of USD; (ii) the need for currency conversion for our daily operation (including foreign currency receipts, settlement of accounts payables and procurement of property, plant and equipment in foreign currency; and (iii) the recommendations from financial institutions. Mr. Mak would obtain relevant market information, analyse the pros and cons of various types of hedge instruments and determine the type, number, amount and stop-loss limit of the hedge instruments that we could consider to enter into. He would consider the terms and conditions of the quotations obtained from the financial institutions and make a decision as to whether to enter into relevant financial instruments.

Mr. Mak would negotiate with the relevant financial institutions and we would execute the hedge agreements if we consider them to be beneficial to our business operations. Our finance division would prepare a summary report setting out the hedge agreements we had entered into, the expiry date of each of such agreements, the realised income or loss in that particular month and other relevant information. Mr. Mak would, based on the summary report and taking into consideration the abovementioned factors, discuss and determine whether to engage in further hedge activities in the following month.

We believe that members of our finance division, which include our executive Director, Mr. Mak, have sufficient experience in conducting foreign exchange hedge activities. Mr. Mak, who has been involved in our hedge activities, has strong background and experience in finance, is mainly responsible for assessing the prevailing foreign exchange market conditions and the needs of our Group to enter into foreign exchange hedge instruments. Mr. Mak is mainly responsible for assessing the prevailing foreign exchange market conditions and the needs of our Group to enter into foreign exchange hedge contracts, reviewing hedge agreements, and analysing the outcome of the hedge activities. In addition, the risk management committee will be established upon Listing and will be responsible for, among others, (i) reviewing our Directors' decision on entering into hedge arrangements; (ii) reviewing the effectiveness of our hedge policy; and (iii) providing recommendations to our Board on improving our hedge policy, where appropriate and if necessary.

Our Directors confirm that the foreign exchange hedge activities conducted by us during the Track Record Period were for hedge purpose and not for speculation.

CAPITAL EXPENDITURES

Our Group's capital expenditures primarily comprised purchase of property, plant and equipment and deposits paid for property, plant and equipment such as printing machineries for production. Our capital expenditure was funded by internal resources and borrowings during the Track Record Period. The following sets forth our Group's capital expenditure as at the dates indicated:

	FY2016	**FY2017**	**FY2018**	**6M2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	24,503	159,203	75,376	28,585

We expect to incur approximately in aggregate of HK$50.2 million in capital expenditures in FY2019, primarily related to (i) purchase additional production equipment; and (ii) the leasehold improvement of the existing building in Heshan factory.

We anticipate that the funds required for such capital expenditure will be financed by cash generated from operations and the net proceeds from the Global Offering. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of our business plan, including, but not limited to, potential acquisitions, the progress of our capital projects, market conditions, the outlook of our future business conditions and potential acquisitions. As we will continue to expand, additional capital expenditure may be incurred and we may consider raising additional funds as and when appropriate. Our ability in obtaining additional funding in the future is subject to a variety of uncertainties including, but not limited to, our further operation results, financial condition and cash flows, economic, political and other conditions in Hong Kong, the PRC, and the U.S..

COMMITMENTS

(a) Capital commitments

The following table sets forth our capital commitment contracted but not provided for in the financial information as at the dates indicated:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not yet incurred				
– Property, plant and equipment	8,535	4,068	18,390	11,156
– Investment in Taunus Printing	–	46,449	–	–
	8,535	50,517	18,390	11,156

(b) Lease commitments

(i) As a lessee

As at 31 December 2016, 2017 and 2018 and 30 June 2019, our Group had future aggregate minimum lease payments under non-cancellable leases in respect of office premises as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than one year	46	319	19	13

(ii) As a lessor

As at 31 December 2016, 2017 and 2018 and 30 June 2019, our Group had future aggregate minimum lease receipts under non-cancellable leases in respect of investment property are as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than one year	21	48	32	8
Later than one year and no later than five years	–	32	–	–
	21	80	32	8

The following table sets forth our Group's indebtedness as at dates indicated:

INDEBTEDNESS

	As at 31 December			As at 30 June	As at 31 October
	2016	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Current liabilities					
Borrowings	10,000	137,696	134,590	111,151	87,191
Amounts due to directors	19,873	9,620	–	–	–
Lease liabilities	5,950	4,101	4,253	3,221	3,006
	35,823	151,417	138,843	114,372	90,197
Non-current liabilities					
Borrowings	–	–	93,444	108,737	88,474
Lease liabilities	2,096	3,505	1,749	1,108	2,090
	2,096	3,505	95,193	109,845	90,564
	37,919	154,922	234,036	224,217	180,761

Borrowings

The following table sets forth our Group's borrowing based on the schedule repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause as at dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2016	2017	2018	2019	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Within 1 year	10,000	96,598	100,738	83,415	62,047
Between 1 and 2 years	–	11,598	43,581	56,883	54,304
Between 2 and 5 years	–	14,714	68,740	66,314	47,103
Over 5 years	–	14,786	14,975	13,276	12,211
	10,000	137,696	228,034	219,888	175,665

As at 31 December 2016, 2017 and 2018, 30 June 2019 and 31 October 2019, the interest-bearing borrowings carried interest at a floating rate interest rate, which was based at one month Hong Kong Inter-bank offered rate plus interest ranging from 1.0% to 1.9% per annum.

Our Group had borrowings secured by (i) pledge over our Group's land and buildings; (ii) pledge over bank deposits; and (iii) pledge over the shares of certain subsidiaries of our Group.

Our Group's borrowings of HK$10.0 million, HK$137.7 million, HK$228.0 million, HK$219.9 million and HK$175.7 million as at 31 December 2016, 2017, 2018, 30 June 2019 and 31 October 2019, respectively, were guaranteed by our Directors, Mr. Cheng Wan Wai and Mr. Yeung Keng Wu Kenneth. Our Directors confirm that the personal guarantees from our Directors will be released and replaced by corporate guarantee upon Listing.

Our Directors confirm that we had not experienced difficulties in meeting obligations during the Track Record Period and none of our Group's bank borrowings and facilities were subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

Our Directors confirm that there has been no material change in our indebtedness position since 31 October 2019, being the most recent practicable date for determining our indebtedness.

As at 31 October 2019, our Group had unutilised banking facilities of HK$160.7 million (comprising combined limit of HK$110.3 million, loans of HK$44.0 million, overdraft of HK$5.0 million and trade financing of HK$1.4 million).

Amounts due to directors

Our amounts due to directors amounted to HK$19.9 million, HK$9.6 million, nil, nil and nil as at 31 December 2016, 2017 and 2018, 30 June 2019 and 31 October 2019, respectively. Our balances with directors are unsecured, interest-free and repayable on demand. As at the Latest Practicable Date, our amounts due to directors had been fully settled.

Lease liabilities

Our lease liabilities represents (i) certain of the Group's motors vehicles and (ii) properties recognised under HKFRS 16. Please see note 29 of the Accountant's Report in Appendix I to this prospectus for details.

Contingent liabilities

As at 31 December 2016, 2017 and 2018, 30 June 2019 and 31 October 2019, we had no significant contingent liabilities.

Save as set out above, as at 31 October 2019, being the most recent practicable date for the purpose our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, loans, debt securities, bank overdrafts, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the note 35 to the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	FY2016	FY2017	FY2018	6M2019
Profitability ratios				
Gross profit margin(1) (%)	30.6	25.5	24.3	28.5
Net profit margin before interest and tax(2) (%)	12.7	9.0	5.6	5.3
Net profit margin(4) (%)	10.1	7.3	4.4	3.7
Return on equity(6) (%)	24.6	17.4	10.9	8.7
Return on total assets(7) (%)	15.1	9.9	5.4	4.5
Non-HKFRS Financial Measures				
Net profit margin before interest and tax (excluding Listing expenses)(3) (%)	12.7	9.0	7.4	5.9
Net profit margin (excluding Listing expenses)(5) (%)	10.1	7.3	6.2	4.3

	As at 31 December			As at 30 June
	2016	2017	2018	2019
Liquidity ratios				
Current ratio$^{(8)}$ (times)	1.6	1.2	1.1	1.2
Quick ratio$^{(9)}$ (times)	1.3	0.9	0.9	0.9
Gearing ratio$^{(10)}$ (%)	4.9	32.1	49.9	45.8
Capital adequacy ratios				
Interest coverage ratio (times)$^{(11)}$	174.4	97.1	10.9	8.0
Net debt to equity ratio$^{(12)}$ (%)	Net cash	18.0	37.1	34.3

Notes:

(1) Gross profit margin is calculated by gross profit for the year/period divided by revenue for the respective year/period. For details of the fluctuations in our gross profit margin during the Track Record Period, please see "– Review of historical results of operation".

(2) Net profit margin before interest and tax is calculated by profit before interest expenses and tax expenses for the year/period divided by revenue for the respective year/period and multiplied by 100%.

(3) Net profit margin before interest and tax (excluding Listing expenses) is calculated by profit before income tax adding back the interest expenses and the Listing expenses divided by revenue for the respective year/period and multiplied by 100%. It is not defined under HKFRS and thus a non-HKFRS financial measure. For details, please see "Financial Information – Non-HKFRS financial measures".

(4) Net profit margin is calculated by profit for the year/period divided by revenue for the respective year/period and multiplied by 100%. For details of the fluctuations in our net profit margin during the Track Record Period, please see "– Review of historical results of operation".

(5) Net profit margin (excluding Listing expenses) is calculated by profit adding back the Listing expenses divided by revenue for the respective year/period and multiplied by 100%. It is not defined under HKFRS and thus a non-HKFRS financial measure. For details, please see "Financial Information – Non-HKFRS financial measures".

(6) Return on equity is calculated by profit for the year or annualised profit for 6M2019 divided by total equity as at the respective dates and multiplied by 100%.

(7) Return on total assets is calculated by profit for the year or annualised profit for 6M2019 divided by total assets as at the respective dates and multiplied by 100%.

(8) Current ratio is calculated by total current assets divided by total current liabilities as at the respective dates.

(9) Quick ratio is calculated by total current assets less inventories and divided by total current liabilities.

(10) Gearing ratio is calculated by the total debt (being borrowings and lease liabilities) divided by the total equity as at the end of the respective dates and multiplied by 100%.

(11) Interest coverage ratio is calculated by dividing profit before interest and tax by the finance costs as at the respective periods.

(12) Net debt to equity ratio is calculated by net debts (being total debt net of cash and cash equivalents) divided by the total equity as at the end of the respective dates and multiplied by 100%.

Net profit margin before interest and tax

Our net profit margin before interest and tax decreased from 12.7% for FY2016 to 9.0% for FY2017 was primarily due to decrease in profit before interest and tax as our selling and distribution expenses and administrative expenses increased for FY2017 in comparison to FY2016.

Our net profit margin before interest and tax decreased from 9.0% for FY2017 to 5.6% for FY2018 was primarily due to (i) non-recurring Listing expenses of HK$20.6 million incurred in FY2018; and (ii) additional administrative expenses incurred from Heshan Factory upon completion of acquisition. Excluding non-recurring Listing expenses, our net profit margin before interest and tax would be 7.4%.

Our net profit margin before interest and tax decreased to 5.3% for 6M2019, which was primarily due to insurance claims and government grants which were one-off in nature items recorded during FY2018 in comparison to 6M2019. Excluding non-recurring Listings expenses for 6M2019, our net profit margin before interest and tax would be 5.9%.

Please see "– Review of historical results of operation" for detailed analysis of our results of operation.

Return on equity

Our return on equity decreased from 24.6% for FY2016 to 17.4% for FY2017 was primarily due to the decrease in profit for the year of 12.2% for FY2017 in comparison to FY2016 as mainly driven by (i) decrease in gross profit and increase of both selling and distribution expenses and administrative expenses for FY2017; and (ii) dividends paid of HK$15.0 million.

Our return on equity decreased from 17.4% for FY2017 to 10.9% for FY2018 was primarily due to decrease in profit for the year of 35.4% for FY2018 in comparison to FY2017 as primarily driven by (i) additional administrative expenses incurred from Heshan Factory upon completion of acquisition; and (ii) dividend paid of HK$10.0 million. Excluding non-recurring Listing expenses of HK$20.6 million incurred in FY2018, our return on equity would be 15.2%.

Our return on equity decreased from 10.9% for FY2018 to 8.7% for 6M2019 was primarily due to decrease in our annualised profit of 16.9% for 6M2019 in comparison to FY2018. Excluding non-recurring Listing expenses of HK$3.3 million incurred in 6M2019, our return on equity would be 10.0%.

Return on total assets

Our return on total assets decreased from 15.1% for FY2016 to 9.9% for FY2017 was primarily due to the decrease in profit for the year of 12.2% for FY2017, while our total assets increased by 33.8% as resulted from increase in property, plant and equipment.

Our return on total asset decreased from 9.9% for FY2017 to 5.4% for FY2018 was primarily due to decrease in profit for the year of 35.4% for FY2018, while our total assets increased by 18.1% primarily as resulted from acquisition of Heshan Factory. Excluding non-recurring Listing expenses of HK$20.6 million incurred in FY2018, our return on total assets would be 7.6%.

Our return on total assets decreased from 5.4% for FY2018 to 4.5% for 6M2019 was primarily due to (i) the decrease in our annualised profit of 16.9% for 6M2019 in comparison to FY2018. Excluding non-recurring Listing expenses of HK$3.3 million incurred in 6M2019, our return on total assets would be 5.3%.

Current ratio

Our current ratio decreased from 1.6 times as at 31 December 2016 to 1.2 times as at 31 December 2017 was primarily due to the increase of current liabilities of 49.3% as primarily driven by the increase of borrowings, while partially offset by the increase of current assets of 9.5% as driven by (i) increase of trade receivables primarily due to increase in revenue during the months of November and December of 2017 in comparison its similar months of 2016, and (ii) prepayments, deposit and other receivables due to increase in deposit for acquisition in relation to acquisition of Taunus Printing, which was partially offset by the decrease of cash and cash equivalents as at 31 December 2017.

Our current ratio as at 31 December 2017 and 2018 and 30 June 2019 remained relatively stable.

The current ratio numbers above are calculated based on our financial results after our early adoption of HKFRS 16. If HKFRS 16 were not early adopted by us, there would be no impact on our current ratio.

Quick ratio

Our quick ratio was 1.3 times, 0.9 times, 0.9 times and 0.9 times as at 31 December 2016, 2017 and 2018 and 30 June 2019 respectively. Since our inventory accounts for around the same portion of the total current assets during the Track Record Period, there was no material difference between the current ratio and the quick ratio.

The quick ratio numbers above are calculated based on our financial results after our early adoption of HKFRS 16. If HKFRS 16 were not early adopted by us, there would be no impact on our current ratio.

Gearing ratio

Our gearing ratio increased from 4.9% as at 31 December 2016 to 32.1% as at 31 December 2017 and further increased to 49.9% as at 31 December 2018. The increase was primarily due to our borrowings increased by 1,277.0% as at 31 December 2016 to 31 December 2017 and 65.6% as at 31 December 2017 to 31 December 2018 for funding of acquisition of property, plant and equipment and acquisition of Taunus Printing.

Our gearing ratio decrease from 49.9% as at 31 December 2018 to 45.8% as at 30 June 2019. The decrease was primarily due to the decrease in borrowings of 3.6% as at 30 June 2019.

The gearing ratio numbers above are calculated based on our financial results after our early adoption of HKFRS 16. If HKFRS 16 were not early adopted by us, our gearing ratio as of 31 December 2016, 2017 and 2018 and 30 June 2019 would be 2.9%, 30.6%, 48.6% and 44.9%, respectively.

Interest coverage ratio

Our interest coverage ratio decreased from 174.4 times for FY2016 to 97.1 times for FY2017. The decrease was primarily due to the decrease in profit before interest and tax by 13.3%.

Our interest coverage ratio decreased from 97.1 times for FY2017 to 10.9 times for FY2018. The decrease was primarily due to the increase in finance cost as a result of the increase of our bank borrowings.

Our interest coverage ratio decreased to 8.0 times for 6M2019. The decrease was primarily due to the increase in interest expenses on bank borrowings during 6M2019.

Net debt to equity ratio

As at 31 December 2016, our Group was at a net cash position, whereas our net debt to equity ratio was 18.0% as at 31 December 2017 primarily due to the increase in our borrowings as discussed above.

Our net debt to equity ratio increased from 18.0% as at 31 December 2017 to 37.1% as at 31 December 2018, primarily due to the increase in our borrowings, while the decrease from 37.1% as at 31 December 2018 to 34.3% as at 30 June 2019 was primarily due to decrease in our borrowings as discussed above.

IMPACT OF NON-RECURRING LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK$1.25 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total Listing expenses is estimated to be HK$45.4 million, of which (i) HK$16.3 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity consolidated; (ii) HK$20.6 million and HK$3.3 million had been charged to our profit and loss account for FY2018 and 6M2019, respectively and (iii) the remaining amount of approximately HK$5.2 million is expected to be charged to our profit and loss account during the second half of FY2019 during the second half of FY2019. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

Prospective investors should note that our financial results for the period ending 31 December 2019 will be adversely affected by the non-recurring Listing expenses described above, and may not be comparable to the financial performance of our Group in the past.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risk including market risk, credit risk and liquidity risk. Details of the risk to which we are exposed are set out in Note 3 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTEREST AND PROPERTY VALUATION

Cushman & Wakefield Limited, an independent valuer, has valued our property interests as at 30 September 2019. A summary of values and valuation reports issued by Cushman & Wakefield Limited are included in the Property Valuation Report set forth in Appendix III to this prospectus.

A reconciliation of our property interests as of 30 September 2019 and such property interests in our consolidated financial statements as of 30 June 2019 as required under Rule 5.07 of the Listing Rules is set forth below:

	HK$'000
Net book value as at 30 June 2019 *(Note)*	213,064
Depreciation	(1,898)
Exchange realignment	(3,015)
Net book value as at 30 September 2019 *(Note)*	208,151
Valuation surplus as at 30 September 2019	57,264
Valuation as of 30 September 2019	265,415

Note: Our property interest located in PRC is translated to HKD based on the exchange rate of RMB1.000 to HK$1.105 which is the closing rate adopted by our Group as at 30 June 2019 and 30 September 2019.

SUBSEQUENT EVENTS

Our Directors further confirm that they are not aware of any material delay in our projects, cancellation of orders, any material default in payment by our customers, from 30 June 2019 to the Latest Practicable Date.

DIVIDEND AND DIVIDEND POLICY

For FY2016, FY2017, FY2018 and 6M2019, dividends declared and paid to the respective shareholders of members of our Group amounted to HK$30.0 million, HK$15.0 million, HK$10.0 million and nil, respectively. We have declared and paid HK$10.0 million dividend in August 2019. The foregoing should not be viewed as basis to determine the level of dividends that may be declared in the future. After the completion of the Global Offering, our Shareholders will be entitled to receive dividends only when declared by our Board.

Our Directors may recommend a payment of dividends in the future after taking into account, among others, our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. We expect to pay a dividend in respect of each financial year of not less than 30% of our distributable profits upon Listing each year. The payment and amounts of dividends, if any, depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects and other factors which we consider relevant. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the shares. The declaration, payment and amount of dividends will be subject to our discretion. The proposed payment of dividends is also subject to the absolute discretion of the Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. The Board will review the dividend policy on an annual basis.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company is a limited liability company incorporated in the Cayman Islands on 19 April 2018 and is an investment holding company. There were no reserves available for distribution to the shareholders as of the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We have continued to focus on strengthening our market position and business operations in the paper product manufacturing and printing services industry. According to our financial performance for 6M2019 and up to 31 October 2019, our Directors are of the view that our revenue gross profit, gross profit margin and net profit (including Listing expenses) will be higher than that of the same period in 2018.

Our Group's gross profit margin was 21.5% and 28.5% for 6M2018 and 6M2019, respectively. The increase over the corresponding period was primarily due to (i) the depreciation of RMB against the HKD during 6M2019 in comparison to 6M2018; and (ii) the increase in tax refund rate for export products announced by the PRC tax authorities which took effect on 15 September 2018, thus reducing the amount of our PRC VAT taxes payable. Our profitability for 6M2019 was also affected by (i) the Listing expenses as disclosed in "– Impact of non-recurring Listing expenses"; (ii) payments which amounted to HK$7.8 million in relation to the transfer of the land parcels and the application of real estate ownership certificate or immovable property title certificate for certain building blocks in our Dongguan Factory; (iii) salary increase of HK$6.2 million from additional staff costs incurred in relation to Heshan Factory and increase in average salary and headcount; (iv) social insurance expenses of HK$4.0 million as a result of full compliance of social insurance since 2018; (v) the remaining severance payment to our employees of HK$3.4 million primarily as a result of discontinuance of our Tianjin Factory of HK$2.6 million; (vi) the increase in selling and distribution expenses of HK$2.1 million primarily due to the increase of transportation expenses, motor vehicle and travelling expenses and service charges for payment to the logistic service providers; and (vii) under provision of other taxes of approximately HK$1.2 million in relation to the acquisition of Heshan Factory.

In addition, our profitability for the remaining six months ending 31 December 2019 will be primarily affected by (i) the accrual of the remaining amount of Listing expenses of HK$5.2 million; (ii) the remaining amount of HK$2.2 million in relation to the application of real estate ownership certificate or immovable property title certificate for certain buildings in our Dongguan Factory; and (iii) transportation expenses of HK$0.1 million in relation to transferring production facilities from our Dongguan Factory to Heshan Factory.

Our Directors confirmed that, since 30 June 2019 and up to the date of this prospectus, save for (i) the Listing expenses as disclosed in "– Impact of non-recurring Listing expenses"; and (ii) several non-recurring one-off expenses as mentioned in the preceding paragraph, which would affect or profitability for FY2019, there has been no adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in the Accountant's Report set forth in Appendix I to this prospectus.

FUTURE PLANS

Please see "Business – Our business strategies" for a discussion of our future plans.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and based on the Offer Price of HK$1.25 per Offer Share, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of HK$120.8 million from the Global Offering after deducting the underwriting expenses, commissions and estimated expenses in connection with the Global Offering.

We intend to use the net proceeds from the Global Offering in the following manner:

- 52.5%, or HK$63.4 million, will be used for enhancing our production capacity and operational flexibility, of which:

  a. 10.8%, or HK$13.1 million, will be used for developing our production support in Southeast Asia through subcontracting arrangement;

  b. 10.8%, or HK$13.1 million, will be used for setting up our own production site in Vietnam; and

  c. 30.9%, or HK$37.2 million, will be used for acquiring new machines;

- 25.0%, or HK$30.2 million, will be used for optimising our product mix and production specialisation by, among others, reallocating our production capacity to Heshan and enhancing our operational efficiency, of which:

  a. 16.9%, or HK$20.4 million, will be used for constructing an additional factory building in our production site in Heshan; and

  b. 8.1%, or HK$9.8 million, will be used for acquiring new machines;

- 11.7%, or HK$14.1 million, will be used for enhancing our technological capability and upgrading our IT infrastructure; and

- 10.8%, or HK$13.1 million, will be used as working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$1.45 per Offer Share, assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Global Offering will increase by HK$25.7 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK$1.05 per Offer Share, assuming the Over-allotment Option is not exercised, the net proceeds we receive from the Global Offering will decrease by HK$25.7 million. We intend to adjust the net proceeds allocated for the above purposes on a pro-rata basis.

If the Over-allotment Option is fully exercised and based on the Offer Price of HK$1.25 per Offer Share, being the mid-point of the indicative Offer Price range, we would receive net proceeds of HK$145.8 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately used for the purposes described above, and subject to applicable laws, regulations, and the Listing Rules, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

FURTHER DETAILS ON USE OF PROCEEDS

In view of the continuing trade war between U.S. and the PRC, it is vital for us to develop production support in countries other than the PRC in order to mitigate the adverse impact and uncertainties to be brought by such trade war. Furthermore, in view of the utilisation rate of our Dongguan Factory which exceeded 100% and our discontinuance to lease certain premises with title defects in our Dongguan Factory which reduced our production space available, we believe that in order for us to maintain sufficient production capacity to optimise our product mix to produce products of higher gross profit margins and achieve better product mix and production specialisation, it is vital for us to enhance our operational efficiency by reallocating some of our production capacity to Heshan. We believe that by diversifying our production processes in various locations, we will be able to mitigate the operational risks and provide a relatively stable and efficient operating environment to support our Group's production. We also expect such moves would help strengthen our business relationships with our existing customers and broaden our customer base in the future, which helps to increase our market share and maximise Shareholders' return.

The use of proceeds outlined in this section may subject to further changes in light of the Group's evolving business needs and conditions, management requirements together with the prevailing market circumstances. Should our Directors decide to re-allocate the intended use of proceeds in response to any material event, for instance, further increase of the U.S. tariffs or if there is any material modification to the use of proceeds as outlined in this section, the Company will issue an announcement and make disclosure in the Company's annual report for the relevant in accordance with the Listing Rules.

Developing our production support in Southeast Asia through subcontracting arrangement (i.e. Immediate Measure 1A)

We have engaged subcontractors with production facilities in Vietnam to carry out end-to-end production of some greeting card products since June 2019. We are also exploring business opportunities with subcontractors in other Southeast Asia countries.

We intend to utilise HK$13.1 million to develop our production support in Southeast Asia by way of engaging subcontractors to carry our certain of our production processes in the future. See "Business – Recent trade war between the U.S. and the PRC – Immediate measures being adopted in response to the recent trade war between the U.S. and the PRC – Immediate Measure 1A – Relocating end-to-end production of our principal products from the PRC to Vietnam by engaging subcontractors in Vietnam" for a discussion of our subcontracting arrangements in Vietnam.

Setting up our own production site in Vietnam (i.e. Immediate Measure 3)

The table below sets forth details of setting up our own production site of in Vietnam:

Number and type of factory to be acquired:	One manufacturing factory building
Usage of the factory to be acquired:	Production, office and warehouse
Capital expenditure:	HK$25.9 million
Source of funding for capital expenditure:	Out of the total capital expenditure of HK$25.9 million, HK$13.1 million will be funded by our net proceeds from the Global Offering, and the remaining HK$12.8 million will be funded by bank loan(s) and/or internal resources
Miscellaneous expenses :	HK$0.8 million
Source of funding for miscellaneous expenses:	From bank loan(s) and/or internal resources
Expected completion date barring unforeseen circumstances:	The end of 2021
Planned site area:	10,000 to 15,000 sq.m.
Planned GFA:	6,000 to 9,000 sq.m.
Estimated printing capacity of our production facilities in Vietnam:	73.1 million of sheets*(Note)*

Note:

Such estimated printing capacity refers to the printing capacity which can be achieved by our production facilities in Vietnam after the production site is established and operational, and the printing machines have been acquired and transferred and reached full printing capacity, without taking into account of the potential increase in production capacity which will be subject to our Group's production arrangement in the future, for instance, by increasing the number of production hours per day.

Estimated percentage of the U.S. sales orders to be produced in the new production site

Upon full implementation of the Immediate Measures 1A and 3

We plan to allocate four printing presses in our own production site in Vietnam by transferring two of our printing presses located in the Dongguan Factory and Heshan Factory respectively and acquiring two additional printing presses by the net proceeds from the Global Offering. Upon our new production site in Vietnam is in full operation, we will utilise our printing presses located in our own production site in Vietnam on a priority basis and we will engage subcontractors for production only when our printing presses reach their full printing capacities or are not able to perform production due to other operational reasons. Based on the U.S. FY2018 Revenue and relevant data in FY2018, the new production site with four printing presses offering a total printing capacity of 73.1 million of sheets would be able to take up around 78.9% (being HK$363.7 million) of the anticipated U.S. sales relocated to Vietnam under Immediate Measure 1A, accounting for approximately 44.1% of the U.S. FY2018 Revenue. Meanwhile, the engagement of subcontractors in Vietnam which can offer a total printing capacity of 130.9 million of sheets in maximum would be able to take up all of the anticipated U.S. sales relocated to Vietnam under Immediate Measure 1A, and therefore will be sufficient to cover the remaining 21.1% (being HK$97.0 million) of the anticipated U.S. sales relocated to Vietnam under Immediate Measure 1A, accounting for approximately 11.8% of the U.S. FY2018 Revenue. On the other hand, the remaining portion of the anticipated U.S. sales, accounting for approximately 44.1% of the U.S. FY2018 Revenue, will continue to be produced by the Dongguan Factory and Heshan Factory. For an analysis on our Group's estimated total annual printing capacities from production by production sites and our subcontractors upon full implementation of the Immediate Measures and the Group's future plans to increase its overall printing capacity and operational efficiency, see "– Increase in our Group's overall printing capacity".

Upon full implementation of the Immediate Measures 1A and 3 and the Contingency Measures

In the event that the Immediate Measures 1A and 3 are fully implemented and the Contingency Measures are activated and fully implemented, based on the U.S. FY2018 Revenue and relevant data in FY2018, approximately 77.1% of our Group's U.S. sales would be relocated to Vietnam for production, either by subcontractors in Vietnam or the new production site to be established in Vietnam. To accommodate the increasing production for U.S. sales products to be relocated to Vietnam under the Contingency Measures, we will further increase the production capacity of our own production site in Vietnam by acquiring two additional printing presses, which will lead to an increase of the total production capacity of the new production site with six printing presses by approximately 48.1% from 73.1 million of sheets to 108.3 million of sheets. In such circumstances, assuming that the implementation timeline of setting up the production site in Vietnam can be achieved as scheduled, based on the U.S. FY2018 Revenue, the new production site with six printing presses offering a total printing capacity of 108.3 million of sheets would be able to take up around 84.8% (being HK$538.7 million) of the anticipated U.S. sales relocated to Vietnam under full implementation of the Contingency Measures, accounting for approximately 65.4% of the U.S.

FY2018 Revenue. Meanwhile, the engagement of subcontractors in Vietnam would be able to take up the remaining 15.2% (being HK$96.5 million) of the anticipated U.S. sales relocated to Vietnam under full implementation of the Contingency Measures, which would account for approximately 11.7% of the U.S. FY2018 Revenue.

Commercial rationale for setting up a new production site in Vietnam (i.e. Immediate Measure 3)

In light of the latest development of the trade war, our Directors believe that there is commercial rationale for setting up a production site in Vietnam which can take up over 70% of the anticipated U.S. sales relocated to Vietnam upon full implementation of Immediate Measure 1A based on the U.S. FY2018 Revenue while outsourcing part of the productions relocated to Vietnam to subcontractors:–

(a) It is commercially sensible to begin our expansion of production in Vietnam by means of subcontracting. Our Directors believe that there would be high commercial risk if substantial resources were being used to set up large scale production site in Vietnam with excessive amount of printing capacity, given that our Group has never established any production site in Vietnam before. Our Directors also view that the subcontracting arrangement is a prudent strategy for our Group only to respond to the impending impact arising from the increased U.S. tariffs on the business and financial performance in a timely manner before our Group can identify a suitable factory building outside the PRC for setting up our own production site.

(b) The Contingency Measures are back-up plans which have not been activated and implemented based on the latest development of the trade war, accordingly it is not commercially sensible to create excessive printing capacity in Vietnam when such measures have not been implemented. In the event that the Contingency Measures are activated and implemented, our Directors believe that, based on our Group's previous experience in acquisition of new printing presses, there will be no material difficulty for our Group to acquire two additional printing presses to be used in the new production site in Vietnam in order to transfer further production of our Group's U.S. sales to Vietnam. Accordingly, our Directors are of the view that four printing presses will be sufficient based on the latest development of the trade war, which can give greater flexibility to our Group in managing its future expansion and production plans.

(c) It is crucial for our Group to have its own production site in Vietnam in order to perform end-to-end production of the majority of its principal products being sold through OEM sales channel to the U.S. in the long run. According to the CIC Report, our Group is one of the few manufacturing and printing services providers in the PRC that are capable of producing a broad range of paper-based products which are able to meet its customers' needs. During the Track Record Period, we have engaged our subcontractors in Vietnam to perform end-to-end production of our Group's certain greeting cards products. However, our Directors are of the view that the engagement of subcontractors is only an immediate measure for us to promptly tackle the impacts arising from the trade war between the PRC and the U.S., and it is in the best interest of our Group to establish our own production site in Vietnam as opposed to engaging subcontractors for our long-term business development because: (i) prior approval is required from some of our end-customers from the U.S. for subcontracting production of their products time and is subject to the conditions of the subcontractors which are beyond our control, having our own production site in Vietnam therefore can enhance flexibility in our production and avoid sole reliance on subcontractors; (ii) with our own team, we can better ensure the quality of products by having more direct control over the deployment of staff who have the required industry knowledge, skillset, expertise and experience to perform the specific work and we can also closely oversee the work and delivery process for the entire production and make immediate adjustment whenever necessary to ensure delivery of quality products in a timely manner; (iii) having our own production site will allow us to better plan our production since we will not be constrained by the availability and capacity of the subcontractors; and (iv) even though the engagement of subcontractors only requires payment of subcontracting fees according to orders outsourced to subcontractors and does not involve any initial set-up or operating costs, we believe setting up our own production site will be able to give us better cost control and reduce our cost of sales in the long run since we can avoid any mark up by the subcontractors, which may materially and adversely affect the gross profit margin of our products and thus our profitability.

Our Directors confirm that our Group will closely monitor the situation and will adjust the printing capacity in the Vietnam production site from time to time as appropriate depending on the development of trade war and other relevant circumstances.

We expect that the new production site in Vietnam will achieve a breakeven point at which the revenue deriving from such production site covers its expenses within 19 months upon the commencement of such production site's operation. The investment payback period is expected to be approximately five years, which is the period of time required for the cash flows generated to cover the amount of investment required for the new production site in Vietnam.

The abovementioned breakeven period and investment payback period estimations are subject to a number of uncertainties, such as the difficulty to forecast the level of customer orders with certainty, and the risks associated with such expansion plans, such as delay or failure in obtaining the requisite licences, permits or approvals from government authorities and in overcoming technical hurdles regarding our production facilities. For associated risks, see "Risk Factors – Risks relating to our business – Future expansion plans are subject to uncertainties and risks and may lead to increase in our costs in the future." Barring unforeseen circumstances, we expect to proceed with acquiring the factory building for setting up our own production site in Vietnam after Listing.

As at the Latest Practicable Date, we have consulted an international real estate service provider with business presence in Vietnam to enquire about and obtain quotations for several factory building located in Vietnam but no legally binding agreement has been reached yet. As at the Latest Practicable Date, we have yet to identify any acquisition target or enter into any formal negotiation or sales and purchase agreement in relation to any potential target.

Acquisition of new machines in our own production site in Vietnam

We intend to utilise HK$56.3 million (HK$37.2 million of our net proceeds from the Global Offering and HK$19.1 million from internal resources and/or bank loan(s)), for the acquisition of new machines for use in our own production site to be established Vietnam. The table below sets forth details of the new machines we intend to purchase with the net proceeds from the Global Offering/internal resources and/or bank loan(s).

Types of machine(s)	Quantity	Types of products to be produced	Relevant sales channel
Vietnam Production site			
Offset printing machines	2	All	OEM
Die-cutting machines	23	All	OEM
Binding machines	2	Educational items	OEM
Assembly machines	15	All	OEM
Total:	**42**		

Construction of an additional factory building in our production site in Heshan

The table below sets forth details of the construction of the additional factory building to be constructed:

Number and type of building to be constructed:	One additional factory building
Usage of the building to be constructed:	Production and warehouse
Capital expenditure:	Additional factory building: HK$57.5 million Common area: HK$6.5 million Total: HK$64.0 million
Source of funding for capital expenditure:	Out of the total capital expenditure of HK$64.0 million, HK$20.4 million will be funded by our net proceeds from the Global Offering, and the remaining HK$43.6 million will be funded by bank loan(s) and/or internal resources

Expected completion date barring unforeseen circumstances:	The end of 2021
Planned site area:	6,425.53 sq.m.
Planned GFA:	23,444.35 sq.m.
Estimated printing capacity of our production facilities in Heshan (including the additional factory building):	123.1 million of sheets (comprising the estimated printing capacity of 17.2 million of sheets from the additional building factory after commencement of its operation) *(Note)*

Note: Such estimated printing capacity refers to the total printing capacity which can be achieved by our production facilities in Heshan after the additional factory building is constructed and operational (including our current Heshan Factory), and the printing machines have been delivered and reached full printing capacity, without taking into account of the potential increase in production capacity which will be subject to our Group's production arrangement in the future, for instance, by increasing the number of production hours per day.

We expect that the Heshan Factory (including the additional factory building to be constructed) will achieve a breakeven point at which the revenue deriving from our Heshan Factory (including the additional factory building to be constructed) covers its expenses within one month upon the commencement of the additional factory building's operation. The investment payback period for the cash flows generated to cover the amount of investment required for the Heshan Factory (including the additional factory building to be constructed of) is expected to be approximately seven years. The investment payback period for the cash flows generated to cover the amount of investment required for the construction of the additional factory building is expected to be approximately four years.

The abovementioned breakeven period and investment payback period estimations are subject to a number of uncertainties, such as the difficulty to forecast the level of customer orders with certainty, and the risks associated with such expansion plans, such as delay or failure in obtaining the requisite licences, permits or approvals from government authorities and in overcoming technical hurdles regarding our production facilities. For associated risks, please see "Risk Factors – Risks relating to our business – Future expansion plans are subject to uncertainties and risks and may lead to increase in our costs in the future." Barring unforeseen circumstances, we expect to commence construction of the additional factory building after Listing.

As at the Latest Practicable Date, we had obtained (i) the land use right certificate for the production site in Heshan with a site area of 46,552.27 sq.m.; (ii) the construction permit for construction project* (建築工程施工許可證) with respect to a construction area of 62,648.48 sq.m. for the construction of a total of three buildings; (iii) construction land use planning permits (建設用地規劃許可證); and (iv) planning permits for construction project (建設工程規劃許可證).

Acquisition of new machines in Heshan Factory

We intend to utilise 8.1%, or HK$9.8 million of our net proceeds from the Global Offering, for the acquisition of new machines for use in our Heshan Factory. The table below sets forth details of the new machines we intend to purchase with the net proceeds from the Global Offering.

Types of machine(s)	Quantity	Types of products to be produced	Relevant sales channel
Heshan Factory			
Die-cutting machines	2	All products	OEM
Binding machines	2	Educational items	OEM
Assembly machines	11	Tabletop games, greeting cards and educational items	OEM
Total:	**15**		

Increase in our Group's overall printing capacity

Following the full implementation of the future plans to (i) set up our own production site in Vietnam and acquire new machines in Vietnam factory and (ii) constructing an additional factory building in our production site in our Heshan Factory, there will be an overall increase of our Group's overall printing capacity and operational efficiency arising from the additional printing capacity to be derived from the new production site in Vietnam and a reallocation of our Group's printing capacities between our Dongguan Factory and Heshan Factory.

For illustrative purpose, the following table sets forth an analysis on our estimated total annual printing capacities from production by our production sites and our subcontractors, after the (i) establishment of our business presence in Southeast Asia through setting up our own production site in Vietnam; (ii) relocation of the printing presses at Dongguan Factory to Heshan Factory; (iii) relocation of two of the machines located in Dongguan Factory and Heshan Factory to our Group's new production site in Vietnam; and (iv) acquisition of two additional printing presses for our Group's new production site in Vietnam.

	Actual annual printing capacity (based on the printing capacity as at the Latest Practicable Date and annualised for the year) (in million of sheets)	%	Estimated annual printing capacity to be transferred to Heshan Factory(note 3) (in million of sheets)	Estimated annual printing capacity transferred to Vietnam(note 4) (in million of sheets)	Estimated additional annual printing capacity(note 5) (in million of sheets)	Estimated total annual printing capacity(note 6 & 7) (in million of sheets)	%
Production by our production sites							
Dongguan Factory	62.8(note 1)	16.1	(17.2)	(15.3)	–	30.3	7.2
Heshan Factory	128.5(note 2)	33.1	17.2	(22.6)	–	123.1	29.0
New production site in Vietnam	–	–	–	37.9	35.2	73.1	17.2
Sub-total	191.3	49.2	–	–	35.2	226.5	53.4
Production by our subcontractors							
PRC subcontractors	36.6	9.4	–	–	–	36.6	8.6
Vietnam subcontractors	130.9	33.7	–	–	–	130.9	30.9
Hong Kong subcontractors	30.0	7.7	–	–	–	30.0	7.1
Sub-total	197.5	50.8	–	–	–	197.5	46.6
Total	388.8	100.0	–	–	35.2	424.0	100.0
Total production in terms of region							
(1) PRC	227.9	58.6	–	(37.9)	–	190.0	44.8
(2) Hong Kong	30.0	7.7	–	–	–	30.0	7.1
(3) Vietnam	130.9	33.7	–	37.9	35.2	204.0	48.1
Total	388.8	100.0	–	–	35.2	424.0	100.0

Notes:

(1) The estimated annual printing capacity of the Dongguan Factory was the annualised printing capacity which can be achieved for a full financial year based on the existing printing presses and manpower available as at the Latest Practicable Date which were fully utilised, and without taking into account of the potential increase in production capacity which will be subject to our Group's production arrangement in the future, for instance, by increasing the number of production hours per day. It is calculated based on the following major assumptions: (i) a practical production capacity of 15,704 sheets per hour including the down time required for the change of printing plates and for colour adjustment as at the Latest Practicable Date; (ii) 16 production hours per day as at the Latest Practicable Date; (iii) 250 average production dates for a full financial year, taking out Saturdays, Sundays and statutory holidays. The average production days was the average of the production days of the number of printing presses operated by our for a full financial year on an annualised basis; and (iv) the respective number of printing presses operated by our as at the Latest Practicable Date. Such estimated printing capacity is only to provide an illustration of the Dongguan Factory's typical capacity.

(2) The estimated annual printing capacity of the Heshan Factory was the annualised printing capacity which can be achieved for a full financial year based on the existing printing presses and manpower available as at the Latest Practicable Date which were fully utilised, and without taking into account of the potential increase in production capacity which will be subject to our Group's production arrangement in the future, for instance, by increasing the number of production hours per day. It is calculated based on the following major assumptions: (i) a practical production capacity of 32,120 sheets per hour including the down time required for the change of printing plates and for colour adjustment as at the Latest Practicable Date; (ii) 16 production hours per day as at the Latest Practicable Date; (iii) 250 average production dates for a full financial year, taking out Saturdays, Sundays and statutory holidays. The average production days was the average of the production days of the number of printing presses operated by us for a full financial year on an annualised basis; and (iv) the respective number of printing presses operated by us as at the Latest Practicable Date. Such estimated printing capacity is only to provide an illustration of the Heshan Factory's typical capacity.

(3) This refers to the printing capacity to be transferred from the Dongguan Factory to Heshan Factory pursuant to the relocation of the relevant printing presses subsequent to the Latest Practicable Date when such printing presses have reached full printing capacity.

(4) This refers to the printing capacity to be transferred from production generated from two of the printing presses located in the Dongguan Factory and Heshan Factory respectively to our new production site in Vietnam.

(5) Such estimated annual printing capacity refers to the printing capacity contributed by the relevant additional printing presses to be acquired after such machines have reached full printing capacity.

(6) It is estimated that we will be able to reach such total estimated printing capacity by 2021.

(7) Such estimated printing capacity included an aggregate of 65.1 million of sheets printed by the printing presses which had been relocated from the Dongguan Factory to Heshan Factory and an aggregate of 14.6 million of sheets printed by the printing presses which had been disposed by the Dongguan Factory as at the Latest Practicable Date.

Our Directors are of the view that our Group will be able to achieve the above estimated annual printing capacities, given that (i) during the Track Record Period, we have already relocated some of our production processes to our subcontractors in Vietnam; (ii) we have confirmed the engagement of our subcontractors in Vietnam for certain orders of our major customers and HK Subcontractor to conduct printing and die-cutting processes of some greeting cards products importing to the U.S. in January 2020; (iii) we have commenced our preparation work for the setting up of our own production site in Vietnam (for details, see "Business – Recent trade war between the U.S. and the PRC – Immediate measures being adopted in response to the recent trade war between the U.S. and the PRC"); and (iv) there will be no material difficulties in transferring our major printing presses to our Heshan Factory and our new production site in Vietnam as we have prior experience in relocating our production facilities from Dongguan Factory to Heshan Factory since October 2018 and encountered no major obstacles in such relocation arrangement.

Upon construction of an additional factory building in our Heshan Factory, our Dongguan Factory will focus primarily on (i) our non-U.S. sales; (ii) products for sales through websites; (iii) production processes other than printing and die-cutting processes (which we engage our subcontractor in Hong Kong to conduct under Immediate Measure 1B) of greeting card products being sold through our OEM sales channel to the U.S.; (iv) provision of laboratory testing services by DPI Laboratory (DG); and (v) other non-manufacturing core functions such as sales order management, quotation and product development, material and production planning and information technology support, through centralisation of our production and relocation of our production facilities. Our Directors expect that our Group's overall production efficiency and operational efficiency will be enhanced as the management will be able to perform better production planning and more effective allocation of resources to support our production capacity with the increased production space and new machines in our Heshan Factory. For details, see "Business – Production – Relocation of some production facilities from Dongguan Factory to Heshan Factory".

Going forward, upon establishment of our business presence in Southeast Asia through setting up our own production site in Vietnam, we intend to relocate the end-to-end production of the majority of our principal products being sold through our OEM sales channel to the U.S. to our own production site in Vietnam by acquiring a factory building and new machines. On the other hand, we intend to maintain our production sites in the PRC for various business functions. For details, see "Business – Recent trade war between the U.S. and the PRC – Relocation of production procedures upon implementation of Immediate Measures and Contingency Measure". We expect that our new production site to be established in Vietnam will complement our production capability in the PRC and gradually reduce the amount of subcontracting work required by our Group outside the PRC for our U.S. sales-products. Further, our Group has endeavoured to diversify its customer base outside the U.S. in order to mitigate its business risk. To strengthen the ability of our Group in capturing new business opportunities and developing new customers outside the U.S., in March 2019, we appointed a sales representative in Europe to explore the European market and cultivate business relationships in the region. As at the Latest Practicable Date, our Group has secured purchase orders from a new customer for tabletop games products based in Netherlands through referral by such sales representative in Europe and the secured orders from the new customer amounted to HK$0.7 million. For details, see "Business – Recent trade war between the U.S. and the PRC – Immediate measures being adopted in response to the recent trade war between the U.S. and the PRC". On the basis of the above, our Directors believe that the production sites in the PRC are still of significant value to our Group's overall business performance and it is appropriate for our Group to expand its production capacity in Vietnam while maintaining its production sites in the PRC for, among others, the production of non-U.S. sales products.

For details, see "Business – Our business strategies – Enhancing our production capacity and operational flexibility by (i) developing our production support in Southeast Asia through subcontracting arrangement; and subsequently (ii) establishing our business presence in Southeast Asia through setting up our own production site in Vietnam" and "Business – Our business strategies – Optimise our product mix and production specialisation by (i) reallocating our production capacity to Heshan and enhancing our operational efficiency and (ii) enlarging our customer base in the tabletop games and educational items segments".

IMPLEMENTATION PLAN

The table below sets forth details of our implementation plan and the expected capital expenditure required for our expansion plan to (i) set up our own production site in Vietnam and acquire new machines in Vietnam factory and (ii) construct an additional factory building and purchase machines and equipment in our production site in Heshan, totalling to HK$83.0 million (HK$50.3 million of our net proceeds from the Global Offering and HK$32.7 million from internal resources and/or bank loan(s)) and HK$73.8 million (HK$30.2 million of our net proceeds from the Global Offering and HK$43.6 million from internal resources and/or bank loan(s)), respectively:

(i) Setting up our own production site in Vietnam

As at the Latest Practicable Date up to the six months ending 30 June 2020

Stages	Implementation activities	Expected capital Expenditures	Source of funding *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Incorporation of a foreign-owned private company in Vietnam	– Prepare all documents required for incorporation of foreign-owned private company in Vietnam – Apply for the relevant approvals and/or permits for operation of printing business	0.3	From internal resources and/or bank loan(s)
	– Identify the suitable factory building and conduct site inspection	N/A	N/A
Identification of potential factory building acquisition	– Conduct due diligence work	0.1	From internal resources and/or bank loan(s)

For the six months ending 31 December 2020

Stages	Implementation activities	Expected capital Expenditures	Source of funding *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Identification of potential factory building acquisition	– Finalise due diligence work – Prepare and review sales and purchase agreement for acquisition of the suitable factory building	N/A	N/A
Production facilities and equipment	Seek quotations for production facilities and equipment	N/A	N/A
Recruitment of administrative staff	N/A	N/A	N/A

For the six months ending 30 June 2021

Stages	Implementation activities	Expected capital Expenditures	Source of funding *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Acquisition of the suitable factory building	– Analyse data and information obtained from due diligence work	25.9	13.1 from the Global Offering; 12.8 from internal resources and/or bank loan(s)
	– Finalise terms on the sales and purchase agreement for acquisition of the suitable factory building	N/A	N/A
	– Sign the sales and purchase agreement and complete acquisition of the suitable factory building	N/A	N/A

Stages	**Implementation activities**	**Expected capital Expenditures**	**Source of funding** *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Purchase machines and equipment for the production site in Vietnam	– Reconfirm quotations – Order machines and equipment and payment – Delivery	56.3	37.2 from the Global Offering; 19.1 from internal resources and/or bank loan(s)
Recruitment of administrative and production staff	N/A	N/A	N/A
Relocation of machines from the Dongguan Factory to Heshan Factory	– Uninstallation of machines – Transportation of machines – Reinstallation of machines	0.4	From internal resources and/or bank loan(s))
Trial production	– Commence trial production at the production site in Vietnam	N/A	N/A

For the six months ending 31 December 2021

Stages	**Implementation activities**	**Expected capital Expenditures**	**Source of funding** *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Production site in Vietnam to reach full printing capacity	Expected full printing capacity of 35.2 million of sheets annually	N/A	N/A
	TOTAL:	83.0	50.3 from the Global Offering; 32.7 from internal resources and/or bank loan(s)

(ii) Constructing additional factory building in our production site in Heshan

Prior to the Latest Practicable Date

Stages	Implementation activities	Expected capital expenditures	**Source of funding** *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Construction planning and design	– Prepared the construction plan and design and seek quotations from various design companies and construction contractors – Applied for construction land use planning permit (建設用地規劃許可證) and prepared environment evaluation – Confirmed the construction plan and design and select construction contractors – Construction ground works including bulldozing on the relevant land parcel	4.7	From internal resources and/or bank loan(s)
Application for the relevant approvals and/or permits	– Applied for Guangdong Province Enterprise Investment Project Record Certificate* (廣東省企業投資項目備案證), construction permit for construction project (建築工程施工許可證), planning permit for construction project (建設工程規劃許可證), design record in respect of fire safety (消防設計備案) and environmental assessment report approval (環評批覆) – Engaged vendor for preparing construction drawing review (施工圖審查)	N/A	N/A
Obtaining of the relevant approvals and/or permits	– Obtained construction land use planning permit (建設用地規劃許可證), Guangdong Province Enterprise Investment Project Record Certificate (廣東省企業投資項目備案證), construction permit for construction project (建築工程施工許可證) and planning permit for construction project (建設工程規劃許可證)	N/A	N/A
Production facilities and equipment	– Sought quotations for production facilities and equipment	N/A	N/A

For the financial year ending 31 December 2019

Stages	Implementation activities	Expected capital expenditures	Source of funding *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Construction	– Commence construction work of the factory building	4.1 *(Note 1)*	From internal resources and/or bank loan(s)

For the six months ending 30 June 2020

Stages	Implementation activities	Expected capital expenditures	Source of funding *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Construction	– Continue construction work of factory building	30.7	20.4 from the Global Offering; 10.3 from internal resources and/or bank loan(s)

For the six months ending 31 December 2020

Stages	Implementation activities	Expected capital expenditures	Source of funding *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Construction	– Continue construction work of the factory building	20.7 *(Note 2)*	From internal resources and/or bank loan(s)

For the six months ending 30 June 2021

Stages	**Implementation activities**	**Expected capital expenditures**	**Source of funding** *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Construction	– Continue construction work of the factory building and complete construction	3.8*(Note 3)*	From internal resources and/or bank loan(s)
Apply for completion approvals and/or permits	– Apply for environmental protection completion inspection approval (環境保護竣工驗收意見), fire safety completion inspection record (消防竣工驗收備案), planning work completion inspection approval (規劃竣工驗收), and work completion inspection record (工程竣工驗收 備案)	N/A	N/A
Purchase machines and equipment for the additional factory building in Heshan	– Reconfirm quotations – Order machines and equipment and payment – Delivery	9.8	From the Global Offering
Trial production	Commence trial production at the Heshan Factory and Dongguan Factory	N/A	N/A

For the six months ending 31 December 2021

Stages	**Implementation activities**	**Expected capital expenditures**	**Source of funding** *(net proceeds from the Global Offering/ internal resources and/or bank loan(s))*
		HK$' million	*HK$' million*
Trial production	Continue trial production at the Heshan Factory	N/A	N/A
Heshan Factory to reach full printing capacity	Expected full printing capacity of 123.1 million of sheets annually *(Note 4)*	N/A	N/A
	TOTAL:	73.8	30.2 from the Global Offering; 43.6 from internal resources and/or bank loan(s)

Notes:

1. The estimated cost of constructions of HK$4.1 million comprises payment for building foundation works of HK$1.8 million and construction work of HK$2.3 million.

2. The estimated cost of constructions of HK$20.7 million comprises construction work of HK$17.5 million, fire prevention facilities of HK$1.6 million and drainage system and electricity works of HK$1.6 million.

3. The estimated cost of constructions of HK$3.8 million comprises fire prevention facilities of HK$1.9 million and drainage system and electricity works of HK$1.9 million.

4. Such estimated minimum printing capacity refers to the total printing capacity which can at least be achieved by our production facilities in Heshan after the additional factory building is constructed and operational (including our current Heshan Factory), and the printing machines have been delivered and reached full printing capacity, without taking into account of the potential increase in production capacity which will be subject to our Group's production arrangement in the future, for instance, by increasing the number of production hours per day.

For details of our use of proceeds for our remaining business strategy, see "Business – Our business strategies – Leverage our technological capability to capture more business opportunities in Internet retailing and e-commerce and upgrade our IT infrastructure".

REASONS FOR THE LISTING

We believe that the Listing represents an important step to implement our business strategies. Our utilisation rate exceeded 100% during the Track Record Period. Further, in light of the recent development of the trade war between U.S. and the PRC, our Group has to diversify its production arms in different locations in order to lower its operational risks and mitigate the impact of such trade war and uncertainties arising therefrom. Our Directors believe that it is essential for our Group's persistent growth in the future to enhance our operational flexibility and increase our production capacity by implementing our business strategies as set out in "Business – Our business strategies". Through the Listing, not only can we raise funds from the Global Offering and apply them to the above uses, we believe we can gain access to capital market for future secondary fund raising for our further expansion plans as and when necessary through the issuance of equity and/or debt securities, with relatively lower financing cost as compared with similar financing that can be obtained by a private company.

We believe that it is essential for our Group to maintain a cash flow sufficient to support our operations, while avoiding incurring high interest rates and gearing. In view of our expansion plan, we have considered using internal resources, existing banking facilities or external borrowings to fund our expansion plans.

The current financial resources available to our Group is only sufficient for our present scale of operations, and there are imminent needs for additional financial resources to support expected business growth

We do not have sufficient surplus cash for our business expansion

Although our business generated net operating cash inflow, we believe it is only sufficient for our current scale of operations before the implementation of our business strategies and future plans. Taking into account the fact that, as at 30 June 2019, (i) our Group only had cash and cash equivalents of HK$56.4 million; (ii) our trade payables amounted to HK$94.5 million; (iii) our accruals, provisions and other payables (excluding accrued staff costs, other taxes payables, contract liabilities and provision for social insurance and housing provident fund) amounted to HK$31.7 million; and (iv) our borrowings payable within one year and repayment on demand clause amounted to HK$111.2 million, our Directors believe that our Group may not have sufficient internally generated funds to finance our expansion plan while at the same time maintaining sufficient working capital our Group's operations.

Furthermore, a majority of our cash and cash equivalents was obtained by utilising short-term banking facilities and for our working capital needs, and are not suitable for long-term needs. Our cash and cash equivalents also displayed a decreasing trend, amounting to HK$116.2 million, HK$64.0 million, HK$59.9 million and HK$56.4 million at the end of FY2016, FY2017, FY2018 and 6M2019, respectively.

Upfront costs needed for our procurement of raw materials and therefore require sufficient level of cash balance for our business operations

Although we have net cash generated from operating activities amounting to HK$116.8 million, HK$58.8 million, HK$114.3 million and HK$41.5 million for FY2016, FY2017, FY2018 and 6M2019, respectively, we require a sufficient level of cash balance for our business operations, as we incur costs of purchase of raw materials for production before we receive payment for our products. Our average monthly operating expenses for the 12 months FY2018 and the six months 6M2019, including payment for purchase of raw materials, subcontracting fees and staff costs, amounted to HK$67.1 million and HK$74.0 million, respectively. In addition, when we receive ad hoc purchase orders from our customers, we require sufficient cash balance to take on such orders as we incur cash outflow for the purchase of raw materials. While our Directors consider that our current cash and cash equivalents will be able to support our existing operations, our Group may not have sufficient internal generated funds to finance our expansion plan and maintain sufficient working capital for our operations at the same time, and our current cash level would restrict our rate of growth and ability to further expand, as well as hinder the implementation of our business strategies.

Net cash used in investing activities for reinvesting into our business

For FY2016, FY2017, FY2018 and 6M2019, we utilised part of our cash flow for reinvesting into our business, such as for purchase of property, plant and equipment and deposit for property, plant and equipment, resulting in net cash used in investing activities of HK$54.7 million, HK$210.2 million, HK$130.8 million and HK$27.2 million, respectively. As part of our business operations, we require regular upgrade of our property, plant and equipment to ensure production efficiency and quality. During the Track Record Period, we experienced high level of utilisation rates, and the ages of our major printing presses range from 1 to 18, and certain of them had been used beyond their estimated useful lives since such machines were function as at the Latest Practicable Date. Our Directors consider that regular upgrades and reinvestment into our business is necessary for improving overall efficiency and quality of our products.

Our banking facilities are insufficient and unsuitable for our expansion plans

As at 31 October 2019, our Group had unutilised banking facilities of HK$160.7 million (comprising combined limit (which includes trade financing, loans, letter of credit and overdrafts) of HK$110.3 million, loans of HK$44.0 million, overdraft of HK$5.0 million and trade financing of HK$1.4 million), of which only approximately HK$124.4 million could be utilised for our expansion plans due to certain restrictions as imposed under the banking facilities on utilisation purposes. As set out in "– Use of proceeds – Implementation plan", in respect of the (i) establishment of our business presence in Southeast Asia through setting up our own production site in Vietnam; and (ii) construction of an additional factory building in our production site in Heshan and acquisition of new machines, we require additional funding of HK$156.8 million, which our current level of unutilised banking facilities available for such purposes is insufficient to support. Furthermore, a majority of the unutilised banking facilities comprised overdrafts, letter of credit and trade financing, which are short-term and unsuitable for funding our expansion plans involving a much longer investment term, as we expect both the production site to be established in Vietnam and additional factory building in Heshan to reach full printing capacity in the second half of 2021.

Over reliance on bank loans will increase our risk exposure to finance cost and other risks

As for external borrowings, given that our level of borrowings displayed an increasing trend for FY2016 to FY2018 and only decreased slightly for 6M2019, amounting to HK$10.0 million, HK$137.7 million, HK$228.0 million and HK$219.9 million as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively, and our gearing ratio displayed an increasing trend for FY2016 to FY2018 and only decreased slightly for 6M2019 at 4.9%, 32.1%, 49.9% and 45.8% for the corresponding period, our Directors consider that the continuous high level of borrowings will adversely affect our financial performance and liquidity, due to the corresponding high finance cost. For FY2016, FY2017, FY2018, 6M2018 and 6M2019, our finance costs amounted to HK$0.6 million, HK$1.0 million, HK$6.0 million, HK$2.2 million and HK$3.8 million, respectively.

Although our Directors consider that utilising banking facilities will increase our gearing ratio and increase our finance cost which may not be the best financing method for us, we have limited alternative financing methods due to our nature of being a private company prior to the Listing. Our Directors have been reconsidering the capital structure of our Group as the gearing ratio has been maintained at a relatively high level since FY2017 and finance cost has increased has increased during the Track Record Period. In view of the high gearing ratio of our Group, our financial performance and liquidity may be adversely affected if market uncertainty suddenly rose, such as increase in interest rates and any sudden unexpected deterioration in the prevailing market conditions leading to the imposition of further requirements on debt financing in additional to regular payment of interest and principal by our Group regarding of the performance of the business of our Group. Despite the current low interest rate environment, there is no assurance that the low interest rate environment will continue in the future. In case of any tightening of credit control in Hong Kong and/or the U.S., the interest rates for bank borrowings may be raised, and therefore furthering increase our finance costs.

Moreover, with high gearing ratio, in case of economic downturn and an increase in the interest rates for bank borrowings, our Group will be more vulnerable if we could not obtain sufficient capital from bank borrowings. Our Directors are of the view that it is not in the interest of our Group to rely substantially on bank borrowings to finance our Group's expansion plans, and that it will be less attractive to equity investors if our Group relies substantially on debt financing and maintains a high gearing ratio.

There is also no assurance that we can continue to obtain bank borrowings at similar level in future, or that we will be able to secure bank or other borrowings at commercially acceptable terms or at all. In the event that we fail to obtain bank or other borrowings or the terms of the bank or other borrowings are less favourable to us, our business operations, financial condition and results of operations may be materially and adversely affected.

Difficulty for us to obtain bank borrowings without personal guarantees and/or other collateral provided by our Controlling Shareholders

Given the relatively high levels of borrowings while our Groups' land and buildings have been pledged as collateral for bank loan as at 30 June 2019, our Directors consider that as part of a group of private companies, it would be difficult for our Company, without a listing status, to obtain additional bank borrowings without personal guarantee or other form of collateral provided by our Controlling Shareholders. This is supported by the fact that our lending banks have indicated their intention to release the personal guarantees provided by our Controlling Shareholders, subject to, among others, our Company being successfully listed on the Stock Exchange. Without a listing status, we may have difficulty in obtaining sufficient bank borrowings at a more commercially favourable terms without personal guarantees or other collateral to be provided by our Controlling Shareholders for the bank borrowings.

Access to equity fund raising platform

In view of the forgoing, our Directors consider that our current financial resources could only support our current scale of operations, and are not sufficient to support the expansion plan. As such, extra financial resources from the Listing are crucial for our Group to facilitate the implementation of our expansion plan without exerting additional pressure on our financial position and cash flow. Our Group will be able to gradually adjust to an optimal capital structure, which can consist of a mixture of debt and equity-financing, to minimise the costs of capital. Despite the total estimated Listing expenses of HK$45.4 million to be incurred, it is non-recurring and would not increase our gearing ratio or increase our finance costs.

Our Directors are also of the view that the Listing will provide our Group with the platform to access the Hong Kong equity market both at the time of Listing with an one-off Listing expenses and at later stages after Listing for further expansion plans and business strategies as and when necessary through the issuance of equity and/or debt securities, with relatively lower financing cost as compared with banking facilities as can be obtained by a private company. Our Directors believe that the potential benefits of the Listing would ultimately outweigh the Listing costs as well as the cost of debt financing in the long run as (i) the Listing expenses are one-off in nature as opposed to the repetitive finance cost of the bank borrowings, and that such expenses will not continue to pose risks to our Group's financial position and liquidity, whereas debt financing will bring continuous finance cost of borrowings, and together with the risk of increase in interest rates, may materially and adversely affect our Group's profitability going forward; and (ii) through the Listing, our Group can gain a fund raising platform and direct access to the capital market for equity financing and more fund raising options which might not otherwise be available to us as a private company, such as placements, rights issues and issues of convertible securities. Thus, our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of Global Offering for the purpose of our business expansion.

Enhance our corporate profile, credibility and competitiveness

Our Directors are of the view that becoming a listed company would enhance our corporate profile, credibility and competitiveness among prospective customers and suppliers, which may continue to our future growth. Not only are there branding and publicity advantages that come with becoming a listed company on the Main Board of the Stock Exchange, but prospective customers and suppliers would also have public access to our corporate and financial information after the Listing. During the Track Record Period, our major customers included an international greeting cards publisher, and multinational children educational products and toys brands in the United States and countries in Europe, some of which are leading players in their respective market segments and are also listed companies in other stock exchanges. It is our Group's strategy to conduct business with customers with an established brand name, good reputation and creditworthiness. We believe a listing status would raise our market reputation and brand awareness, generate higher level of confidence in our professionalism and capabilities, and further strengthen established business relationships and help establishing new business relationships.

A listing status will strengthen our competence among competitors and gain larger market share in this competitive market, and our Directors believe that the Listing is necessary.

THE CORNERSTONE PLACING

We and the Sole Global Coordinator have entered into cornerstone investment agreements with (i) Mr. Yeung Kam Chung; (ii) L&H Auction Co., Limited; (iii) Ms. Ng Ling Ling, *JP;* (iv) Mr. So Cheung Tak, Douglas, *JP*; and (v) ATNT Group Management Limited (as investors) (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**") ("**Cornerstone Investment Agreements**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately HK$40.0 million (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$1.05, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 38,086,000 Offer Shares, representing approximately (i) 31.81% of the International Placing Shares (assuming that the Over-allotment Option is not exercised); (ii) 28.64% of the Offer Shares (assuming that the Over-allotment Option is not exercised); and (iii) 7.15% of the Shares in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$1.25, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 32,000,000 Offer Shares, representing approximately (i) 26.72% of the International Placing Shares (assuming that the Over-allotment Option is not exercised); (ii) 24.08% of the Offer Shares (assuming that the Over-allotment Option is not exercised); and (iii) 6.00% of the Shares in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$1.45, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 27,584,000 Offer Shares, representing approximately (i) 23.04% of the International Placing Shares (assuming that the Over-allotment Option is not exercised); (ii) 20.72% of the Offer Shares (assuming that the Over-allotment Option is not exercised); and (iii) 5.20% of the Shares in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

The Cornerstone Placing forms part of the International Placing. Other than the subscription pursuant to the Cornerstone Investment Agreements, the Cornerstone Investors have agreed not to subscribe for any Offer Shares under the Global Offering.

The Offer Shares to be subscribed for by the Cornerstone Investors may be adjusted by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer. In the event of over-subscription under the Hong Kong Public Offer as described in "Structure and Conditions of the Global Offering – The Hong Kong Public Offer", the number of Offer Shares to be subscribed for by the Cornerstone Investors may be adjusted by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors and the aggregate subscription price will be disclosed in the allotment results announcement to be issued by our Company on or around 15 January 2020.

Our Cornerstone Investors

Set forth below is the information about the Cornerstone Investors provided by them:

Mr. Yeung Kam Chung

Mr. Yeung Kam Chung is a Hong Kong resident and he and his father operate the business of Longnan County Zhenghong Packaging Colour Printing Company Limited* (龍南縣正虹包裝彩印有限責任公司), one of our five largest subcontractors during the Track Record Period. Mr. Yeung became acquainted with our Group through the business relationship between Longnan County Zhenghong Packaging Colour Printing Company Limited* (龍南縣正虹包裝彩印有限責任公司) and our Group. Mr. Yeung was introduced the opportunity to participate in the Cornerstone Placing by us in late 2019. As confirmed by Mr. Yeung, he has known our Group for more than eight years and has mature understanding of the management, operation and products of our Group through his business relationship with our Group. As such, Mr. Yeung is confident with the Group's future development and prospects.

L&H Auction Co., Limited

L&H Auction Co., Limited is a company incorporated in Hong Kong with limited liability on 24 May 2013, which principally engages in the auction business in respect of tea products. Ms. Cheuk Siu Yu Shalley, who is the only shareholder of L&H Auction Co., Limited, became acquainted with our Group through her personal relationship with one of our Directors, Mr. Yeung. As confirmed by Ms. Cheuk Siu Yu Shalley, L&H Auction Co., Ltd. was one of the customers of the Group during the Track Record Period for the printing of auction catalogues. L&H Auction Co., Limited was introduced the opportunity to participate in the Cornerstone Placing by us in late 2019. As confirmed by Ms. Cheuk, the investment decision was made based on the previous engagement by L&H Auction Co., Ltd. with our Group, in which it was satisfied with the quality of our Group's products and our technical support in our services.

Ms. Ng Ling Ling, JP

Ms. Ng Ling Ling, *JP* is a Hong Kong resident who has extensive experience in the paper-based products industry. Ms. Ng is the executive director of Main Choice Hop Kee Factory Company Limited, which engages in the business of printing services for products including paper food packaging, luxury packaging, corrugated packaging, bandolier packaging, children's book and greeting cards. Ms. Ng is also a director of Emperor Jade Limited, which engages in the retail of jadeite jewellery, diamond and precious stone jewellery. Ms. Ng is a member of the National Committee of the Chinese People's Political Consultative Conference and served as the chairlady of the Yan Chai Hospital from 2010 to 2011. Ms. Ng is one of the founding members and serving as the chairlady of Shine Tak Foundation, a charitable organisation in which two of our Directors, Mr. Cheng and Mr. Yeung serve as vice chairperson and life honorary chairperson, respectively. Ms. Ng is also a member of the observers list of the Independent Police Complaints Council. Ms. Ng became acquainted with our Group through the common chairpersonship of her, Mr. Cheng and Mr. Yeung in Shine Tak Foundation. Ms. Ng was introduced the opportunity to participate in the Cornerstone Placing by us in late 2019. As confirmed by Ms. Ng, based on her understanding and relevant experience, our Group is reputable in the paper-based products industry and believe that our Group is supported by professional staff which could support our future expansion.

Mr. So Cheung Tak, Douglas, JP

Mr. So Cheung Tak, Douglas, *JP* is a Hong Kong resident and is a member of The Law Society of Hong Kong since 1993. He is the founder and director of F11 Limited and F22 Limited which operate a photo museum and a photo gallery in Hong Kong, respectively. He is currently Chairman of the Antiquities Advisory Board, the Advisory Committee on Chinese Medicine Development Fund, and the Hong Kong Jockey Club Music and Dance Fund, respectively, amongst others. Mr. So became acquainted with our Group through his friendship with one of our Directors, Mr. Yeung, and he has been one of the Group's customers for the printing and binding of his photo book during the Track Record Period. Mr. So was introduced the opportunity to participate in the Cornerstone Placing by us in late 2019. As confirmed by Mr. So, he is confident with the product quality and future development of our Group as our Group has long standing history in the paper-based products industry and serves large-scale customers with international brands.

ATNT Group Management Limited

ATNT Group Management Limited is a company incorporated in Hong Kong with limited liability on 26 November 1996. It mainly engages in the business of managing services. It is a wholly-owned subsidiary of Asia Tele-Net and Technology Corporation Limited, the shares of which are listed on the Main Board of the Stock Exchange with stock code 0679, which mainly engages in electroplating equipment business. ATNT Group Management Limited confirmed that the Cornerstone Placing did not require prior approval from the shareholders of its parent company, which is a listed company in Hong Kong and its parent company has complied/will comply with the necessary rules under the Listing Rules. Mr. Lam Kwok Hing, *MH*, *JP*, who is the chairman and managing director of Asia Tele-Net and Technology Corporation Limited, is a standing committee member of Shaanxi Provincial Committee of the Chinese People's Political Consultative Conference and is appointed as the Honorary Consul of the Republic of Senegal in Hong Kong since 2017. He was the chairman of the board of Pok Oi Hospital from 2008 to 2009 and currently is the chairman of permanent advisory committee to the Board of Pok Oi Hospital. Mr. Lam is one of the founding members and is currently served as the executive vice chairman of Shine Tak Foundation. ATNT Group Management Limited became acquainted with our Group through Mr. Lam who is acquainted with two of our Directors, Mr. Cheng and Mr. Yeung, through charitable works in Shine Tak Foundation. ATNT Group Management Limited was introduced the opportunity to participate in the Cornerstone Placing by us in late 2019. As confirmed by one of the directors of ATNT Group Management Limited, ATNT Group Management Limited believes that our Group's business is different from the traditional companies in the paper-based products industry and that it is confident with our Group's web sale business.

Details of investments

The table below sets out the number of Offer Shares that the Cornerstone Investors would subscribe for and the respective approximate percentages it represents of (i) the International Placing Shares; (ii) the Offer Shares; and (iii) the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering:

Assuming an Offer Price of HK$1.05 (being the low-end of the indicative Offer Price range stated in this prospectus)

Cornerstone Investor	Total number of Offer Shares to be subscribed by the Cornerstone Investor (rounded down to nearest whole board lot of 2,000 Shares)	Approximate percentage of the International Placing Shares		Approximate percentage of the Offer Shares		Approximate percentage of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering	
		Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Mr. Yeung Kam Chung	4,760,000	3.98%	3.41%	3.58%	3.11%	0.89%	0.86%
L&H Auction Co., Limited	4,760,000	3.98%	3.41%	3.58%	3.11%	0.89%	0.86%
Ms. Ng Ling Ling, *JP*	9,522,000	7.95%	6.82%	7.16%	6.23%	1.79%	1.73%
Mr. So Cheung Tak, Douglas, *JP*	9,522,000	7.95%	6.82%	7.16%	6.23%	1.79%	1.73%
ATNT Group Management Limited	9,522,000	7.95%	6.82%	7.16%	6.23%	1.79%	1.73%
Total	**38,086,000**	**31.81%**	**27.28%**	**28.64%**	**24.91%**	**7.15%**	**6.91%**

Assuming an Offer Price of HK$1.25 (being the mid-point of the indicative Offer Price range stated in this prospectus)

Cornerstone Investor	Total number of Offer Shares to be subscribed by the Cornerstone Investor (rounded down to nearest whole board lot of 2,000 Shares)	Approximate percentage of the International Placing Shares		Approximate percentage of the Offer Shares		Approximate percentage of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering	
		Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Mr. Yeung Kam Chung	4,000,000	3.34%	2.86%	3.01%	2.62%	0.75%	0.72%
L&H Auction Co., Limited	4,000,000	3.34%	2.86%	3.01%	2.62%	0.75%	0.72%
Ms. Ng Ling Ling, *JP*	8,000,000	6.68%	5.73%	6.02%	5.23%	1.50%	1.45%
Mr. So Cheung Tak, Douglas, *JP*	8,000,000	6.68%	5.73%	6.02%	5.23%	1.50%	1.45%
ATNT Group Management Limited	8,000,000	6.68%	5.73%	6.02%	5.23%	1.50%	1.45%
Total	**32,000,000**	**26.72%**	**22.91%**	**24.08%**	**20.93%**	**6.00%**	**5.79%**

	Assuming an Offer Price of HK$1.45 (being the high-end of the indicative Offer Price range stated in this prospectus)						
		Approximate percentage of the International Placing Shares		Approximate percentage of the Offer Shares		Approximate percentage of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering	
Cornerstone Investor	Total number of Offer Shares to be subscribed by the Cornerstone Investor (rounded down to nearest whole board lot of 2,000 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Mr. Yeung Kam Chung	3,448,000	2.88%	2.47%	2.59%	2.25%	0.65%	0.62%
L&H Auction Co., Limited	3,448,000	2.88%	2.47%	2.59%	2.25%	0.65%	0.62%
Ms. Ng Ling Ling, *JP*	6,896,000	5.76%	4.94%	5.18%	4.51%	1.30%	1.25%
Mr. So Cheung Tak, Douglas, *JP*	6,896,000	5.76%	4.94%	5.18%	4.51%	1.30%	1.25%
ATNT Group Management Limited	6,896,000	5.76%	4.94%	5.18%	4.51%	1.30%	1.25%
Total	**27,584,000**	**23.04%**	**19.76%**	**20.72%**	**18.03%**	**5.20%**	**4.99%**

To the best knowledge of our Directors after making reasonable enquiries, each of the Cornerstone Investors and each of their respective ultimate beneficial owners (a) is an Independent Third Party and independent from our connected persons and their respective close associates (as defined in the Listing Rules, and not an existing Shareholder or close associates of the Company); (b) save as disclosed in this section, has no past or present relationship (including but not limited to family, business or employment relationship) nor did it enter into any other agreement or arrangement with our Group, our Directors, our Controlling Shareholders, our senior management or any of their respective close associates. Each of the Cornerstone Investors and their ultimate beneficial owners have confirmed that: (i) the investment made by the Cornerstone Investors in respect of the Cornerstone Placing are financed by their own fund and there is no arrangement or finance, either directly or indirectly, with our Company, Directors, chief executive of the Company, our Controlling Shareholders, substantial shareholders or existing shareholders, or any of its subsidiaries or their respective close associates, the Sole Sponsor, the Underwriters or any of their affiliates; (ii) they have not entered into any side agreements or arrangements with our Company, Directors, chief executive of our Company, our Controlling Shareholders, substantial shareholders or existing shareholders, or any of its subsidiaries or their respective close associates, the Sole Sponsor, the Underwriters or any of their affiliates or any core connected person of the Company and/or its close associates; and (iii) they are not accustomed to take instructions from our Company, Directors, chief executive of our Company, our Controlling Shareholders, substantial shareholders or existing shareholders, or any of its subsidiaries or their respective close associates, the Sole Sponsor, the Underwriters or any of their affiliates or any connected person of the Company and/or its close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. Thus, the Offer Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of our Company under Rules 8.01(1)(a) and 8.24 of the Listing Rule and will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in our Company, nor will any of them become a substantial shareholder (as defined in the Listing Rules) of our Company.

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to subscribe for the Offer Share under the Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto;

(ii) the Offer Price having been agreed upon between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) in connection with the International Placing;

(iii) the Listing Committee of the Stock Exchange having granted or agreed to grant the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) on the Stock Exchange and that such approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) the respective representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investors and our Company in the Cornerstone Investment Agreements are and will be accurate and true in all material respects and not misleading and there being no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors and our Company; and

(v) no laws or regulations having been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offer, the International Placing or herein and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions contemplated under the Global Offering or the Cornerstone Investment Agreements.

Subject to fulfilment of the above conditions precedent, the completion of the Cornerstone Placing shall occur simultaneously with the closing of the International Placing under the Cornerstone Investors Agreements, pursuant to which the investment amount payable by the Cornerstone Investors shall be settled upon the Listing Date and the timing and manner of delivery of such Shares issued and allotted pursuant to the Cornerstone Placing shall be the same as those Shares issued and allotted through the International Placing. There is no arrangement for the delay or deferral in delivery or the settlement of payment of the Offer Shares to be subscribed by each of the Cornerstone Investors. All the investment amounts will be settled before the Listing Date.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

The Cornerstone Investors have agreed that, among other things, without the prior written consent of each of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters), they will not, whether directly or indirectly, at any time during the period of six (6) months starting from the Listing Date (the "**Lock-up Period**"), (i) dispose of, in any way, any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investors provided that, amongst other requirements, such wholly-owned subsidiary undertakes to, and the Cornerstone Investors undertake to procure that such subsidiary will, abide by such restrictions imposed on the Cornerstone Investors; (ii) for corporate cornerstone investors, allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described above whether or not the foregoing transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise. The Cornerstone Investors agree and undertake that, save that with the prior written consent of our Company, the Sole Sponsor and the Sole Global Coordinator, the aggregate holding (direct and indirect) of the Cornerstone Investors, their associates and any other companies under management and control of the Cornerstone Investors in the total issued share capital in our Company shall be less than 10% (or such other percentage as provided in the Listing Rules from time to time for the definition of "substantial shareholders") of our Company's entire issued share capital at all times.

After expiration of the Lock-up Period, the Cornerstone Investors shall, subject to requirements under applicable laws and regulations and as specified in the relevant Cornerstone Investment Agreements, be free to dispose of any relevant Offer Shares. The Cornerstone Investors shall ensure that any such disposal will not create a disorderly or false market in the Shares and is otherwise in compliance with the SFO and all applicable laws and regulations.

HONG KONG UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
First Shanghai Securities Limited
Crosby Securities Limited
Business Securities Limited
Ever-Long Securities Company Limited
HTF Securities Limited
Joincap Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 13,300,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Sole Global Coordinator (for itself and on behalf of other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator that:

(i) any statement contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**"), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or

(iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholders (the "**Warrantors**") pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group ("**Group Company**"); or

(vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

(vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(x) a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management member of the Group as set out in "Directors and Senior Management"; or

(xii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its sole absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets, credit markets and any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the NASDAQ National Market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange)); or

(iii) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority ("**Law(s)**"), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof), Vietnam or any other jurisdictions relevant to any Group Company or the Global Offering (the "**Specific Jurisdictions**"); or

(iv) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vi) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or RMB against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in "Risk Factors"; or

(viii) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or

(ix) any of the Directors and senior management member of our Company as set out in "Directors and Senior Management" being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman or chief executive officer of our Company vacating his office; or

(xi) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or

(xiii) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xiv) non-compliance of any of the Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

(xv) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operations, financial, trading or other condition or position or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in a material interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, he/it shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that he/it is shown to beneficially own in this prospectus (the "**Relevant Shares**"); or

(b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when he/it pledges or charges any securities in our Company beneficially owned by him/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by him/it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**").

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for him/it and the companies controlled by he/it (together, the "**Controlled Entities**") shall not,

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, he/it shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company;

(iii) in the event that he/it enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, he/it shall take all reasonable steps to ensure that he/it will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) he/it shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of the Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(i) when he/it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the

International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. See "Structure and Conditions of the Global Offering – The International Placing" for further details.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 19,950,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Placing, if any.

Total Commission and Expenses

We will pay the Sole Global Coordinator (for itself and on behalf of the Underwriters) an underwriting commission of 3.5% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer (excluding any International Placing Shares reallocated to the Hong Kong Public Offer and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters. In addition, we may, at our discretion, pay to the Sole Global Coordinator an incentive fee of up to 1.0% of the aggregate Offer Price of the Offer Shares offered under the Global Offering, including proceeds from the exercise of the Over-allotment Option.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$1.25 per Share (being the mid-point of the stated range of the Offer Price between HK$1.05 and HK$1.45 per Share), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$45.4 million in total and are payable by us.

Indemnity

We undertake to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules is made within seven days of the expiration of the stabilising period.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

(i) the Hong Kong Public Offer of initially 13,300,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in "– The Hong Kong Public Offer"; and

(ii) the International Placing of initially 119,700,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or
- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both.

The 133,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent 15% of our enlarged share capital immediately following the completion of the Global Offering and the Capitalisation Issue.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 13,300,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in "Conditions of the Global Offering".

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools:

- ***Pool A***: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5.0 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and

- ***Pool B***: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5.0 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or in both pools under the Hong Kong Public Offer and any application for more than 50% of the Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation at the discretion of the Sole Global Coordinator, subject to the following:

(a) where the International Placing are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deem appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 13,300,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 26,600,000 Offer Shares, representing 20.0% of the total number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 39,900,000 Offer Shares (in the case of (1)), 53,200,000 Offer Shares (in the case of (2)) and 66,500,000 Offer Shares (in the case of (3)), representing 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 13,300,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 26,600,000 Offer Shares, representing 20.0% of the total number of the Offer Shares initially available under the Global Offering.

In the event of any reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price range, being HK$1.05 per Offer Share, according to the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, maximum price of HK$1.45 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK$2,929.22 for one board lot of 2,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in "– Pricing and Allocation", is less than the maximum price of HK$1.45 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares".

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 119,700,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the International Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in "– The Hong Kong Public Offer – Reallocation" or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the last date for lodging applications under the Hong Kong Public Offer, to require the Company to issue up to 19,950,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.75% of our enlarged issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to enter into an agreement with Good Elite, our Controlling Shareholder, to borrow, whether on its own or through its affiliates, up to 19,950,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

- the maximum number of Shares to be borrowed from Good Elite by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to Good Elite or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;

- the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

- no payment will be made to Good Elite by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Our Company and the Sole Global Coordinator (on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 9 January 2020, and in any event, not later than Friday, 10 January 2020.

The Offer Price will not be more than HK$1.45 per Offer Share and is expected to be not less than HK$1.05 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum price of HK$1.45 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

If the Offer Price, as finally determined in the manner described below, is lower than HK$1.45, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for Hong Kong Offer Shares".

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional, institutional investors and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice on our website at **www.qpp.com** and the website of the Stock Exchange at **www.hkexnews.hk** (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price Range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its sole discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares – 10. Publication of results" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);

- the Offer Price having been agreed between us and the Sole Global Coordinator (for itself and on behalf the Underwriters);

- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (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, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, 10 January 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by the Company on our website at **www.qpp.com** and the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares – 12. Refund of application monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in "Underwriting".

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 16 January 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 January 2020.

The Shares will be traded in board lots of 2,000 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or Chief Executive Officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Thursday, 9 January 2020 from:

(i) the following office of the Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

First Shanghai Securities Limited
19/F & Room 2505-10
Wing On House
71 Des Voeux Road Central
Hong Kong

Crosby Securities Limited
5/F Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

Business Securities Limited
18, 20-21/F
83 Queen's Road East
Wanchai, Hong Kong

Ever-Long Securities Company Limited
Rooms 1101-02 & 1111-12
11/F Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

HTF Securities Limited
Room 1807, 18/F
Office Tower Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Joincap Securities Limited
Suite 606 Level 6
One Pacific Place
88 Queensway
Central, Hong Kong

(ii) any of the branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch name	Branch address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kowloon Bay
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Thursday, 9 January 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED–Q P Group PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, 31 December 2019 – 9:00 a.m. to 5:00 p.m.
- Thursday, 2 January 2020 – 9:00 a.m. to 5:00 p.m.
- Friday, 3 January 2020 – 9:00 a.m. to 5:00 p.m.
- Saturday, 4 January 2020 – 9:00 a.m. to 1:00 p.m.
- Monday, 6 January 2020 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 7 January 2020 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 8 January 2020 – 9:00 a.m. to 5:00 p.m.
- Thursday, 9 January 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 9 January 2020, the last application day or such later time as described in "– 10. Effect of bad weather on the opening of the applications lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with Companies (WUMP) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "– 2. Who can apply", may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 31 December 2019 until 11:30 a.m. on Thursday, 9 January 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 9 January 2020 or such later time specified under "– 10. Effects of bad weather on the opening of the applications lists".

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of Companies (WUMP) Ordinance.

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Q P Group Holdings Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefits;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with Companies (WUMP) Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

- Tuesday, 31 December 2019 – 9:00 a.m. to 8:30 p.m.
- Thursday, 2 January 2020 – 8:00 a.m. to 8:30 p.m.
- Friday, 3 January 2020 – 8:00 a.m. to 8:30 p.m.
- Saturday, 4 January 2020 – 8:00 a.m. to 1:00 p.m.
- Monday, 6 January 2020 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 7 January 2020 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 8 January 2020 – 8:00 a.m. to 8:30 p.m.
- Thursday, 9 January 2020 – 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC and/or CCASS Investor Participants may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Thursday, 9 January 2020 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 9 January 2020, the last application day or such later time as described in "– 10. Effect of bad weather on the opening of the application lists".

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of Companies (WUMP) Ordinance.

Personal Data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 9 January 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure and conditions of the Global Offering – Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 9 January 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Thursday, 9 January 2020 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 15 January 2020 on our Company's website at **www.qpp.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.qpp.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Wednesday, 15 January 2020;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) a "search by ID" function on a 24-hour basis from 8:00 a.m., Wednesday, 15 January 2020 to 12:00 midnight, Tuesday, 21 January 2020;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 15 January 2020 to Saturday, 18 January 2020;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 January 2020 to Friday 17 January 2020 at all the receiving bank branches.

If our Company accepts your offer to subscribe (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists;
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.45 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure and Conditions of the Global Offering – Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 15 January 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangements for dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 15 January 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 16 January 2020 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 January 2020 or such other date as is notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for fewer than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 15 January 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque. If you have applied for fewer than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 15 January 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 15 January 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "– 11. Publication of results". You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 January 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White From eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 15 January 2020, or such other date as is notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for fewer than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 15 January 2020, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 15 January 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "11. Publication of results" on Wednesday, 15 January 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 January 2020, or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 15 January 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 15 January 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

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ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF Q P GROUP HOLDINGS LIMITED AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of Q P Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-72, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 June 2019, the statement of financial position of the Company as at 31 December 2018 and 30 June 2019, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 30 June 2019 and the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

31 December 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information of the Group which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Consolidated statements of profit or loss

		The Group				
		Year ended 31 December			Six months ended 30 June	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	*5*	886,343	1,079,630	1,162,979	509,106	564,858
Cost of sales	*8*	(615,322)	(803,967)	(880,912)	(399,657)	(404,118)
Gross profit		271,021	275,663	282,067	109,449	160,740
Other gains/(losses), net	*6*	3,121	4,917	4,303	(4,915)	1,122
Other income, net	*7*	6,903	10,054	33,318	16,710	5,712
Selling and distribution expenses	*8*	(72,131)	(89,053)	(99,619)	(45,249)	(47,253)
Administrative expenses	*8*	(97,831)	(104,691)	(155,047)	(73,832)	(90,271)
Operating profit		111,083	96,890	65,022	2,163	30,050
Finance income	*10*	1,046	371	125	83	59
Finance costs	*10*	(643)	(1,002)	(5,995)	(2,178)	(3,750)
Finance income/(costs), net		403	(631)	(5,870)	(2,095)	(3,691)
Profit before income tax		111,486	96,259	59,152	68	26,359
Income tax expense	*11*	(21,651)	(17,370)	(8,161)	(566)	(5,347)
Profit/(loss) for the year/period		89,835	78,889	50,991	(498)	21,012
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company						
– Basic and diluted earnings/(loss) per share (expressed in HK$ per share) *(Note)*	*12*	1,161	1,019	659	(6)	271

Note: The earnings/(loss) per share as presented above is calculated using the deemed number of ordinary shares that have been issued for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019. The earnings/(loss) per share calculation has not yet accounted for the proposed capitalisation issue pursuant to the written resolution passed by the shareholders on 20 December 2019, because the proposed capitalisation issue has not become effective as of the date of the report.

Consolidated statements of comprehensive income

		The Group				
		Year ended 31 December			Six months ended 30 June	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(loss) for the year/period		89,835	78,889	50,991	(498)	21,012
Other comprehensive (loss)/income, net of tax						
Items that may be reclassified to profit or loss						
Currency translation differences		(21,009)	23,799	(24,397)	(1,147)	(876)
Total comprehensive income/(loss) for the year/period attributable to equity holders of the Company		68,826	102,688	26,594	(1,645)	20,136

Consolidated statements of financial position

	Note	As at 31 December 2016	2017	2018	As at 30 June 2019
		HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Non-current assets					
Property, plant and equipment	14	204,866	266,440	352,999	366,700
Investment property	16	1,765	2,030	2,275	2,135
Right of use assets	19	14,179	77,684	126,511	123,301
Intangible assets	17	977	1,114	26,341	26,336
Deposits	22	9,771	48,513	32,021	23,074
Deferred income tax assets	30	5,694	8,522	7,760	10,792
		237,252	404,303	547,907	552,338
Current assets					
Inventories	20	65,096	89,666	82,726	79,230
Trade receivables	21	147,569	173,217	193,035	176,605
Prepayments, deposits and other receivables	22	23,327	61,819	42,897	42,014
Income tax recoverable		4,837	2,432	13,104	25,135
Pledged deposits	23	379	382	381	381
Cash and cash equivalents	23	116,158	63,967	59,867	56,385
		357,366	391,483	392,010	379,750
Total assets		594,618	795,786	939,917	932,088
Equity					
Equity attributable to equity holders of the Company					
Share capital	15	–	–	1	1
Share premium	24	–	–	3,762	3,762
Reserves	24	365,184	452,872	465,703	485,839
Total equity		365,184	452,872	469,466	489,602
Liabilities					
Non-current liabilities					
Borrowings	27	–	–	93,444	108,737
Deferred income tax liabilities	30	580	1,157	14,029	12,998
Lease liabilities	29	2,096	3,505	1,749	1,108
Provisions		776	776	–	–
		3,452	5,438	109,222	122,843
Current liabilities					
Trade payables	25	81,701	91,754	109,747	94,548
Accruals, provisions and other payables	26	59,648	76,857	99,159	94,688
Amounts due to directors	35(b)	19,873	9,620	–	–
Current income tax liabilities		19,699	17,448	13,480	16,035
Borrowings	27	10,000	137,696	134,590	111,151
Lease liabilities	29	5,950	4,101	4,253	3,221
Derivative financial instruments	31	29,111	–	–	–
		225,982	337,476	361,229	319,643
Total liabilities		229,434	342,914	470,451	442,486
Total equity and liabilities		594,618	795,786	939,917	932,088
Net current assets		131,384	54,007	30,781	60,107
Total assets less current liabilities		368,636	458,310	578,688	612,445

Statement of financial position of the Company

	Note	**As at 31 December 2018**	**As at 30 June 2019**
		HK$'000	*HK$'000*
Assets			
Non-current assets			
Investment in a subsidiary		3,763	3,763
Current assets			
Prepayment	*22*	7,103	8,721
Total assets		10,866	12,484
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital	*15*	1	1
Share premium		3,762	3,762
Reserves		(20,618)	(23,950)
Total equity		(16,855)	(20,187)
Liabilities			
Current liabilities			
Amount due to a subsidiary		12,629	23,023
Accruals	*26*	15,092	9,648
		27,721	32,671
Total liabilities		27,721	32,671
Total equity and liabilities		10,866	12,484

Consolidated statements of changes in equity

	Attributable to owners of the Company						
	Share capital *(Note 15)*	**Share Premium** *(Note 24)*	**Capital reserve**	**Statutory reserve** *(Note 24)*	**Translation reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1 January 2016	–	–	77	12,181	29,121	284,979	326,358
Profit for the year	–	–	–	–	–	89,835	89,835
Other comprehensive loss							
Currency translation differences	–	–	–	–	(21,009)	–	(21,009)
Total comprehensive income for the year	–	–	–	–	(21,009)	89,835	68,826
Transactions with owners in their capacity as owners:							
Dividends paid *(Note 13)*	–	–	–	–	–	(30,000)	(30,000)
Statutory reserve	–	–	–	3,498	–	(3,498)	–
	–	–	–	3,498	–	(33,498)	(30,000)
Balance at 31 December 2016	–	–	77	15,679	8,112	341,316	365,184

	Attributable to owners of the Company						
	Share capital *(Note 15)*	Share Premium *(Note 24)*	Capital reserve	Statutory reserve *(Note 24)*	Translation reserve	Retained earnings	Total
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
Balances at 1 January 2017	–	–	77	15,679	8,112	341,316	365,184
Profit for the year	–	–	–	–	–	78,889	78,889
Other comprehensive income							
Currency translation differences	–	–	–	–	23,799	–	23,799
Total comprehensive income for the year	–	–	–	–	23,799	78,889	102,688
Transactions with owners in their capacity as owners:							
Dividends paid *(Note 13)*	–	–	–	–	–	(15,000)	(15,000)
Statutory reserve	–	–	–	1,058	–	(1,058)	–
	–	–	–	1,058	–	(16,058)	(15,000)
Balance at 31 December 2017	–	–	77	16,737	31,911	404,147	452,872

	Attributable to owners of the Company						
	Share capital *(Note 15)*	Share premium *(Note 24)*	Capital reserve *(Note)*	Statutory reserve *(Note 24)*	Translation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1 January 2018	–	–	77	16,737	31,911	404,147	452,872
Profit for the year	–	–	–	–	–	50,991	50,991
Other comprehensive loss							
Currency translation differences	–	–	–	–	(24,397)	–	(24,397)
Total comprehensive income	–	–	–	–	(24,397)	50,991	26,594
Transactions with owners in their capacity as owners:							
Dividends paid *(Note 13)*	–	–	–	–	–	(10,000)	(10,000)
Statutory reserve	–	–	–	2,767	–	(2,767)	–
Reorganisation *(Note 1.2)*	1	3,762	(3,763)	–	–	–	–
	1	3,762	(3,763)	2,767	–	(12,767)	(10,000)
Balance at 31 December 2018	1	3,762	(3,686)	19,504	7,514	442,371	469,466

	Attributable to owners of the Company						
	Share capital *(Note 15)*	**Share premium** *(Note 24)*	**Capital reserve** *(Note)*	**Statutory reserve** *(Note 24)*	**Translation reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1 January 2019	1	3,762	(3,686)	19,504	7,514	442,371	469,466
Profit for the period	–	–	–	–	–	21,012	21,012
Other comprehensive loss							
Currency translation differences	–	–	–	–	(876)	–	(876)
Total comprehensive income	–	–	–	–	(876)	21,012	20,136
Balance at 30 June 2019	1	3,762	(3,686)	19,504	6,638	463,383	489,602

	Attributable to owners of the Company						
	Share capital *(Note 15)*	Share premium *(Note 24)*	Capital reserve *(Note)*	Statutory reserve *(Note 24)*	Translation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Unaudited)							
Balances at 1 January 2018	–	–	77	16,737	31,911	404,147	452,872
Loss for the period	–	–	–	–	–	(498)	(498)
Other comprehensive loss							
Currency translation differences	–	–	–	–	(1,147)	–	(1,147)
Total comprehensive income	–	–	–	–	(1,147)	(498)	(1,645)
Transactions with owners in their capacity as owners:							
Dividends paid *(Note 13)*	–	–	–	–	–	(10,000)	(10,000)
	–	–	–	–	–	(10,000)	(10,000)
Balance at 30 June 2018	–	–	77	16,737	30,764	393,649	441,227

Note: The capital reserve balance is attributable to the changes in group structure as described in Notes 1.2 and 1.3 to the Historical Financial Information.

Consolidated statements of cash flows

	Note	Year ended 31 December 2016	2017	2018	Six months ended 30 June 2018	2019
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
Cash flows from operating activities						
Cash generated from operations	33	130,986	78,142	138,056	46,546	59,227
Income tax paid		(14,143)	(19,361)	(23,781)	(3,644)	(17,715)
Net cash generated from operating activities		116,843	58,781	114,275	42,902	41,512
Cash flows from investing activities						
Interest received		1,046	371	125	83	59
Deposit paid in respect of acquisition of subsidiary	32	–	(33,785)	–	–	–
Purchase of property, plant and equipment and deposit for property, plant and equipment		(24,503)	(159,203)	(75,376)	(36,043)	(28,585)
Proceeds from disposal of property, plant and equipment	33	233	63	852	225	1,427
Purchase of intangible assets		(42)	(182)	(403)	(19)	(82)
Acquisition of a subsidiary (net of cash acquired)	32	–	–	(44,563)	(44,563)	–
Repayment of long term loan from a former shareholder of a subsidiary		–	–	(11,440)	(11,440)	–
Settlement of derivative financial instrument		(31,393)	(17,416)	–	–	–
Net cash used in investing activities		(54,659)	(210,152)	(130,805)	(91,757)	(27,181)
Cash flows from financing activities						
Proceeds from borrowings		–	130,576	271,611	139,100	74,406
Repayment of borrowings		(10,000)	(2,880)	(221,935)	(87,992)	(82,994)
Dividends paid		(30,000)	(15,000)	(10,000)	(10,000)	–
Payment for lease liabilities		(6,924)	(7,418)	(6,266)	(3,671)	(2,347)
Advances from/(repayments to) directors		4,767	(10,253)	(9,620)	(9,620)	–
Listing expenses paid		–	–	(3,070)	–	(2,798)
Interest paid		(369)	(803)	(5,785)	(1,223)	(3,237)
Net cash (used in)/generated from financing activities		(42,526)	94,222	14,935	26,594	(16,970)
Net increase/(decrease) in cash and cash equivalents		19,658	(57,149)	(1,595)	(22,261)	(2,639)
Cash and cash equivalents at beginning of the year/period		99,155	116,158	63,967	63,967	59,867
Effect of changes in foreign exchange rates		(2,655)	4,958	(2,505)	944	(843)
Cash and cash equivalents at end of the year/period		116,158	63,967	59,867	42,650	56,385

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General Information

The Company was incorporated in the Cayman Islands on 19 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of paper products (the "Listing Business"). The ultimate shareholders of the Group are Mr. Cheng Wan Wai ("Mr. Cheng"), Mr. Yeung Keng Wu, Kenneth ("Mr. Yeung"), Ms. Liu Shuk Yu, Sanny ("Ms. Liu"), Mr. Chan Wan Tao, Thomas ("Mr. Chan") and Mr. Mak Chin Pang ("Mr. Mak") (collectively the "Ultimate Shareholders"), each holding an effective interest of 38.89%, 38.89%, 16.22%, 5% and 1% in the Company, respectively.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the Listing Business was carried out by Q P Holdings Limited ("Q P Holdings") and its subsidiaries (collectively the "Operating Companies").

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation which principally involved the following steps:

(1) On 29 November 2017, Welcome Mark Investment Limited ("Welcome Mark") was incorporated in the British Virgin Islands (the "BVI"). On 19 March 2018, Mr. Mak subscribed for one share in Welcome Mark.

(2) On 30 January 2018, Cypress Spurge Holdings Limited ("Cypress Spurge") and Dawn Gain Investment Limited ("Dawn Gain") were incorporated in the BVI. On 19 March 2018, Ms. Liu and Mr. Chan subscribed for one share in Cypress Spurge and Dawn Gain, respectively.

(3) On 28 February 2018, Good Elite Holdings Limited ("Good Elite") was incorporated in the BVI. On 19 March 2018, each of Mr. Cheng and Mr. Yeung subscribed for one share in Good Elite.

(4) On 19 April 2018, the Company was incorporated in the Cayman Islands. On the date of its incorporation, one subscriber's share was issued to Good Elite. In addition, 7,777 shares, 1,622 shares, 500 shares and 100 shares were issued and allotted to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark, respectively. On 24 December 2018, the Company issued and allotted 67,400 shares in total to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark in proportion to the effective interest held by each of the Ultimate Shareholders, all nil-paid.

(5) On 27 December 2018, the Company entered into a sale and purchase agreement with the Ultimate Shareholders pursuant to which the Company acquired the entire shareholdings of 77,400 shares in total of Q P Holdings from the Ultimate Shareholders, respectively, at an aggregate consideration of HK$77,400. Such consideration was satisfied by the issue and allotment by the Company of 77,400 shares in total to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark in proportion to the effective interest held by each of the Ultimate Shareholders, as fully paid.

Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation	Issued and paid-up capital	Effective interest held as at					Principal activities	Notes
			31 December,			30 June	The date of this report		
			2016	2017	2018	2019			
Directly held									
QP Holdings Limited ("QPH")	BVI 10 March 1998	HK$50,000,000	N/A	N/A	100%	100%	100%	Investment holding	*(a)*
Indirectly held									
Q P International Limited ("QPI")	Hong Kong 16 March 2006	HK$1	100%	100%	100%	100%	100%	Trading of products and investment holding	*(b)*
Q P Sourcing Limited ("QPS")	Hong Kong 2 April 2002	HK$10,000	100%	100%	100%	100%	100%	Sourcing of materials and products	*(b)*
Q P Printing Limited ("QPP")	Hong Kong 5 July 1985	HK$37,000,000	100%	100%	100%	100%	100%	Trading of products and investment holding	*(b)*
Q P (HK) Limited ("QPHK")	Hong Kong 2 April 2002	HK$10,000	100%	100%	100%	100%	100%	Trading of products and investment holding	*(b)*
Q P Trading Limited	Hong Kong 21 May 2013	HK$10,000	100%	100%	100%	100%	100%	Trading of products	*(b)*
Dongguan Zensee Printing Limited* (東莞雋思印刷有限公司)	PRC 15 January 1992	HK$211,167,245	100%	100%	100%	100%	100%	Manufacturing and trading of products	*(c)*
Q P Enterprises Limited ("QPE")	Hong Kong 16 November 2017	HK$10,000	-	100%	100%	100%	100%	Investment holding	*(j)*
Taunus Printing (Heshan) Company Limited* (騰達印刷(鶴山)有限公司)	PRC 17 November 2006	US$8,800,000	N/A	N/A	100%	100%	100%	Manufacturing and trading of products	*(e)*
DPI Laboratory Services Limited	Hong Kong 22 June 2010	HK$1	100%	100%	100%	100%	100%	Provision of laboratory testing services	*(b)*
Product Innovator Limited	Hong Kong 26 September 1996	HK$370,000	100%	100%	100%	100%	100%	Trading and retailing of merchandise and investment holding	*(b)*
Multi International Investment Group Limited	Hong Kong 3 March 2015	HK$2	100%	100%	100%	100%	100%	Property holding	*(h)*
Eternity Year Investment Limited	Hong Kong 24 October 2014	HK$2	100%	100%	100%	100%	100%	Property holding	*(g)*
Archer Praise Limited	Hong Kong 6 March 2015	HK$2	100%	100%	100%	100%	100%	Property holding	*(f)*
Radiant Keen Limited	Hong Kong 13 March 2015	HK$2	100%	100%	100%	100%	100%	Property holding	*(i)*
Printer's Studio Limited	Hong Kong 19 October 2009	HK$10,000	100%	100%	100%	100%	100%	Sales of website products	*(b)*
Tian Jin Zen See Technology Co, Ltd* (天津雋思科技有限公司)	PRC 19 May 2005	HK$30,000,000	100%	100%	100%	100%	100%	Trading of products	*(d)*
CS Works Corp. (CS)	United States 16 May 2016	US$10	100%	100%	100%	100%	100%	Provision of customer services	*(a)*
QP (SZ) Limited* (深圳雋思信息科技有限公司)	PRC 9 May 2014	RMB100,000	100%	100%	100%	100%	100%	Provision of information technology support for web sales	*(c)*
DPI Laboratory (DG) (PRC)* ((東莞市雋思產品檢測有限公司)	PRC 9 February 2010	RMB4,000,000	100%	100%	100%	100%	100%	Provision of laboratory testing services	*(c)*

* For translation purpose only

Notes:

(a) No audited financial statements were issued for these subsidiaries as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

(b) The statutory financial statements of these subsidiaries for the years ended 31 December 2016, 2017 and 2018 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(c) The statutory financial statements of these subsidiaries for the years ended 31 December 2016, 2017 and 2018 were audited by Dongguan Shinchung Accountant's Firm* (東莞市鑫成會計師事務所) in the PRC.

(d) The statutory financial statements of this subsidiary for the years ended 31 December 2016, 2017 and 2018 were audited by Tianjin Jinbei Certified Public Accountants Company, Limited* (天津津北有限責任會計師事務所) in the PRC.

(e) The statutory financial statements of this subsidiary for the years ended 31 December 2016, 2017 and 2018 were audited by Jiangmen Yingxiang Certified Public Accountants Company, Limited* (江門市英翔會計師事務所有限公司) in the PRC.

(f) The statutory financial statements of this subsidiary for the period from 6 March 2015 (date of incorporation) to 15 August 2017 were audited by H K Wan CPA & Co, Certified Public Accountants. The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(g) The statutory financial statements of this subsidiary for the period from 24 October 2014 (date of incorporation) to 15 August 2017 were audited by H K Wan CPA & Co, Certified Public Accountants. The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(h) The statutory financial statements of this subsidiary for the period from 3 March 2015 (date of incorporation) to 15 August 2017 were audited by H K Wan CPA & Co, Certified Public Accountants. The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(i) The statutory financial statements of this subsidiary for the period from 13 March 2015 (date of incorporation) to 15 August 2017 were audited by H K Wan CPA & Co, Certified Public Accountants. The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(j) The statutory financial statements of this subsidiary for the period from 16 November 2017 (date of incorporation) to 31 December 2018 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

* *For translation purpose only*

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is held by and conducted through the Operating Companies. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate shareholders of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Operating Companies and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Operating Companies, with the results, assets and liabilities recognised and measured at the carrying amounts of the Listing Business under the consolidated financial statements for all periods presented.

Inter-company transactions, balances and unrealised gain/loss on transactions between companies now comprising the Group are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets/liabilities and investment property, which are carried at fair values. In addition, the Group has consistently applied HKFRS 9 "Financial Instruments", HKFRS 15 "Revenue from Contracts with Customers" and HKFRS 16 "Leases" throughout the Track Record Period.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

(a) New standards and amendments to existing standards not yet adopted by the Group

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2020 or later periods, but have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 3	Definition of business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
HKFRS 17	Insurance Contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management is in the process of assessing the impact of these standards, amendments and interpretations to existing HKFRS.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gain or loss arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss.

Intra-group transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries are required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Group that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in Hong Kong dollar (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gain and loss resulting from the settlement of such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over estimated useful lives as follows:

– Buildings	25 years
– Leasehold improvements	10 years, or over lease term, whichever is the shorter
– Plant and machinery	5 - 10 years
– Furniture and equipment	5 - 10 years
– Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and loss on disposals are determined by comparing the proceeds with carrying amount. These are included in consolidated statements of profit or loss.

2.6 Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, it is carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

2.7 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(b) Computer software

Computer software licenses are stated at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is five years.

(c) Golf club membership

Golf club membership is stated at historical cost. The club membership has an indefinite life which is not subject to amortisation and is tested annually for impairment.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

(ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

For assets measured at fair value, gain and loss will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in 'other gains, net' in the period in which it arises.

2.9.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.4 Impairment of financial assets

The Group has the following types of financial assets subject to HKFRS 9's new expected credit loss model:

- Trade receivables
- Other receivables
- Pledged deposits
- Cash and cash equivalents

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition, then impairment is measured as lifetime expected credit losses.

To manage risk arising from pledged deposits and cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs is determined using the first-in, first-out (FIFO) method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Retirement benefits

The Group participates in various defined contribution retirement benefit schemes. A defined contribution plan is a retirement benefit scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution for post-retirement benefits beyond these fixed contributions.

The schemes are generally funded through payments to government authorities, insurance companies or trustee-administered funds. The Group pays contributions on a mandatory, contractual or voluntary basis. The contributions are recognised as employment costs when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, after taking into consideration of the profit attributable to the Company's shareholders and certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the date of consolidated statement of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Long service payments

Employees who have completed the required number of years of service to the Group are eligible for long service payments.

A provision is recognised in respect of the probable future long service payment expected to be made. The provision is measured as the present value of expected future payments, with consideration given to expected future wage and salary levels, experience of employee departures and periods of service.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent asset is not recognised as receipt of the amount remains uncertain.

2.20 Revenue recognition

The Group principally derives revenue from sales of products.

Revenue from sales of products is recognised when control of the products are transferred to customers. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold, stated net of discounts, returns and value-added taxes. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of original equipment manufacturer ("OEM") products

Revenue from sales of OEM products (mainly including greeting cards, tabletop games, educational items and premium packaging items) directly to customers is recognised when control of the goods has transferred, in accordance with relevant shipping terms, to customers.

(b) Sales of web sales products

Revenue from sales of web sales products (mainly including playing cards, tabletop games, puzzles and greeting cards) directly to customers is recognised when control of the goods has transferred, being when the products are accepted by the customers, to customers.

Upon entering into a contract with customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods to the customer. The combination of those rights and performance give rise to a net asset or a net liability depending on relationship between the remaining rights and performance obligations. The contract is an asset if the measure of remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is liability and recognised as contract liability and recognised as contract liabilities if the measure of remaining performance obligations exceeds measure of the remaining rights.

Rental income from investment property is recognised on a straight-line basis over the term of the leases.

Interest income is recognised using the effective interest method.

2.21 Leases

The Group leases certain land, properties and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable; and

– payments of penalties for terminating the lease, if the lease reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the entity's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

– the amount of the initial measurement of lease liability;

– any lease payments made at or before the commencement date less any lease incentives received; and

– any initial direct costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term or less than 12 months.

2.22 Research and development expenses

Research expenditure and development expenditure that do not meet the criteria to capitalise as an intangible assets are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated statement of financial position and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments for speculative purposes.

Risk management is carried out by management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

(a) Market risk

(i) Foreign exchange risk

Subsidiaries of the Company operate in the People's Republic of China ("PRC") and Hong Kong with most transactions denominated in either Renminbi ("RMB"), Hong Kong dollars, Euro ("EUR") or United States dollars ("US$"). The Group is exposed to foreign exchange risk primarily through sales and purchases transactions that are denominated in a currency other than the functional currency of the relevant subsidiary. The Group considers its foreign currency exposure mainly arises from the exposure of RMB, EUR and US$. As Hong Kong dollars is pegged to US$, the Group believes the exposure to transactions denominated in US$ which are entered into by group companies with a functional currency of Hong Kong dollars to be insignificant.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group also regularly reviews the portfolio of local and international customers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

As at 31 December 2016, 2017 and 2018 and 30 June 2019 approximately HK$10,000,000, HK$137,696,000, HK$228,034,000 and HK$219,888,000 of the Group's borrowings were denominated in Hong Kong dollars. At present, the management does not expect that there will be any significant foreign exchange risk associated with the Group's borrowings and the Group did not use any financial instruments to hedge its foreign exchange risk arising from the Group's borrowings during the year.

At 31 December 2016, 2017 and 2018 and 30 June 2019, if RMB had strengthened/weakened by 5% against Hong Kong dollars with all other variables held constant, pre-tax profit for the year/period would have been approximately HK$229,000, HK$152,000, HK$86,000 and HK$29,000 lower/higher respectively, mainly as a result of foreign exchange loss/gain on translation of prepayments, deposits and other receivables, cash and cash equivalents, trade payables and accruals, provisions and other payables denominated in non-functional currency of the relevant group companies.

At 31 December 2016, 2017 and 2018 and 30 June 2019, if EUR had strengthened/weakened by 5% against Hong Kong dollars with all other variables held constant, pre-tax profit for the year/period would have been approximately HK$16,000, HK$14,000, HK$8,000 and HK$1,000 higher/lower respectively, mainly as a result of foreign exchange gain/loss on translation of trade receivables, cash and cash equivalents, trade payables and accruals, provisions and other payables denominated in non-functional currency of the relevant group companies.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from borrowings. The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly related to the fluctuation of Hong Kong Interbank Offered Rate arising from the Group's borrowings.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, if interest rates increased or decreased by 50 basis points and all other variables were held constant, the Group's post-tax profit would decrease or increase by approximately HK$75,000, HK$605,000, HK$977,000 and HK$935,000 respectively as a result of increase or decrease in net interest expense.

The Group is exposed to fair value interest rate risk in relation to fixed rate short-term bank deposits (Note 23) and obligations under finance leases (Note 29). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

As the Group has no significant interest-bearing assets except for the cash and bank balances, the Group's income and operating cash flows are substantially independent of changes in market interest rates. However, the exposure in this regard is considered to be minimal as the bank balances are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

(b) Credit risk

Credit risk arises mainly from cash deposited with banks and financial institutions and trade receivables.

Credit risk on trade debtors is managed by the management of the individual business units and monitored by the Group's management on a group basis. Most customers are sizable and renowned. Management assesses the credit quality of smaller customers by considering their financial position, past experience therewith and other relevant factors. The utilisation of credit limits is regularly monitored.

The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers. Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Historical Financial Information.

In respect of cash deposited with banks and financial institutions, the credit risk is considered to be low as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations
- actual or expected significant changes in the operating results of customers
- significant increases in credit risk on other financial instruments of customers
- significant changes in the expected performance and behaviour of customers, including changes in the payment status of customers in the Group and changes in the operating results of the customers.

(i) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the Track Record Period, the expected losses rate for customers of sales of goods is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. The assessed expected credit losses for the trade receivables are not material.

The Group made no write-off of trade receivables during Track Record Period.

The Group has significant concentration of credit risk from customers. As at 31 December 2016, 2017 and 2018 and 30 June 2019, 74%, 72%, 79% and 73%, respectively of total trade receivables was due from the Group's five largest customers. Based on the past repayment history, the directors believe that the credit risk inherent in Group's outstanding trade receivables from this group of customers is low.

The Group monitors the outstanding debts from its customers individually due to the concentration of credit risk. Based on historical repayment trend, there is no correlation between the risk of default occurring and the collection past-due status as long as there is no significant change in the credit rating of the customers. Historically, the Group's loss arising from risk of default and time value of money is negligible.

(ii) Other receivables

Other debt instruments at amortised cost include other receivables.

As at 31 December 2016 and 2017 and 2018 and 30 June 2019, management assessed that the expected credit losses for the other receivables and amounts due from related parties are not material when they do not have default history and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(iii) Pledged deposits and cash and cash equivalents

To manage the risk arising from pledged deposits and cash and cash equivalents, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss of pledged deposits and cash and cash equivalents is close to zero.

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities from leading banks.

Due to the dynamic nature of the underlying businesses, the Group's management aims to maintain flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises cash and cash equivalents (Note 23) and undrawn banking facilities (Note 28) on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying amounts as the impact of discounting is not significant.

	Within 1 year or repayable on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016					
Non-derivative financial liabilities					
Trade payables	81,701	–	–	–	81,701
Accruals, provisions and other payables (excluding accrued staff costs, other taxes payables, contract liabilities and provision for social insurance and housing provident fund)	7,800	–	–	–	7,800
Amount due to directors	19,873	–	–	–	19,873
Borrowings (including interest payable)	10,194	–	–	–	10,194
Lease liabilities	6,084	2,082	32	–	8,198
	125,652	2,082	32	–	127,766
Derivatives					
Derivative financial instruments	29,111	–	–	–	29,111
As at 31 December 2017					
Trade payables	91,754	–	–	–	91,754
Accruals, provisions and other payables (excluding accrued staff costs, other taxes payables, contract liabilities and provision for social insurance and housing provident fund)	20,466	–	–	–	20,466
Amount due to directors	9,620	–	–	–	9,620
Borrowings (including interest payable)	139,996	–	–	–	139,996
Lease liabilities	4,245	2,103	1,504	–	7,852
	266,081	2,103	1,504	–	269,688

	Within 1 year or repayable on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018					
Trade payables	109,747	–	–	–	109,747
Accruals, provisions and other payables (excluding accrued staff costs, other taxes payables, contract liabilities and provision for social insurance and housing provident fund)	35,161	–	–	–	35,161
Borrowings (including interest payable)	140,924	37,067	60,695	–	238,686
Lease liabilities	4,375	1,257	525	–	6,157
	290,207	38,324	61,220	–	389,751
As at 30 June 2019					
Trade payables	94,548	–	–	–	94,548
Accruals, provisions and other payables (excluding accrued staff costs, other taxes payables, contract liabilities and provision for social insurance and housing provident fund)	31,723	–	–	–	31,723
Borrowings (including interest payable)	191,913	36,803	–	–	228,716
Lease liabilities	3,517	621	315	–	4,453
	321,701	37,424	315	–	359,440

The cash inflow in relation to the settlement of derivative financial instruments for the year ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 were approximately HK$431,764,000, HK$231,417,000, HK$nil, HK$nil and HK$nil. The cash outflow in relation to the settlement of derivative financial instruments for the year ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 were approximately HK$463,157,000, HK$248,833,000, HK$nil, HK$nil and HK$nil.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses its capital and bank borrowings to finance its operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (include bank borrowings and obligations under finance leases) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000
Borrowings	10,000	137,696	228,034	219,888
Lease liabilities	8,046	7,606	6,002	4,329
Less: cash and cash equivalents *(Note 23)*	(116,158)	(63,967)	(59,867)	(56,385)
Net (cash)/debt	(98,112)	81,335	174,169	167,832
Total equity	365,184	452,872	469,466	489,602
Gearing ratio	N/A	18.0%	37.1%	34.3%

The increase in the gearing ratio as at 31 December 2018 and 30 June 2019 resulted primarily from the increase in bank borrowings (Note 27).

3.3 Fair value estimation

Fair value measurements recognised in the consolidated statements of financial position

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016, 2017 and 2018 and 30 June 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016				
Financial liabilities at FVTPL				
Derivative financial instruments				
– Forward foreign exchange contract	–	29,111	–	29,111
	–	29,111	–	29,111

There were no transfers between levels 1, 2 and 3 during the Track Record Period.

3.4 Offsetting financial assets and financial liabilities

As at 31 December 2016, 2017 and 2018 and 30 June 2019, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current and deferred income taxes

The Group is subject to income taxes in the PRC and Hong Kong. Judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates for whether additional taxes may be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Estimated allowance on inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses these estimates at the end of each reporting period.

(d) Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. Such estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

(e) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year-period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of profit or loss.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue					
Sales of greeting card, labels and paper products	886,343	1,079,630	1,162,979	509,106	564,858

Sales of goods are recognised at the point in time when a group entity has delivered products to customers and fulfilled all the performance obligations as stipulated in the sales contracts.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Group. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of gross profit for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as the Historical Financial Information.

The management has identified two reportable segments based on the types of products, namely (i) Web sales products and (ii) Original equipment manufacturer ("OEM") products.

The segment information provided to the executive directors for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 are as follows:

	Year ended 31 December 2016		
	Web sales products	OEM products	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue from external customers	69,262	817,081	886,343
Cost of sales	(19,261)	(596,061)	(615,322)
Gross profit	50,001	221,020	271,021
Other gains, net			3,121
Other income, net			6,903
Selling and distribution expenses			(72,131)
Administrative expenses			(97,831)
Finance income, net			403
Profit before income tax			111,486
Income tax expense			(21,651)
Profit for the year			89,835

	Year ended 31 December 2017		
	Web sales products	OEM products	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue from external customers	80,951	998,679	1,079,630
Cost of sales	(20,630)	(783,337)	(803,967)
Gross profit	60,321	215,342	275,663
Other gains, net			4,917
Other income, net			10,054
Selling and distribution expenses			(89,053)
Administrative expenses			(104,691)
Finance costs, net			(631)
Profit before income tax			96,259
Income tax expense			(17,370)
Profit for the year			78,889

	Year ended 31 December 2018		
	Web sales products	OEM products	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue from external customers	89,023	1,073,956	1,162,979
Cost of sales	(26,202)	(854,710)	(880,912)
Gross profit	62,821	219,246	282,067
Other gains, net			4,303
Other income, net			33,318
Selling and distribution expenses			(99,619)
Administrative expenses			(155,047)
Finance costs, net			(5,870)
Profit before income tax			59,152
Income tax expense			(8,161)
Profit for the year			50,991

	Six months ended 30 June 2018 (Unaudited)		
	Web sales products	**OEM products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue from external customers	40,130	468,976	509,106
Cost of sales	(10,400)	(389,257)	(399,657)
Gross profit	29,730	79,719	109,449
Other gains, net			(4,915)
Other income, net			16,710
Selling and distribution expenses			(45,249)
Administrative expenses			(73,832)
Finance costs, net			(2,095)
Profit before income tax			68
Income tax expense			(566)
Loss for the period			(498)

	Six months ended 30 June 2019		
	Web sales products	**OEM products**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue from external customers	45,094	519,764	564,858
Cost of sales	(11,944)	(392,174)	(404,118)
Gross profit	33,150	127,590	160,740
Other gains, net			1,122
Other income, net			5,712
Selling and distribution expenses			(47,253)
Administrative expenses			(90,271)
Finance costs, net			(3,691)
Profit before income tax			26,359
Income tax expense			(5,347)
Profit for the period			21,012

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group.

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	326,927	479,862	437,674	201,042	254,906
Customer B	95,084	N/A	N/A	N/A	N/A
Customer C	88,262	135,535	205,323	76,195	88,736

Note: "N/A" represents revenue individual customer accounting for less than 10% of total revenue for the financial years/periods.

Revenue from external customers by location, based on the destination of delivery:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Hong Kong	66,095	84,723	82,627	46,571	32,539
PRC	14,242	23,610	31,921	17,075	15,739
The United States of America	636,325	788,828	823,934	358,252	424,297
Europe	112,766	102,877	148,470	56,128	63,436
Others	56,915	79,592	76,027	31,080	28,847
	886,343	1,079,630	1,162,979	509,106	564,858

Non-current assets, other than deferred income tax assets, are located as follows:

	As at 31 December			As at 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Hong Kong	14,105	148,795	216,499	218,473	196,696
PRC	216,889	245,462	322,455	326,421	343,921
The United states of America	564	1,524	1,193	1,420	929
	231,558	395,781	540,147	546,314	541,546

6 OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Other gains/(losses), net					
Foreign exchange gain/(loss)	6,568	(7,071)	6,338	(4,570)	2,586
Fair value gain/(loss) on investment property *(Note 16)*	665	265	245	355	(140)
(Loss)/gain on derivative financial instruments *(Note 31)*	(4,169)	11,695	–	–	–
Gain/(loss) on disposal of property, plant and equipment	57	28	(2,280)	(700)	(1,324)
	3,121	4,917	4,303	(4,915)	1,122

7 OTHER INCOME, NET

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Other income/(expenses), net					
Rental income *(Note 16)*	31	37	48	24	24
Sale of scrap materials	5,128	8,427	13,782	5,877	5,220
Inventories written-off related to factory fire incident	–	(14,894)	–	–	–
Provision for factory fire incident loss *(Note a)*	–	(4,148)	–	–	–
Insurance claims	–	13,463	6,777	6,777	–
Government grants *(Note b)*	1,733	6,394	11,111	3,742	310
Others	11	775	1,600	290	158
	6,903	10,054	33,318	16,710	5,712

Notes:

(a) The provision for factory fire incident loss represents provision for claim from the owner of the Company's leased property as a result of the fire incident which occurred in July 2017.

(b) This represents government grants received from certain PRC local government authorities in relation to research and development expenses incurred by certain entities of the Group during the Track Record Period.

8 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Raw materials and consumables used	321,269	434,654	449,369	212,251	191,105
Changes in inventories of finished goods and work in progress	(7,928)	(39,347)	6,254	(12,235)	8,041
Sub-contracting charges	70,977	130,990	122,560	54,239	73,564
Electricity expenses	16,240	17,063	19,545	8,862	9,280
Repair and maintenance	8,775	9,552	11,494	6,452	8,202
Transportation expenses	32,662	50,103	52,155	22,133	23,628
Employee benefits expenses (including directors' emoluments) *(Note 9)*	221,334	262,631	313,094	144,523	154,028
Lease expenses	2,421	3,026	3,839	1,985	862
Technical maintenance support	6,234	6,933	6,249	3,766	4,025
Outsource labour expense	1,499	6,668	3,499	3,399	–
Provision of inventory obsolescence *(Note 20)*	2,497	1,302	1,519	37	77
Amortisation of right-of-use assets *(Note 19)*	6,687	7,598	8,420	4,542	3,783
Amortisation of intangible assets *(Note 17)*	8	45	117	20	88
Depreciation of property, plant and equipment *(Note 14)*	41,181	39,564	45,320	22,799	23,601
Legal and professional fee	1,119	1,620	4,371	1,940	1,700
Auditor's remuneration					
– Audit services	500	370	370	197	169
– Non-audit services	–	–	–	–	–
Listing expenses	–	–	20,553	9,644	3,331
Others	59,809	64,939	66,850	34,184	36,158
Total cost of sales, selling and distribution expenses and administrative expenses	785,284	997,711	1,135,578	518,738	541,642

The research and development expenses charged for the years ended 31 December 2016 and 2017 and 2018 and the six months ended 30 June 2018 and 2019 is approximately HK$22,628,000, HK$23,555,000, HK$30,795,000, HK$10,144,000 and HK$13,621,000 respectively.

9 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (Unaudited)*	*HK$'000*
Salaries, bonuses and allowances	195,725	230,286	261,080	124,008	125,628
Pension costs-defined contribution plans	19,823	25,023	39,572	16,657	20,135
Other employee benefits	5,786	7,322	12,442	3,858	8,265
	221,334	262,631	313,094	144,523	154,028

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include five, five and four directors for the years ended 31 December 2016, 2017 and 2018; and four and four directors for the six months ended 30 June 2018 and 2019, respectively, whose emoluments are reflected in the analysis presented in Note 9(a). The emoluments payable to the remaining one individual during the year ended 31 December 2018 and the six months ended 30 June 2018 and 2019 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Salaries, allowances and other benefits	–	–	1,460	585	671
Pension costs-defined contribution plans	–	–	18	18	18
	–	–	1,478	603	689

The emoluments of the highest paid individual fell within the following band:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
HK$300,000 to HK$999,999	–	–	–	1	1
HK$1,000,000 to HK$1,500,000	–	–	1	–	–
	–	–	1	1	1

(a) Directors' emoluments

The remuneration of the Executive Directors for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 are set out below:

	Year ended 31 December 2016					
Name of Directors	**Fees**	**Salaries**	**Discretionary bonuses**	**Allowances and benefits in kind**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
– Mr. Cheng Wan Wai	–	770	–	1,134	18	1,922
– Mr. Yeung Keng Wu Kenneth	–	2,518	–	289	18	2,825
– Mrs. Liu Shuk Yu Sanny	–	1,950	–	823	18	2,791
– Ms. Hui Li Kwan	–	650	650	15	18	1,333
– Mr. Chan Wang Tao Thomas	–	1,540	1,300	340	18	3,198
– Mr. Mak Chin Pang	–	1,085	1,300	228	18	2,631
	–	8,513	3,250	2,829	108	14,700

Name of Directors	Year ended 31 December 2017 Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
– Mr. Cheng Wan Wai	–	690	170	1,123	18	2,001
– Mr. Yeung Keng Wu Kenneth	–	2,245	170	186	18	2,619
– Mrs. Liu Shuk Yu Sanny	–	1,800	150	801	18	2,769
– Ms. Hui Li Kwan	–	600	200	132	18	950
– Mr. Chan Wang Tao Thomas	–	1,440	400	446	18	2,304
– Mr. Mak Chin Pang	–	1,020	365	364	18	1,767
	–	7,795	1,455	3,052	108	12,410

Name of Directors	Year ended 31 December 2018 Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
– Mr. Cheng Wan Wai	–	770	–	1,492	18	2,280
– Mr. Yeung Keng Wu Kenneth	–	2,210	–	277	18	2,505
– Mrs. Liu Shuk Yu Sanny	–	1,950	–	803	18	2,771
– Ms. Hui Li Kwan	–	650	–	55	18	723
– Mr. Chan Wang Tao Thomas	–	1,540	–	288	18	1,846
– Mr. Mak Chin Pang	–	1,085	–	212	18	1,315
	–	8,205	–	3,127	108	11,440

Name of Directors	Six months ended 30 June 2018 (Unaudited) Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
– Mr. Cheng Wan Wai	–	385	–	720	9	1,114
– Mr. Yeung Keng Wu Kenneth	–	1,105	–	–	9	1,114
– Mrs. Liu Shuk Yu Sanny	–	975	–	310	9	1,294
– Ms. Hui Li Kwan	–	325	–	–	9	334
– Mr. Chan Wang Tao Thomas	–	770	–	–	9	779
– Mr. Mak Chin Pang	–	543	–	–	9	552
	–	4,103	–	1,030	54	5,187

Name of Directors	Six months ended 30 June 2019					
	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
– Mr. Cheng Wan Wai	–	385	–	720	9	1,114
– Mr. Yeung Keng Wu Kenneth	–	1,105	–	–	9	1,114
– Mrs. Liu Shuk Yu Sanny	–	975	–	318	9	1,302
– Ms. Hui Li Kwan	–	325	–	–	9	334
– Mr. Chan Wang Tao Thomas	–	770	–	–	9	779
– Mr. Mak Chin Pang	–	543	–	–	9	552
	–	4,103	–	1,038	54	5,195

Mr. Cheng Wan Wai, Mr. Yeung Keng Wu Kenneth, Mrs. Liu Shuk Yu Sanny, Ms. Hui Li Kwan, Mr. Chan Wang Tao Thomas and Mr. Mak Chin Pang were appointed as executive directors of the Company on 19 April 2018.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as directors or employees of the Operating Companies. No directors waived any emolument during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Companies and no emoluments were paid by the Company or the Operating Companies to the directors as an inducement to join the Company or the Operating Companies, or as compensation for loss of office during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

No payment was made to the directors as compensation for early termination of appointment during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

(c) Consideration provided to third parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 35, there were no other loans, quasi-loans or other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

10 FINANCE INCOME/(COSTS), NET

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Finance income					
Bank interest income	1,046	371	125	83	59
Finance costs					
Interest expense on bank borrowings	(354)	(766)	(5,767)	(2,052)	(3,679)
Interest expense on lease liabilities	(289)	(236)	(228)	(126)	(71)
	(643)	(1,002)	(5,995)	(2,178)	(3,750)
Finance income/(costs), net	403	(631)	(5,870)	(2,095)	(3,691)

11 INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Current income tax	18,668	19,353	9,141	4,880	9,410
Over provision in prior years	–	(2)	–	–	–
Deferred income tax *(Note 30)*	2,983	(1,981)	(980)	(4,314)	(4,063)
	21,651	17,370	8,161	566	5,347

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for each of the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

The subsidiaries established and operated in the PRC are subject to the PRC Corporate Income Tax at rate of 25% during the Track Record Period.

Pursuant to the relevant laws and regulation in the PRC, the Group's subsidiary, Dongguan Zensee Printing Limited* (東莞雋思印刷有限公司), was accredited as a high-tech enterprise, and is entitled to the preferential tax rate of 15% since 2017.

Pursuant to the relevant laws and regulation in the PRC, certain of the entities in the Group qualified as small-scale and marginal profit enterprises. As a result, they are entitled to a reduction in tax base of 50% and a preferential tax rate of 20% during the Track Record Period.

No provision for the United States of America profits tax has been made for the Track Record Period as the Group did not generate any assessable profits arising in the United States of America during the Track Record Period.

Pursuant to the laws and regulations of the BVI and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands during the Track Record Period.

* *For translation purpose only*

The tax on the Group's profit before income tax differs from the theoretical amount that would arise by applying the domestic tax rates applicable to profits in the respective countries/jurisdictions as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before income tax	111,486	96,259	59,152	68	26,359
Tax calculated at domestic tax rates applicable to profits in the respective countries/jurisdictions	23,155	16,295	9,249	7	5,920
Expenses not deductible for tax purpose	1,030	1,554	4,149	1,981	981
Income not subject to tax	(299)	(214)	(1,056)	(766)	(8)
Tax effect of deductible temporary differences not recognised	46	992	224	(937)	636
Additional tax deduction for research and development	(2,828)	(1,767)	(3,464)	(934)	(1,530)
Over provision in prior years	–	(2)	–	–	–
Tax losses not recognised	757	625	523	1,551	1,413
Utilisation of previously unrecognised tax losses	(60)	(40)	(1,212)	(88)	(1,747)
Effect of reversal of temporary difference due to change in tax rate	–	248	–	–	–
Effect of preferential tax rate in the PRC	(40)	(141)	(80)	(3)	(318)
Tax exemption	(110)	(180)	(172)	(245)	–
Tax expense	21,651	17,370	8,161	566	5,347

12 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019.

In determining the weight average number of shares in issue during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, 77,400 shares were deemed to have been issued on 1 January 2016 as if the Company had been incorporated by then.

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	
Profit/(loss) attributable to owners of the Company (HK$'000)	89,835	78,889	50,991	(498)	21,012
Weighted average number of ordinary shares in issue	77,400	77,400	77,400	77,400	77,400
Basic earnings/(loss) per share (HK$)	1,161	1,019	659	(6)	271

Diluted earnings per share for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019 were the same as the basic earnings per share as there was no potential dilutive ordinary shares outstanding during the Track Record Period.

Note: The earnings per share presented above has not taken into account the proposed capitalisation issue pursuant to the resolutions in writing of the shareholders passed on 20 December 2019 because the proposed capitalisation issue has not become effective as of the reporting date.

13 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation and up to 30 June 2019.

Dividends during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 represented dividends declared by a company now comprising the Group to the then equity holders of that company for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Dividend	30,000	15,000	10,000	10,000	–

Subsequent to 30 June 2019, by a directors' meeting held on 14 August 2019, the Company's directors resolved to declare an interim dividend of HK$64.60 per share, totaling HK$10,000,000, to the Ultimate Shareholders. The interim dividend declared has not been accounted for in the Historical Financial Information for the six months ended 30 June 2019.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016						
Opening net book amount	34,854	27,085	126,865	43,753	3,499	236,056
Additions	–	5,966	13,672	3,016	–	22,654
Disposals	–	–	(35)	(103)	(38)	(176)
Depreciation	(2,245)	(3,845)	(27,637)	(6,041)	(1,413)	(41,181)
Translation adjustments	(1,888)	(1,634)	(6,590)	(2,326)	(49)	(12,487)
Closing net book amount	30,721	27,572	106,275	38,299	1,999	204,866
At 31 December 2016						
Cost	53,722	43,182	388,433	71,886	13,656	570,879
Accumulated depreciation	(23,001)	(15,610)	(282,158)	(33,587)	(11,657)	(366,013)
Net book amount	30,721	27,572	106,275	38,299	1,999	204,866
Year ended 31 December 2017						
Opening net book amount	30,721	27,572	106,275	38,299	1,999	204,866
Additions	42,614	4,457	35,338	6,340	–	88,749
Disposals	–	–	(26)	(9)	–	(35)
Depreciation	(2,791)	(6,585)	(23,001)	(6,208)	(979)	(39,564)
Translation adjustments	1,799	1,608	6,699	2,280	38	12,424
Closing net book amount	72,343	27,052	125,285	40,702	1,058	266,440
At 31 December 2017						
Cost	99,581	50,354	447,684	82,465	12,256	692,340
Accumulated depreciation	(27,238)	(23,302)	(322,399)	(41,763)	(11,198)	(425,900)
Net book amount	72,343	27,052	125,285	40,702	1,058	266,440

	Buildings	Leasehold improvements	Plant and machinery	Furniture and Equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018						
Opening net book amount	72,343	27,052	125,285	40,702	1,058	266,440
Additions	–	19,713	22,617	16,487	38	58,855
Acquired on acquisition of a subsidiary (Note 32)	75,299	10,951	6,485	385	51	93,171
Disposals	–	(11)	(3,006)	(115)	–	(3,132)
Depreciation	(6,825)	(6,474)	(23,625)	(7,583)	(813)	(45,320)
Translation adjustments	(7,991)	(2,698)	(4,520)	(1,789)	(17)	(17,015)
Closing net book amount	132,826	48,533	123,236	48,087	317	352,999
At 31 December 2018						
Cost	165,549	76,408	449,960	92,825	12,188	796,930
Accumulated depreciation	(32,723)	(27,875)	(326,724)	(44,738)	(11,871)	(443,931)
Net book amount	132,826	48,533	123,236	48,087	317	352,999

	Buildings	Leasehold improvements	Plant and machinery	Furniture and Equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2019						
Opening net book amount	132,826	48,533	123,236	48,087	317	352,999
Additions	–	2,819	31,087	4,618	–	38,524
Disposals	–	–	(2,576)	(175)	–	(2,751)
Depreciation	(3,813)	(3,965)	(11,565)	(4,136)	(122)	(23,601)
Translation adjustments	53	68	1,340	64	4	1,529
Closing net book amount	129,066	47,455	141,522	48,458	199	366,700
At 30 June 2019						
Cost	165,549	79,226	474,400	95,279	11,940	826,394
Accumulated depreciation	(36,483)	(31,771)	(332,878)	(46,821)	(11,741)	(459,694)
Net book amount	129,066	47,455	141,522	48,458	199	366,700

	Buildings	Leasehold improvements	Plant and machinery	Furniture and Equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2018 (Unaudited)						
Opening net book amount	72,343	27,052	125,285	40,702	1,058	266,440
Additions	–	5,973	11,315	13,620	–	30,908
Acquired on acquisition of a subsidiary (Note 32)	75,299	10,951	6,485	385	52	93,172
Disposals	–	–	(826)	(99)	–	(925)
Depreciation	(3,033)	(3,005)	(12,834)	(3,605)	(322)	(22,799)
Translation adjustments	(3,403)	(496)	412	83	4	(3,400)
Closing net book amount	141,206	40,475	129,837	51,086	792	363,396
At 30 June 2018 (Unaudited)						
Cost	171,506	66,783	465,884	94,234	12,320	810,727
Accumulated depreciation	(30,300)	(26,308)	(336,047)	(43,148)	(11,528)	(447,331)
Net book amount	141,206	40,475	129,837	51,086	792	363,396

Depreciation expenses of approximately HK$26,535,000, HK$24,351,000, HK$26,345,000, HK$13,816,000 (unaudited) and HK$13,264,000 have been charged in "Cost of sales", and approximately HK$14,646,000, HK$15,213,000, HK$18,975,000, HK$8,983,000 (unaudited) and HK$10,337,000 have been charged in "Administrative expenses" for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively.

The net carrying amount of approximately HK$nil, HK$73,664,000, HK$99,898,000 and HK$100,619,000 the Group's buildings and leasehold land were pledged as collateral for the banking facilities granted to the Group (Note 27) as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, an entity of the Group did not obtain formal real estate ownership certificates or immovable property title certificates for certain of its properties with total carrying value of approximately HK$28,252,000, HK$28,008,000, HK$24,957,000 and HK$24,022,000, respectively. The Group has taken remedial actions and is in the process of obtaining the necessary real estate ownership certificates or immovable property title certificates. In the opinion of the directors, the absence of formal title to these real estate ownership certificates or immovable property title certificates is not an indicator of impairment in the value of these properties as the Group has paid the full purchase consideration for these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

15 SHARE CAPITAL OF THE COMPANY

	Number of ordinary shares	Share Capital
		HK$'000
Authorised:		
Ordinary share capital of HK$0.01 each on 19 April 2018 (the date of incorporation of the Company) and as at 31 December 2018 and 30 June 2019	39,000,000	390
Issued and fully paid:		
Issued of shares at date of incorporation of the Company	1	–
Issue of shares pursuant to the Reorganisation (Note 1.2)	77,399	1
At 31 December 2018 and 30 June 2019	77,400	1

Note: On 20 December 2019, the authorised share capital of the Company was increased from 39,000,000 shares of HK$0.01 each to 2,000,000,000 shares of HK$0.01 each.

16 INVESTMENT PROPERTY

	Year ended 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets – at fair value				
At beginning of year/period	1,100	1,765	2,030	2,275
Fair value changes	665	265	245	(140)
At end of year/period	1,765	2,030	2,275	2,135

Investment property is situated in Hong Kong and rented out under operating leases. Amounts recognised in profit and loss for investment properties are as follows:

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Rental income recognised in other income	31	37	48	24	24
Direct operating expenses	(6)	(6)	(6)	(3)	(3)
	25	31	42	21	21

The directors performed a valuation of the investment property by market comparable approach using the current market price and adjusting factors regarding the location and size of the property to determine the fair value as at 31 December 2016, 2017 and 2018 and 30 June 2019. The revaluation gain or loss is included in "Other gains, net" in the consolidated statement of profit or loss.

The fair value measurement is categorised in Level 3 of the fair value hierarchy, and there were no transfers between level 1, 2 and 3 during the Track Record Period.

The key inputs as at 31 December 2016, 2017 and 2018 and 30 June 2019 are average market price of similar investment property of approximately HK$1,765,000, HK$2,030,000, HK$2,275,000 and HK$2,135,000 after adjusting for age, location, condition and surrounding facility. The higher the market price, the higher the fair value.

17 INTANGIBLE ASSETS

	Goodwill	Golf club membership *(Note a)*	Computer software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Opening net book amount	–	943	–	943
Additions	–	–	42	42
Amortisation *(Note 8)*	–	–	(8)	(8)
Closing net book amount	–	943	34	977
At 31 December 2016				
Cost	–	943	42	985
Accumulated amortisation and impairment	–	–	(8)	(8)
Net book amount	–	943	34	977
Year ended 31 December 2017				
Opening net book amount	–	943	34	977
Additions	–	–	182	182
Amortisation *(Note 8)*	–	–	(45)	(45)
Closing net book amount	–	943	171	1,114
At 31 December 2017				
Cost	–	943	224	1,167
Accumulated amortisation and impairment	–	–	(53)	(53)
Net book amount	–	943	171	1,114
Year ended 31 December 2018				
Opening net book amount	–	943	171	1,114
Additions	–	–	403	403
Acquisition of a subsidiary *(Note 32)*	26,178	–	263	26,441
Amortisation *(Note 8)*	–	–	(117)	(117)
Exchange realignment	(1,463)	–	(37)	(1,500)
Closing net book amount	24,715	943	683	26,341
At 31 December 2018				
Cost	24,715	943	849	26,507
Accumulated amortisation and impairment	–	–	(166)	(166)
Net book amount	24,715	943	683	26,341

	Goodwill	Golf club membership *(Note a)*	Computer software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2019				
Opening net book amount	24,715	943	683	26,341
Additions	–	–	83	83
Amortisation *(Note 8)*	–	–	(88)	(88)
Exchange realignment	–	–	–	–
Closing net book amount	24,715	943	678	26,336
Six months ended 30 June 2019				
Cost	24,715	943	931	26,589
Accumulated amortisation and impairment	–	–	(253)	(253)
Net book amount	24,715	943	678	26,336
Six months ended 30 June 2018 (Unaudited)				
Opening net book amount	–	943	171	1,114
Additions	–	–	19	19
Acquisition of a subsidiary *(Note 32)*	26,178	–	263	26,441
Amortisation *(Note 8)*	–	–	(20)	(20)
Exchange realignment	(265)	–	(12)	(277)
Closing net book amount	25,913	943	421	27,277
Six months ended 30 June 2018 (Unaudited)				
Cost	25,913	943	493	27,349
Accumulated amortisation and impairment	–	–	(72)	(72)
Net book amount	25,913	943	421	27,277

Note a: Golf club membership is stated at historical cost. The club membership has an indefinite life which is not subject to amortisation and is tested annually for impairment and applied fair value less costs to sell when determining its recoverable amounts. During the Track Record Period, no impairment was made in relation to the golf club membership.

Amortisation expenses relating to computer software of approximately HK$8,000, HK$45,000, HK$117,000, HK$20,000 (unaudited) and HK$88,000 have been charged in "Administrative expenses" for the years ended 31 December 2016 and 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively.

Goodwill arose from the purchase of Taunus Printing (Heshan) Company Limited ("TPC") from certain third parties during the Track Record Period.

Goodwill arising from acquisition is allocated to the relevant CGU, composed of QPE and TPC, which are expected to benefit from the business combination. Management reviews annually whether the carrying amount of a CGU is higher than the recoverable amount. The recoverable amount of a CGU is determined based on a value-in-use calculation with key parameters including revenue growth rate and gross profit margin. The calculation uses pre-tax cash flow projection based on five-year financial budget approved by management using the estimated growth rate of the relevant CGU, taken into account the Group's overall revenue growth rate of 3% and gross profit margin of 25%. Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% and no material change in the existing scope of business, business environment and market conditions. The pre-tax discount rate applied to the cash flow projections is 15% and management believes it reflects specific risks relating to the segment. Based on the impairment assessment performed by management, the estimated recoverable amount over its carrying amount (i.e. the headroom) is HK$66 million as at 31 December 2018.

Had the aforementioned key parameters (i.e. revenue growth rate and gross profit margin) been changed, with all other variables held constant, the headroom would be changed as follows:

	As at 31 December 2018
	HK$'000
– Revenue growth rate decreased by 10%	59,000
– Gross profit margin decreased by 10%	18,000

Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment of goodwill. There was no impairment provision for intangible assets during the Track Record Period.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at amortised cost				
– Trade receivables	147,569	173,217	193,035	176,605
– Prepayments, deposits and other receivables (excluding prepayments and VAT receivables)	5,855	7,728	10,513	8,047
– Pledged deposits	379	382	381	381
– Cash and cash equivalents	116,158	63,967	59,867	56,385
	269,961	245,294	263,796	241,418
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	29,111	–	–	–
Other financial liabilities at amortised cost				
– Trade payables	81,701	91,754	109,747	94,548
– Accruals, provisions and other payables (excluding accrued staff costs, other taxes payables, contract liabilities and provision for social insurance and housing provident fund)	7,800	20,466	35,161	31,723
– Amounts due to directors	19,873	9,620	–	–
– Borrowings	10,000	137,696	228,034	219,888
Lease liabilities	8,046	7,606	6,002	4,329
	127,420	267,142	378,944	350,488
	156,531	267,142	378,944	350,488

19 RIGHT-OF-USE ASSETS

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Land	5,487	68,591	118,218	116,911
Properties	7,102	6,791	5,878	4,364
Motor vehicles	1,590	2,302	2,415	2,026
At end of year/period	14,179	77,684	126,511	123,301

	Land	Properties	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016				
Cost	6,941	20,375	–	27,316
Accumulated amortisation	(984)	(8,049)	–	(9,033)
Net book amount	5,957	12,326	–	18,283
Year ended 31 December 2016				
Opening net book amount	5,957	12,326	–	18,283
Additions	–	1,192	1,835	3,027
Amortisation	(137)	(6,305)	(245)	(6,687)
Translation adjustments	(333)	(111)	–	(444)
Closing net book amount	5,487	7,102	1,590	14,179
At 31 December 2016				
Cost	6,546	19,684	1,835	28,065
Accumulated amortisation	(1,059)	(12,582)	(245)	(13,886)
Net book amount	5,487	7,102	1,590	14,179
Year ended 31 December 2017				
Opening net book amount	5,487	7,102	1,590	14,179
Additions	63,334	6,033	1,294	70,661
Amortisation	(558)	(6,458)	(582)	(7,598)
Translation adjustments	328	114	–	442
Closing net book amount	68,591	6,791	2,302	77,684

	Land	Properties	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017				
Cost	70,275	19,419	3,129	92,823
Accumulated amortisation	(1,684)	(12,628)	(827)	(15,139)
Net book amount	68,591	6,791	2,302	77,684
Year ended 31 December 2018				
Opening net book amount	68,591	6,791	2,302	77,684
Additions	–	4,533	764	5,297
Acquisition of subsidiary *(Note 32)*	57,500	–	–	57,500
Amortisation	(2,390)	(5,379)	(651)	(8,420)
Translation adjustments	(5,483)	(67)	–	(5,550)
Closing net book amount	118,218	5,878	2,415	126,511
At 31 December 2018				
Cost	122,192	10,500	3,894	136,586
Accumulated amortisation	(3,974)	(4,622)	(1,479)	(10,075)
Net book amount	118,218	5,878	2,415	126,511
Six months ended 30 June 2019				
Opening net book amount	118,218	5,878	2,415	126,511
Additions	–	560	–	560
Amortisation	(1,319)	(2,075)	(389)	(3,783)
Translation adjustments	12	1	–	13
Closing net book amount	116,911	4,364	2,026	123,301
At 30 June 2019				
Cost	122,192	11,049	3,894	137,135
Accumulated amortisation	(5,281)	(6,685)	(1,868)	(13,834)
Net book amount	116,911	4,364	2,026	123,301
Six months ended 30 June 2018 (Unaudited)				
Opening net book amount	68,591	6,791	2,302	77,684
Additions	–	4,551	–	4,551
Acquisition of subsidiary *(Note 32)*	57,500	–	–	57,500
Amortisation	(1,052)	(3,177)	(313)	(4,542)
Translation adjustments	(2,744)	20	–	(2,724)
Closing net book amount	122,295	8,185	1,989	132,469

	Land	Properties	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 June 2018 (Unaudited)				
Cost	125,044	12,341	3,129	140,514
Accumulated amortisation	(2,749)	(4,156)	(1,140)	(8,045)
Net book amount	122,295	8,185	1,989	132,469

The statement of profit or loss shows the following amounts relating to leases:

	Years ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Expense relating to short-term lease contract	2,421	3,026	3,839	1,985	862
Amortisation of right-of-use assets	6,687	7,598	8,420	4,452	3,783
Interest expenses (included in finance cost) *(Note 10)*	289	236	228	126	71

20 INVENTORIES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	26,072	21,145	23,879	29,657
Work in progress	19,054	30,719	33,323	20,717
Finished goods	19,970	37,802	25,524	28,856
	65,096	89,666	82,726	79,230

The cost of inventories recognised as expenses and included in "cost of sales" amounted to HK$313,341,000, HK$395,307,000, HK$455,623,000, HK$197,210,000 (unaudited) and HK$195,730,000 for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively.

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Movement for allowance:				
As at 1 January	9,958	11,781	13,827	14,699
Provision for the year	2,497	1,302	1,519	77
Translation adjustment	(674)	744	(647)	(253)
At 31 December/30 June	11,781	13,827	14,699	14,523

During the year ended 31 December 2017, inventories amounting to HK$14,894,000 were written off as a result of a fire incident related to a Group entity in the PRC.

21 TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	147,569	173,217	193,035	176,605

Trade receivables represent goods sold to third parties. The credit terms granted by the Group are generally 90 days.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the aging analysis of the trade receivables, based on invoice date, is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 30 days	82,972	82,598	93,529	104,445
31-60 days	33,995	41,524	42,656	39,164
61-90 days	12,516	29,686	23,319	25,956
Over 90 days	18,086	19,409	33,531	7,040
	147,569	173,217	193,035	176,605

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables. The Group does not hold any collateral as security.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the Track Record Period, the expected losses for customers of sales of goods is minimal and the expected credit loss rate is close to zero, given there is no history of significant defaults from customers and no adverse change is anticipated in the future business environment. No provision for impairment of trade receivables has been made throughout the Track Record Period.

The carrying amounts of trade receivables approximate their fair values as at 31 December 2016, 2017 and 2018 and 30 June 2019.

The Group's trade receivables were denominated in the following currencies:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	53,075	73,103	72,896	72,141
US$	91,210	92,248	113,582	96,720
RMB	1,765	6,524	5,664	6,865
EUR	701	211	42	182
Others	818	1,131	851	697
	147,569	173,217	193,035	176,605

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	5,031	7,252	14,386	19,491
Prepaid sub-contracting charges	–	29,132	–	–
Other receivables	2,977	4,283	7,653	6,360
Rental and other deposits	12,650	18,024	34,724	24,761
Deposit for acquisition *(Note 32)*	–	33,785	–	–
VAT receivables	12,440	17,856	18,155	14,476
	33,098	110,332	74,918	65,088
Less: Non-current portion	(9,771)	(48,513)	(32,021)	(23,074)
Current portion	23,327	61,819	42,897	42,014

The carrying amounts of prepayments, deposits and other receivables of the Group approximate their fair values as at 31 December 2016, 2017 and 2018 and 30 June 2019.

Their recoverability was assessed with reference to the credit status of the recipients, and there is no expected credit loss for future 12 months.

The Company

	As at 31 December	As at 30 June
	2018	2019
	HK$'000	*HK$'000*
Prepayment – Listing expenses	7,057	8,721
Others	46	–
	7,103	8,721

The Group's prepayments, deposits and other receivables were denominated in the following currencies:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	3,895	5,750	10,052	13,326
US$	2,482	43	601	242
RMB	26,643	104,461	50,849	50,896
EUR	–	–	13,338	546
Others	78	78	78	78
	33,098	110,332	74,918	65,088

23 PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Short-term bank deposits *(Note a)*	39,113	–	–	–
Cash on hand	468	626	230	1,291
Cash at bank	76,577	63,341	59,637	55,094
Total cash and cash equivalents	116,158	63,967	59,867	56,385
Pledged deposits *(Note b)*	379	382	381	381
Total pledged deposits and cash and cash equivalents	116,537	64,349	60,248	56,766

Notes:

(a) The effective interest rate on short-term bank deposits was 2.92% for the year ended 31 December 2016. As at 31 December 2016, the short-term bank deposits had maturity period between January to February 2017.

(b) The pledged bank deposits are held in designated bank accounts mainly for the Group's banking facilities (Note 28).

The carrying amounts of short-term bank deposits, cash on hand, cash at bank and pledged deposits are denominated in the following currencies:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	51,660	44,878	8,953	5,264
RMB	49,483	13,256	27,897	23,077
US$	14,544	5,501	22,441	27,484
Other	850	714	957	941
	116,537	64,349	60,248	56,766

24 SHARE PREMIUM AND RESERVES

Share premium of the Company is attributable to the completion of the Reorganisation. Reserves during the Track Record Period comprised of capital reserve, statutory reserve, translation reserve and retained earnings.

As stipulated by the relevant PRC laws and regulations applicable to the Company's subsidiaries established and operated in the PRC, the subsidiaries are required to make appropriation from profit after tax (after offsetting prior years' losses) to statutory reserve. The PRC entities are required to transfer at least 10% of its net profit as determined under the PRC accounting rules and regulations, to their statutory reserve. The appropriations to the statutory reserve are required until the balance reaches 50% of the subsidiaries' registered capital. The statutory reserve can be utilised to offset prior year losses or be utilised for issuance of bonus shares. The Company's PRC subsidiaries are restricted in their ability to transfer a portion of their reserve either in the form of dividends, loans or advances.

Retained earnings during the Track Record Period represents the deficits/equities of the Operating Companies after elimination of inter-company transactions and balances. The movements in retained earnings during the Track Record Period mainly comprised of profit for the years and dividends declared during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019. Please see Note 13 for more detail on the dividends.

25 TRADE PAYABLES

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	81,701	91,754	109,747	94,548

The aging analysis of the trade payables based on invoice dates as at 31 December 2016, 2017 and 2018 and 30 June 2019 were as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	51,811	71,688	52,679	50,960
31 – 60 days	22,776	11,900	36,877	26,764
61 – 90 days	3,388	1,824	13,427	11,730
Over 90 days	3,726	6,342	6,764	5,094
	81,701	91,754	109,747	94,548

The carrying amounts of trade payables approximate their fair values as at 31 December 2016, 2017 and 2018 and 30 June 2019.

The Group's trade payables were denominated in the following currencies:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	15,850	22,169	17,823	17,823
US$	2,341	5,037	7,811	5,215
RMB	62,876	64,548	83,866	71,266
EUR	634	–	247	244
	81,701	91,754	109,747	94,548

26 ACCRUALS, PROVISIONS AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current portion				
Accrued staff costs	22,409	26,475	28,677	27,165
Accrued expenses	3,498	12,924	8,403	9,738
Other taxes payables	1,087	910	1,387	1,650
Contract liabilities *(Note)*	4,520	3,735	2,318	3,417
Listing expenses payable	–	–	15,092	9,648
Provision for social insurance and housing provident fund	23,832	25,271	31,616	30,733
VAT payables	–	–	302	–
Other payables	4,302	7,542	11,364	12,337
	59,648	76,857	99,159	94,688

Note: The amount represents advance payments from customers for goods. The entire contract liabilities balance as at the respective year end dates was/is expected to be recognised as revenue in the subsequent year.

The carrying amounts of other payables approximate their fair values as at 31 December 2016, 2017 and 2018 and 30 June 2019.

The Company

	As at 31 December	As at 30 June
	2018	**2019**
	HK$000	*HK$'000*
Accruals – Listing expenses	15,092	9,648

The Group's accruals, provisions, contract liabilities and other payables were denominated in the following currencies:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	14,456	13,270	22,121	21,721
US$	3,913	2,105	4,456	2,415
RMB	41,228	61,423	72,522	70,494
EUR	51	57	58	55
Others	–	2	2	3
	59,648	76,857	99,159	94,688

27 BORROWINGS

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	10,000	137,696	228,034	219,888
Less: amounts due on demand or within one year shown under current liabilities	(10,000)	(137,696)	(134,590)	(111,151)
Non-current portion	–	–	93,444	108,737

As at 31 December 2016, 2017 and 2018 and 30 June 2019, borrowings of approximately HK$10,000,000, HK$137,696,000, HK$100,774,000 and HK$59,745,000 are subject to repayable on demand clause.

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's borrowings were repayable as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	10,000	96,598	100,738	83,415
Between 1 and 2 years	–	11,598	43,581	56,883
Between 2 and 5 years	–	14,714	68,740	66,314
Over 5 years	–	14,786	14,975	13,276
	10,000	137,696	228,034	219,888

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

The effective interests rates of the above loans (per annum) at the reporting dates are as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	1-month HIBOR plus 1.5%	1-month HIBOR plus 1% – 1.9%	1-month HIBOR plus 1% – 1.8%	1-month HIBOR plus 1% – 1.8%

During the Track Record Period, the borrowings are pledged by certain assets with carrying values shown below:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	–	73,664	99,898	100,619
Bank deposits	379	382	381	381
	379	74,046	100,279	101,000

The Group's borrowings of approximately HK$10,000,000, HK$137,696,000 and HK$228,034,000 and HK$219,888,000 as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively were guaranteed by the directors, namely Mr. Cheng Wan Wai and Mr. Yeung Keng Wu Kenneth.

The carrying amounts of borrowings of the Group approximate their fair values as at 31 December 2016, 2017 and 2018 and 30 June 2019.

The Group's borrowings were denominated in HKD.

28 BANKING FACILITIES

As at 30 June 2019, the Group had aggregate banking facilities of approximately HK$371,772,000 for overdrafts, loans, letter of credit and trade financing. Unused facilities as at the same date amounted to approximately HK$142,271,000. These facilities were secured by:

(i) pledges over the Group's land and buildings as set out in Note 27;

(ii) pledges over the bank deposits as set out in Note 23 and Note 27; and

(iii) pledges over the shares of QPP, QPH, QPHK, QPI, QPS and QPE directly or indirectly held by the Company.

29 LEASE LIABILITIES

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current	5,950	4,101	4,253	3,221
Non-current	2,096	3,505	1,749	1,108
	8,046	7,606	6,002	4,329

The Group leases various properties to operate its businesses and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. No extension option and no residual value guarantee are included in such property and equipment leases across the Group.

The total cash outflows for lease payment including lease liabilities, interest expenses on leases, for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019 were HK$6,924,000, HK$7,418,000, HK$6,266,000, HK$3,671,000 (unaudited) and HK$2,347,000 respectively.

The total cash outflows for payments associated with short-term lease contract for the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019 were HK$2,421,000, HK$3,026,000, HK$3,839,000, HK$1,985,000 (unaudited) and HK$862,000 respectively.

30 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets to be recovered after more than 12 months	1,393	7,501	5,949	5,539
Deferred tax assets to be recovered within 12 months	4,301	1,021	1,811	5,253
	5,694	8,522	7,760	10,792
Deferred tax liabilities to be recovered after more than 12 months	(196)	(178)	(13,713)	(12,756)
Deferred tax liabilities to be recovered within 12 months	(384)	(979)	(316)	(242)
	(580)	(1,157)	(14,029)	(12,998)
Deferred tax assets/(liabilities), net	5,114	7,365	(6,269)	(2,206)

The net movement on the deferred income tax account is as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	8,174	5,114	7,365	(6,269)
(Charged)/credited to profit or loss *(Note 11)*	(2,983)	2,229	980	4,063
Acquisition of a subsidiary *(Note 32)*	–	–	(15,724)	–
Effect of change in tax rate	–	(248)	–	
Translation adjustment	(77)	270	1,110	–
Deferred income tax assets/(liabilities)	5,114	7,365	(6,269)	(2,206)

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Property, plant and equipment	Inventory provision	Social insurance and housing provident fund provision	Tax loss	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balances at 1 January 2016	509	2,489	6,281	9,027	3,995	22,301
Credited/(charged) to profit or loss	60	624	–	(5,470)	(513)	(5,299)
Translation adjustment	(32)	(168)	(357)	–	(206)	(763)
Balances at 31 December 2016 and 1 January 2017	537	2,945	5,924	3,557	3,276	16,239
Credited/(charged) to profit or loss	30	2,437	–	(2,911)	2,313	1,869
Effect of change in tax rate	–	(1,216)	(2,011)	–	(1,236)	(4,463)
Translation adjustment	33	208	307	17	225	790
Balances at 31 December 2017 and 1 January 2018	600	4,374	4,220	663	4,578	14,435
Credited/(charged) to profit or loss	41	245	–	345	(157)	474
Acquisition of a subsidiary	–	–	2,040	–	–	2,040
Translation adjustment	(26)	(195)	(366)	–	(186)	(773)
Balances at 31 December 2018 and 1 January 2019	615	4,424	5,894	1,008	4,235	16,176
Credited/(charged) to profit or loss	(17)	(178)	(225)	2,886	(728)	1,738
Translation adjustment	–	3	4	–	11	18
Balances at 30 June 2019	598	4,249	5,673	3,894	3,518	17,932

Deferred income tax liabilities

	Property, plant and equipment	Right of use assets – Land	Total
	HK$'000	*HK$'000*	*HK$'000*
Balances at 1 January 2016	14,126	–	14,126
Credited to profit or loss	(2,316)	–	(2,316)
Translation adjustment	(685)	–	(685)
Balances at 31 December 2016 and 1 January 2017	11,125	–	11,125
Credited to profit or loss	(360)	–	(360)
Effect of change in tax rate	(4,215)	–	(4,215)
Translation adjustment	520	–	520

	Property, plant and equipment	Right of use assets – Land	Total
	HK$'000	*HK$'000*	*HK$'000*
Balances at 31 December 2017 and 1 January 2018	7,070	–	7,070
Credited to profit or loss	(351)	(155)	(506)
Acquisition of a subsidiary	8,737	9,027	17,764
Translation adjustment	(1,059)	(824)	(1,883)
Balance as at 31 December 2018 and 1 January 2019	14,397	8,048	22,445
Credited to profit or loss	(2,227)	(98)	(2,325)
Translation adjustment	18	–	18
Balances at 30 June 2019	12,188	7,950	20,138

The Group takes into account the probability that deductible temporary differences or tax losses carried forward can be utilised against future taxable profits on recognition of deferred income tax assets. In assessing recoverability of deferred income tax assets, the Group takes into account scheduled reversal of deferred income tax liabilities, projected future taxable profit and tax planning.

The expiration of tax losses carried forward for which deferred income tax assets are not recognised is as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax losses expiring within 5 years	–	1,617	3,344	–
Tax losses expiring after 5 years	4,232	5,564	1,811	5,408
Total	4,232	7,181	5,155	5,408

As at 31 December 2016, 2017 and 2018 and 30 June 2019, deferred income tax liabilities have not been recognised for the withholding tax that would be payable on the distributable retained profit amounting to approximately HK$89,833,000, HK$98,984,000, HK$109,531,000, and HK$130,762,000, respectively, of the Company's subsidiaries in the PRC earned after 1 January 2008. Such amounts are not expected to be distributed out of the PRC in the foreseeable future.

31 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Forward foreign exchange contracts				
Opening balance	56,335	29,111	–	–
Loss/(gain) on derivative financial instruments recognised in consolidated statement of profit or loss	4,169	(11,695)	–	–
Settlement of derivative financial instruments	(31,393)	(17,416)	–	–
Closing balance	29,111	–	–	–

The total notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2016 were US$32,000,000 (approximately HK$251,200,000).

32 BUSINESS COMBINATION

On 21 March 2018, the Group incorporated a wholly owned subsidiary, Q P Enterprises Limited, for the purpose of acquiring Taunus Printing (Heshan) Company Limited ("TPC"). TPC is principally engaged in the manufacturing and selling of paper products. On 21 March 2018, Q P Enterprises Limited completed the acquisition of 100% shareholding of TPC at a total consideration of approximately HK$108,627,000.

	Total
	HK$'000
Consideration	
– Cash paid	80,386
– Settlement of pre-existing relationship with TPC *(Note)*	28,241
	108,627

Note: Pre-existing relationship mainly refers to amounts advanced to TPC prior to the acquisition that form part of the consideration in relation to the acquisition.

	Total
	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed are as follows:	
Property, plant and equipment *(Note 14)*	93,171
Intangible assets *(Note 17)*	263
Land use right *(Note 19)*	57,500
Inventories	1,034
Cash and cash equivalents	2,038
Trade payables	(2,163)
Accruals, provisions and other payables	(13,547)
Amount due to a former related company	(2,875)
Borrowings	(41,125)
Deferred tax liabilities *(Note 30)*	(15,724)
Others	3,877
Total identifiable net assets	82,449
Goodwill *(Note 17)*	26,178

The turnover included in the consolidated statement of profit or loss since 21 March 2018 contributed by TPC was approximately HK$88,000 and the profit was approximately HK$11,000 over the same period.

Had TPC been consolidated from 1 January 2018, the consolidated statement of profit or loss for the year ended 31 December 2018 would show pro-forma revenue of approximately HK$1,163,152,000 and profit after tax of approximately HK$50,967,000.

During the year ended 31 December 2018, acquisition related expenses of approximately HK$323,000 have been charged to the consolidated statement of profit or loss.

In the consolidated statement of cash flows, payments for acquisition of subsidiaries (excluding cash acquired for acquisitions) comprise:

	2018
	HK$'000
Total consideration paid	108,627
Less: Prepayment made in 2017	(28,241)
Less: Deposit paid in 2017	(33,785)
Cash and cash equivalents acquired	(2,038)
Net cash outflow on acquisition	44,563

33 CASH GENERATED FROM OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before income tax	111,486	96,259	59,152	68	26,359
Adjustments for:					
Depreciation of property, plant and equipment	41,181	39,564	45,320	22,799	23,601
(Gain)/loss on disposal of property, plant and equipment	(57)	(28)	2,280	700	1,324
Inventories written-off	–	14,894	–	–	–
Provision of inventory obsolescence	2,497	1,302	1,519	37	77
Provision for factory fire incident loss	–	4,148	–	–	–
Amortisation of right of use assets	6,687	7,598	8,420	4,542	3,783
Amortisation of intangible assets	8	45	117	20	88
Finance income	(1,046)	(371)	(125)	(83)	(59)
Finance costs	643	1,002	5,995	2,178	3,750
Fair value change on investment property	(665)	(265)	(245)	(355)	140
Loss/(gain) on derivative financial instruments	4,169	(11,695)	–	–	–
Unrealised exchange (gain)/loss	(7,841)	8,633	(1,679)	(437)	(2,851)
	157,062	161,086	120,754	29,469	56,212
Changes in working capital:					
Inventories	(15,649)	(40,766)	2,964	(7,327)	3,620
Trade receivables	(19,678)	(25,648)	(19,957)	1,693	16,404
Prepayments, deposits and other receivables	(312)	(38,645)	6,951	6,685	3,767
Trade payables	8,915	9,991	19,015	75	(15,479)
Accruals, provisions and other payables	648	12,124	8,329	15,951	(5,297)
Cash generated from operations	130,986	78,142	138,056	46,546	59,227

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment and investment property comprise:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Net book amount	176	35	3,132	925	2,751
Gain/(loss) on disposals of property, plant and equipment	57	28	(2,280)	(700)	(1,324)
Proceeds from disposals of property, plant and equipment	233	63	852	225	1,427

This section sets out an analysis of reconciliation of liabilities from financing activities for each of the years presented:

	Lease liabilities	Borrowings	Amounts due to directors	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
As at 1 January 2016	10,079	20,000	15,106	45,185
Additions	3,192	–	–	3,192
Proceeds	–	–	4,767	4,767
Repayments	(6,924)	(10,000)	–	(16,924)
Finance cost	289	–	–	289
Translation adjustments	1,410	–	–	1,410
As at 31 December 2016	8,046	10,000	19,873	37,919
Year ended 31 December 2017				
As at 1 January 2017	8,046	10,000	19,873	37,919
Additions	6,811	–	–	6,811
Proceeds	–	130,576	–	130,576
Repayments	(7,418)	(2,880)	(10,253)	(20,551)
Finance cost	236	–	–	236
Translation adjustments	(69)	–	–	(69)
As at 31 December 2017	7,606	137,696	9,620	154,922
Year ended 31 December 2018				
As at 1 January 2018	7,606	137,696	9,620	154,922
Acquired through acquisition *(Note 32)*	–	41,125	–	41,125
Additions	4,533	–	–	4,533
Proceeds	–	271,611	–	271,611
Repayments	(6,266)	(221,935)	(9,620)	(237,821)
Finance cost	228	2,752	–	2,980
Translation adjustments	(99)	(3,215)	–	(3,314)
As at 31 December 2018	6,002	228,034	–	234,036

	Lease liabilities	Borrowings	Amounts due to directors	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2019				
As at 1 January 2019	6,002	228,034	–	234,036
Additions	560	–	–	560
Proceeds	–	74,406	–	74,406
Repayments	(2,347)	(82,994)	–	(85,341)
Finance cost	71	442	–	513
Translation adjustments	43	–	–	43
As at 30 June 2019	4,329	219,888	–	224,217

	Lease liabilities	Borrowings	Amounts due to directors	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2018 (Unaudited)				
As at 1 January 2018	7,606	137,696	9,620	154,922
Acquired through acquisition *(Note 32)*	–	41,125	–	41,125
Additions	4,551	–	–	4,551
Proceeds	–	139,100	–	139,100
Repayments	(3,671)	(87,992)	(9,620)	(101,283)
Finance cost	126	829	–	955
Translation adjustments	20	(2,292)	–	(2,272)
As at 30 June 2018	8,632	228,466	–	237,098

34 COMMITMENTS

(a) Capital commitments

The outstanding capital commitments of the Group not provided for in the Historical Financial Information as at 31 December 2016, 2017 and 2018 and 30 June 2019 are as follows:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not yet incurred				
– Property, plant and equipment	8,535	4,068	18,390	11,156
– Investment in a subsidiary	–	46,449	–	–
	8,535	50,517	18,390	11,156

(b) Lease commitments

(i) As a lessee

As at 31 December 2016, 2017, 2018 and 30 June 2019, the Group had future aggregate minimum lease payments under non-cancellable leases in respect of office premises as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than one year	46	319	19	13

(ii) As a lessor

As at 31 December 2016, 2017, 2018 and 30 June 2019, the Group had future aggregate minimum lease receipts under non-cancellable leases in respect of investment property are as follows:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than one year	21	48	32	8
Later than one year and no later than five years	–	32	–	–
	21	80	32	8

35 RELATED PARTY TRANSACTIONS

For the purposes of this Historical Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group during the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019:

Name of related parties	**Relationship with the Company/Group**
Big Elegant Limited	Controlled by two of the Executive Directors of the Company
Mr. Cheng Wan Wai	Executive Director of the Company
Mr. Yeung Keng Wu Kenneth	Executive Director of the Company
Mrs. Liu Shuk Yu Sanny	Executive Director of the Company
Mr. Chan Wang Tao Thomas	Executive Director of the Company

The Company

As at 30 June 2019, amount due to a subsidiary was unsecured, interest free, denominated in HKD, and expected to settle within one year.

Other than those transactions and balances disclosed elsewhere in the Historical Financial Information, the following transactions were carried out with related parties during the Track Record Period:

(a) Transactions with related parties

The following transactions were undertaken by the Group with related parties during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Lease payment to:					
– Big Elegant Limited	1,080	1,080	1,440	720	720

All of the above transactions with related parties were conducted in the ordinary course of the business of the Group based on the terms mutually agreed between the relevant parties.

(b) Amounts due to directors

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Amounts due to directors:					
– Mr. Cheng Wan Wai	8,272	5,325	–	–	–
– Mr. Yeung Keng Wu Kenneth	5,414	1,779	–	–	–
– Mrs. Liu Shuk Yu Sanny	5,292	2,285	–	–	–
– Mr. Chan Wang Tao Thomas	895	231	–	–	–
	19,873	9,620	–	–	–

Amounts due to directors were unsecured, non interest-bearing and repayable on demand. These were non-trade in nature.

(c) Key management compensation

Key management includes directors of the Company. The compensation paid or payable to key management for employee services is disclosed in Note 9.

(d) Guarantees by directors and shareholders

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's banking facilities were secured by personal guarantee provided by the directors of the Company, namely Mr. Cheng Wan Wai and Mr. Yeung Keng Wu, Kenneth, as set out in Note 28.

36 SUBSEQUENT EVENT

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2019.

On 14 August 2019, the Company declared an interim dividend of HK$10,000,000 in respect of the results for the year ending 31 December 2019 to its shareholders (Note 13).

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2019 and up to the date of this report. Save as disclosed in this report in Note 13, no dividend distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2019.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of 30 June 2019 as if the Global Offering had taken place on 30 June 2019.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the Global Offering been completed as at 30 June 2019 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company as at 30 June 2019	Unaudited pro forma adjusted net tangible assets per Share
	(Note 1)	*(Note 2)*		*(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$1.05 per Share	463,266	119,056	582,322	1.09
Based on an Offer Price of HK$1.45 per Share	463,266	170,394	633,660	1.19

Notes:

(1) The audited consolidated net tangible assets attributable to the equity holders of the Company as at 30 June 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2019 of approximately HK$489,602,000, with adjustment for intangible assets as at 30 June 2019 of approximately HK$26,336,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$1.05 and HK$1.45 per share, being low and high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK$23,884,000 which have been accounted for in the statements of profit or loss of the Group prior to 30 June 2019) paid/payable by the Company, and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and the general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 532,000,000 Shares were in issue, assuming that the Global Offering and the Capitalisation Issue have been completed on 30 June 2019 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2019.

(5) The unaudited pro forma adjusted net tangible assets of the Group has not taken into account the declaration of a dividend of HK$10,000,000 which was approved by the Board of Directors on 14 August 2019. The unaudited pro forma net tangible assets per Share would have been HK$1.08 and HK$1.17 per Share based on the Offer Price of HK$1.05 and HK$1.45 respectively if the effect of such dividend had been accounted for.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Q P Group Holdings Limited,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Q P Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 31 December 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2019 as if the proposed initial public offering had taken place at 30 June 2019. 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 period ended 30 June 2019, on which an accountant's 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: (852) 2289 8888, F: (852) 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the 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 accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the 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 a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2019 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
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 31 December 2019

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this Prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 30 September 2019.

CUSHMAN & WAKEFIELD
戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

31 December 2019

The Directors
Q P Group Holdings Limited
Unit J, 21st Floor
Kings Wing Plaza 2
1 On Kwan Street
Shek Mun, Shatin
New Territories
Hong Kong

Dear Sirs,

Re: Portfolio Valuation

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions from Q P Group Holdings Limited (the "Company") for us to value the properties in which the Company or its subsidiaries (collectively the "Group") has interests in the People's Republic of China (the "PRC") and Hong Kong (as more particularly described in the attached valuation report), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 September 2019 (the "valuation date").

VALUATION BASIS

Our valuation of each of the properties represents its market value which in accordance with the HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and the HKIS Valuation Standards 2017 Edition issued by the Hong Kong Institute of Surveyors.

Our valuation of each of the properties is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of each of the properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties, we have relied on the information and advice given by the Company's legal adviser, GFE Law Office, regarding the titles to the property and the interests of the Company in the property in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

In valuing property no. 1 which is held by the Group for self use in the PRC, due to the specific nature of the property and lack of sales transactions of properties of the same characteristics in the vicinity, we have adopted the Depreciated Replacement Costs ("DRC") Method. The DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. The DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using the DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing property no. 2 which is held by the Group for self use in Hong Kong, we have used Market Comparison Method by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, age, quality, size, time and other relevant factors.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, site and floor plans, number of parking spaces, interests attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

We would point out that the copies of documents of the property in the PRC provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise you to make reference to the original Chinese editions of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Company with extracts of documents in relation to the titles to the property in the PRC but have not carried out any title searches. In respect of the property in Hong Kong, we have caused searches to be made at the Land Registry in Hong Kong. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us for all properties. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Company regarding the Company's interests in the PRC property.

SITE INSPECTION

We have inspected the exterior and, whenever possible, the interior of each of the properties. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

The site inspections were carried out by Aileen Zhang (Assistant Manager) of our Guangzhou Office and Ross Chan (Valuer) of our Hong Kong Office in July 2019.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi ("RMB") for the PRC property and Hong Kong dollars ("HK$") for the Hong Kong property, the official currencies of the PRC and Hong Kong respectively.

OTHER DISCLOSURE

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuations have no pecuniary or other interests that could conflict with the proper valuations of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We conducted valuation of property no. 1 for the Group for acquisition reference purpose in October 2017. The proportion of the total fee payable by the Group for the valuation of the property during the preceding valuation relative to the total fee income of Cushman & Wakefield Limited is minimal.

INTENDED USE OF REPORT

This valuation report is issued for the use of the Company for its listing purpose only.

We enclose herewith a summary of valuations and valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace Lam
Director
Valuation & Advisory Services, Greater China

Note: Ms. Grace Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

	Property	Market value in existing state as at 30 September 2019	Interest attributable to the Group	Market value in existing state attributable to the Group as at 30 September 2019
Group I – Property held by the Group for self use in the PRC				
1.	A printing plant at No. 13 Yutang Road, Gonghe Town, Heshan, Jiangmen, Guangdong Province, the PRC	RMB123,000,000	100%	RMB123,000,000
Group II – Property held by the Group for self use in Hong Kong				
2.	Offices A, B, H, and J on 21st Floor, Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories, Hong Kong	HK$129,500,000	100%	HK$129,500,000

VALUATION REPORT

Group I – Property held by the Group for self use in the PRC

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2019
1.	A printing plant at No. 13 Yutang Road, Gonghe Town, Heshan, Jiangmen, Guangdong Province, the PRC	Completed in 2011 and erected upon 3 parcels of land with a site area of 122,574.45 sq m, the property comprises 5 blocks of buildings having a total gross floor area with title of 51,358.41 sq m with details as follows:–	The property is occupied by the Group for industrial use. Major refurbishment works of another building previously suspended in works have resumed whilst construction works of Phase 2 on the undeveloped land have just commenced.	RMB123,000,000 (RENMINBI ONE HUNDRED AND TWENTY THREE MILLION) (see Note (1) below)

Block	Gross floor area (sq m)
Factory Building	35,408.22
Male Dormitory	4,292.60
Female Dormitory	4,292.60
Canteen Building	6,389.83
Guesthouse	975.16
Total	51,358.41

As advised by the Group, there is an expansion plan to construct four more buildings with a total gross floor area of 66,060.48 sq m with permit to commence construction works granted.

The property is located in the suburbs area of Gonghe Town, Heshan, about 5 km from the downtown of Gonghe Town. The surrounding area comprises industrial developments such as Heshan Fuheng Clothing Factory, Youlang Kitchen Ware Factory and Zhihao Furniture Factory.

The land use rights of the property have been granted for terms due to expire on 19 April 2061 and 22 November 2060 for industrial use.

Notes:

(1) The Real Estate Ownership Certificates or Immovable Property Title Certificates of a pump room, two storage units and two guard houses not mentioned above with a total gross floor area of 266.75 sq m have not been obtained. We have therefore ascribed no commercial value to such buildings and structures and have not included them in the valuation above.

(2) According to 3 Immovable Property Title Certificates, the real estate titles of the property comprising a total site area of 122,574.45 sq m and a total gross floor area of 51,358.41 sq m are vested in 騰達印刷(鶴山)有限公司 with details as follows:–

Certificate No.	Issue date	Land use term expiry	Site area (sq m)	Building	Gross floor area (sq m)
(2019)0008178	17 April 2019	19 April 2061	43,256.56	Factory Building	35,408.22
(2019)0008175	17 April 2019	22 November 2060	32,765.62	Canteen Building	6,389.83
				Male Dormitory	4,292.60
				Female Dormitory	4,292.60
				Guesthouse	975.16
(2019)0009529	25 April 2019	19 April 2061	46,552.27	n/a	n/a
		Total	122,574.45		51,358.41

(3) According to 4 Planning Permits for Construction Works, the construction works with a total gross floor area of 66,060.48 sq m are in compliance with the construction works requirements and have been approved with details as follows:

Certificate No.	Issue Date	Building	Gross Floor Area (sq m)
2007040	29 March 2007	East Main Building*	3,412.00
440784201800500	19 September 2018	Factory Building No. 2	23,444.36
440784201800501	19 September 2018	Factory Building No. 3	19,584.44
440784201800502	19 September 2018	Factory Building No. 4	19,619.68
		Total:	66,060.48

* Construction of East Main Building has once been completed but it is currently undergoing major refurbishment works.

(4) According to Commencement Permit for Construction Works No. 440784201901170101 issued on 17 January 2019, the proposed construction works with a total gross floor area of 62,648.48 sq m are in compliance with the construction works commencement conditions. The permitted construction period is granted from 30 May 2019 to 31 December 2021.

(5) As at the valuation date, a total amount of approximately RMB5,800,000 has been incurred regarding the buildings under the expansion plan. In the course of our valuation, we have taken into account such amount.

(6) According to Business Licence No. 91440700794691156P dated 4 July 2017, 騰達印刷(鶴山)有限公司 has been established with a registered capital of USD8,800,000 for an operation period from 17 November 2006 to 17 November 2024.

(7) We have been provided with a legal opinion issued by the Company's legal adviser, which contains, inter alia, the following information:

(a) 騰達印刷(鶴山)有限公司 has obtained the Immovable Property Title Certificates of certain portions of the property;

(b) 騰達印刷(鶴山)有限公司 is in possession of a proper legal title of the real estate title of certain portions of the property and is entitled to occupy, use, lease, transfer, mortgage and dispose of such portions of the property together with the residual term of its land use rights according to the PRC laws;

(c) The property is free of any mortgage or foreclosure order;

(d) The construction period specified in the building covenant of Land Grant Contract of the lot under State-owned Land Use Rights Certificate No. (2011) 002933 has lapsed. However, no enforcement action or penalties have been imposed to the lot so far. The Heshan State-owned Land Resources Bureau has agreed to extend the building covenant commencement date and the Company has confirmed to commence the construction works and continue until completion. The possibility of re-entry or penalty is minimal.

(8) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Ownership Certificate or Immovable Property Title Certificate	Yes
Planning Permit for Construction Works	Yes
Commencement Permit for Construction Works	Yes (portions under expansion plan)
Business Licence	Yes

(9) In valuing the property, we have assumed a unit rate of RMB384 per sq m for the industrial land of the property.

In undertaking our valuation, we have made reference to sales prices of industrial land in the neighbouring districts which have characteristics comparable to the land portion of the property. The prices of industrial land range from about RMB390 per sq m to RMB450 per sq m. The unit rate assumed by us is consistent with the relevant comparables after due adjustments including location, accessibility, size and time.

VALUATION REPORT

Group II – Property held by the Group for self use in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2019
2.	Offices A, B, H, and J on 21st Floor, Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories 1122/60000th shares of and in Sha Tin Town Lot No. 463	The property comprises 4 office units on the 21st floor of a 24-storey commercial building completed in 2016. Basement floor comprises car parking and loading/unloading spaces. Ground to 3rd floors are shop units while the remaining floors comprise office units. The property has a gross floor area of approximately 11,211 sq ft (1,041.53 sq m). The locality of the property is served by public transport services and characterised by commercial and industrial developments. The property is held from the Government under New Grant No. 21331 for a term of 50 years from 8 December 2011. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is occupied by the Group for office use.	HK$129,500,000 (HONG KONG DOLLARS ONE HUNDRED TWENTY NINE MILLION AND FIVE HUNDRED THOUSAND)

Notes:

(1) The registered owners are as follows:-

Property	Registered Owner
Office A on 21st Floor	Multi International Investment Group Limited
Office B on 21st Floor	Archer Praise Limited
Office H on 21st Floor	Radiant Keen Limited
Office J on 21st Floor	Eternity Year Investment Limited

(2) Unit A on 21st Floor is subject to a mortgage in favour of DBS Bank (Hong Kong) Limited for all moneys vide Memorial No. 18022602430152 dated 9 February 2018.

Unit B on 21st Floor is subject to a Tripartite Legal Charge/mortgage in favour of Standard Chartered Bank (Hong Kong) Limited for all moneys vide Memorial No. 17121902470722 dated 11 December 2017.

Unit H on 21st Floor is subject to a mortgage in favour of DBS Bank (Hong Kong) Limited for all moneys vide Memorial No. 18022602430200 dated 9 February 2018.

Unit J on 21st Floor is subject to a mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited for all moneys vide Memorial No. 17122202510621 dated 13 December 2017.

(3) The property is zoned for "Other Specified Uses (Business)" under Sha Tin Outline Zoning Plan No. S/ST/34 dated 29 May 2018.

(4) In valuing the property, we have assumed a unit rate of about HK$11,500 per sq ft for the office premises.

In undertaking our valuation, we have made reference to sales prices of office premises in the neighbouring districts which have characteristics comparable to the property. The prices of office premises range from about HK$10,200 per sq ft to HK$13,300 per sq ft. The unit rate assumed by us is consistent with the relevant comparables after due adjustments including location, accessibility, age, size and time.

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 19 April 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**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 20 December 2019 and shall become effective on the Listing Date. 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 member 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; and (g) change the currency of denomination of its share capital.

(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 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 lodgment 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 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 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) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) 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 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.

(vi) 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.

(vii) 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 members 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 members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

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, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, 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 19 April 2018 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 (2018 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 (2018 Revision).

The undertaking for the Company is for a period of 20 years from 2 May 2018.

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 30 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 "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 April 2018. Our registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

Our Company has established a principal place of business in Hong Kong at Unit J, 21/F, Kings Wing Plaza 2, 1 On Kwan Street, Shek Mun, Shatin, New Territories, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 August 2018. Mr. Mak Chin Pang has been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operations are subject to the Memorandum of Association and the Articles of Association and the Cayman Islands company law. A summary of certain provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in the authorised and issued share capital of our Company

As at the date of incorporation of our Company, our Company had an authorised share capital of HK$390,000, divided into 39,000,000 Shares of HK$0.01 each.

On 19 April 2018, one subscriber's Share was transferred to Good Elite and 7,777 Shares, 1,622 Shares, 500 Shares and 100 Shares were issued and allotted to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark, respectively.

On 24 December 2018, our Company issued and allotted 52,426 Shares, 10,930 Shares, 3,370 Shares and 674 Shares to Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark, respectively, all nil-paid.

On 27 December 2018, our Company allotted and issued 30,102 Shares, 30,102 Shares, 12,552 Shares, 3,870 Shares and 774 Shares to Good Elite, Good Elite, Cypress Spurge, Dawn Gain and Welcome Mark, respectively, as fully paid, to satisfy the aggregate consideration of HK$77,400 for the sale of 30,102 shares, 30,102 shares, 12,552 shares, 3,870 shares and 774 shares of Q P Holdings from Mr. Cheng, Mr. Yeung, Ms. Liu, Mr. Chan and Mr. Mak, respectively.

Immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each, the issued share capital of our Company will be HK$5,320,000, divided into 532,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and in "3. Resolutions in writing of our Shareholders passed on 20 December 2019" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 20 December 2019

Pursuant to the written resolutions passed by our Shareholders on 20 December 2019 pursuant to which, among other matters:

(a) we approved and adopted the Memorandum of Association with immediate effect and the Articles of Association with effect from the Listing Date;

(b) the authorised share capital of our Company will be increased from 39,000,000 Shares to 2,000,000,000 Shares by the creation of an additional 1,961,000,000 Shares;

(c) subject to the conditions set out in "Structure and Conditions of the Global Offering – Conditions of the Global Offering" having been fulfilled or waived:

(i) the Global Offering, the Capitalisation Issue and the Over-allotment Option were approved and the Directors were authorised to allot and issue the new Shares pursuant to the Global Offering, the Capitalisation Issue and the Over-allotment Option;

(ii) the Listing was approved and the Directors were authorised to implement the Listing;

(iii) subject to the restrictions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares or securities convertible into 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 would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to (aa) a rights issue, (bb) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares, (cc) the exercise of options granted pursuant to the Share Option Scheme, (dd) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme (subject to adjustment in the case of a consolidation or subdivision of the Shares) and (2) the number of Shares bought back by our Company (if any) under the general mandate to buy back Shares referred to in sub-paragraph (iv) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of our next annual general meeting, (II) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting and (III) the date on which the authority given to the Directors by this resolution is revoked or varied by an ordinary resolution of our Shareholders in general meeting (the "**Relevant Period**");

(iv) a general unconditional mandate (the "**Buy-back Mandate**") was granted to the Directors to exercise all powers of our Company to buy back Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and the requirements of the Listing Rules, not exceeding 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme (subject to adjustment in the case of a consolidation or subdivision of the Shares), such mandate to remain in effect during the Relevant Period; and

(d) conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme and the commencement of trading of the Shares on the Stock Exchange, the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to grant options to subscribe for Shares, and to allot, issue and deal with the Shares pursuant to the exercise of the options granted under the Share Option Scheme, in accordance with the rules of the Share Option Scheme.

4. Our subsidiaries

Certain details of our subsidiaries are set out in Appendix I to this prospectus. Save as set out in Appendix I to this prospectus, we do not have any other subsidiaries.

Save as disclosed in "History, Reorganisation and Corporate Structure – Reorganisation", there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

5. Reorganisation

Our Group has undertaken the Reorganisation to rationalise our Group's corporate structure in preparation for the Listing. For more details regarding the Reorganisation, please see "History, Reorganisation and Corporate Structure".

6. Buy-back of our own securities

As mentioned in "A. Further Information about our Group – 3. Resolutions in writing of our Shareholders passed on 20 December 2019", a Buy-back Mandate was granted to the Directors to exercise all powers of our Company to buy back Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed.

(a) Provisions of the Listing Rules

The Listing Rules permit a company with a primary listing on the Stock Exchange to buy back its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed buy-backs of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Buy-backs must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not buy back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any buy-back by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-back or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may buy back on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a buy-back (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such buy-back) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the buy-back would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a buy-back of securities shall disclose to the Stock Exchange such information with respect to the buy-back as the Stock Exchange may require.

(iv) Status of bought back securities

The listing of all bought back securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the Cayman Islands law, a company's bought back shares, if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the bought back shares accordingly while the authorised share capital of the company will not be reduced.

(v) Suspension of buy-backs

A listed company may not make any buy-back of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not buy back its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a buy-back of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to buy-backs of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding buy-backs of securities made during the year, including a monthly analysis of the number of securities bought back (whether effected on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such buy-backs, where relevant, and the aggregate prices paid. The director's report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely manner the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for buy-backs

The Directors believe that the ability to buy back Shares is in the interests of our Company and the Shareholders. Buy-backs may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to buy back Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be bought back on any occasion and the price and other terms upon which the same are bought back will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Buy-backs of Shares will only be made when our Directors believe that such buy-backs will benefit our Company and our Shareholders.

(c) Funding of buy-backs

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Buy-back Mandate were to be carried out in full at any time during the share buy-back period. However, our Directors do not propose to exercise the mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Buy-back Mandate, on the basis of 532,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 53,200,000 Shares being bought back by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting; or

(iii) the date on which the Buy-back Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buy-back Mandate is exercised.

If, as a result of any buy-back of Shares pursuant to the Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert 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. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-back Mandate.

Any buy-backs of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buy-back Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of our material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Deed of Non-Competition;

(b) the Deed of Indemnity;

(c) a sale and purchase agreement dated 23 November 2017 entered into between Taunus Printing (HK), as seller, and Q P Enterprises, as purchaser, pursuant to which Q P Enterprises agreed to purchase the entire issued share capital of Taunus Printing;

(d) a sale and purchase agreement dated 27 December 2018 entered into by and among our Company and Mr. Cheng, Mr. Yeung, Ms. Liu, Mr. Chan and Mr. Mak in relation to the acquisition of the entire issued share capital of Q P Holdings;

(e) the cornerstone investment agreement dated 24 December 2019 entered into by and among our Company, Mr. Yeung Kam Chung and Guotai Junan Securities (Hong Kong) Limited pursuant to which Mr. Yeung Kam Chung agreed to subscribe for at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately HK$5,000,000;

(f) the cornerstone investment agreement dated 24 December 2019 entered into by and among our Company, L&H Auction Co., Limited and Guotai Junan Securities (Hong Kong) Limited pursuant to which L&H Auction Co., Limited agreed to subscribe for at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately HK$5,000,000;

(g) the cornerstone investment agreement dated 24 December 2019 entered into by and among our Company, Ms. Ng Ling Ling and Guotai Junan Securities (Hong Kong) Limited pursuant to which Ms. Ng Ling Ling agreed to subscribe for at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately HK$10,000,000;

(h) the cornerstone investment agreement dated 24 December 2019 entered into by and among our Company, Mr. So Cheung Tak, Douglas and Guotai Junan Securities (Hong Kong) Limited pursuant to which Mr. So Cheung Tak, Douglas agreed to subscribe for at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately HK$10,000,000;

(i) the cornerstone investment agreement dated 24 December 2019 entered into by and among our Company, ATNT Group Management Limited and Guotai Junan Securities (Hong Kong) Limited pursuant to which ATNT Group Management Limited agreed to subscribe for at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately HK$10,000,000; and

(j) the Hong Kong Underwriting Agreement.

2. Material intellectual property rights

As at the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Name of registrant	Place of registration	Class(es)	Registration number	Registration date	Expiry date
1	QP Group 雋思集團 QP Group 雋思集團 QP Group 雋思集團 QP Group 雋思集團	Q P Printing	Hong Kong	16, 28	304268520	11 September 2017	11 September 2027
2	A. MPC MAKEPLAYINGCARDS.COM B. MPC MAKEPLAYINGCARDS.COM	Q P Printing	Hong Kong	28	302628702AB	4 June 2013	3 June 2023
3	MPC MAKEPLAYINGCARDS.COM	Q P Printing	U.S.	28	4,775,008	21 July 2015	20 July 2025
4	MPC MAKEPLAYINGCARDS.COM	Q P Printing	The European Union	16, 28	011870029	15 October 2013	14 October 2023
5	A. CREATE JIGSAW PUZZLES.COM B. CREATE JIGSAW PUZZLES.COM	Q P Printing	Hong Kong	16, 28	302663811	8 July 2013	7 July 2023
6	CREATE JIGSAW PUZZLES.COM	Q P Printing	U.S.	16, 28	4,801,859	1 September 2015	31 August 2025
7	CREATE JIGSAW PUZZLES.COM	Q P Printing	The European Union	16, 28	011967627	4 December 2013	3 December 2023

No.	Trademark	Name of registrant	Place of registration	Class(es)	Registration number	Registration date	Expiry date
8	A. BOARD GAMES MAKER.com B. BOARD GAMES MAKER.com C. BOARD GAMES MAKER.com D. BOARD GAMES MAKER.com	Q P Printing	Hong Kong	16, 28	303873808	17 August 2016	16 August 2026
9	BOARD GAMES MAKER.com	Q P Printing	The European Union	16, 28	015756547	7 December 2016	17 August 2026
10	BOARD GAMES MAKER.com	Q P Printing	U.S.	16, 28	5,465,262	8 May 2018	7 May 2028
11	Printer's STUDIO Printer's STUDIO	Q P (HK)	Hong Kong	16, 28	300622728	20 April 2006	19 April 2026
12	A. giftThing B. giftThing	Product Innovator	Hong Kong	16, 28	302616886	23 May 2013	22 May 2023
13	giftThing	Product Innovator	U.S.	16, 28	4,848,797	10 November 2015	9 November 2025
14	giftThing	Product Innovator	The European Union	16, 20, 28	011848124	8 October 2013	7 October 2023
15	giftThing	Product Innovator	PRC	16, 25, 28	15099860	7 December 2015	6 December 2025
16	正印坊 Printer's STUDIO	Dongguan Zensee	PRC	9	35634813	21 September 2019	20 September 2029
17	正印坊 Printer's STUDIO	Dongguan Zensee	PRC	18	12054319	7 July 2014	6 July 2024

No.	Trademark	Name of registrant	Place of registration	Class(es)	Registration number	Registration date	Expiry date
18	正印坊 Printer's STUDIO	Dongguan Zensee	PRC	16	12054027	7 July 2014	6 July 2024
19	正印坊 Printer's STUDIO	Dongguan Zensee	PRC	28	9088379	7 February 2012	6 February 2022
20	正印坊 Printer's STUDIO	Dongguan Zensee	PRC	16	9088343	7 February 2012	6 February 2022
21	正印坊 Printer's STUDIO	Dongguan Zensee	PRC	14	9088311	7 February 2012	6 February 2022
22	纪贝心	Product Innovator	PRC	16	15186003	7 October 2015	6 October 2025
23	纪贝心	Product Innovator	PRC	25	15186101	7 October 2015	6 October 2025
24	纪贝心	Product Innovator	PRC	28	15186114	7 October 2015	6 October 2025

(b) Domain Names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain name	Name of registrant	Registration date	Expiry date
1.	printerstudio.com	Product Innovator	27 March 2007	27 March 2021
2.	makeplayingcards.com	Printer's Studio	7 December 2011	7 December 2024
3.	boardgamesmaker.com	Q P Printing	3 September 2013	3 September 2024
4.	createjigsawpuzzles.com	Printer's Studio	8 March 2012	8 March 2025
5.	gifthing.com	Printer's Studio	3 August 2012	3 August 2021
6.	qpp.com	Product Innovator	20 December 1996	19 December 2023

(c) Patents

As at the Latest Practicable Date, we have registered the following patents which, in the opinion of our Directors, are material to our business:

No.	Title of Invention	Registered owner/assignee	Type	Registration number	Place of registration	Date of application	Validity period
1.	汽動盒面擦泡機 (steam box foam machine*)	Dongguan Zensee	Invention	ZL 2009 1 0040657.X	PRC	29 June 2009	20 years from the date of application
2.	游戲卡自動裝盒機 (card game automatic cartoning machine*)	Dongguan Zensee	Invention	ZL 2009 1 0192075.3	PRC	4 September 2009	20 years from the date of application
3.	表面附著力測試儀 (surface adhesion tester*)	Dongguan Zensee	Invention	ZL 2011 1 0206088.9	PRC	22 July 2011	20 years from the date of application
4.	熱升華轉印用塗層漿及使用該漿進行熱升華轉印的方法 (sublimation transfer coating paste and method for thermal sublimation transfer using the paste*)	Dongguan Zensee	Invention	ZL 2014 1 0261156.5	PRC	12 June 2014	20 years from the date of application
5.	可重複擦寫UV光油 (UV varnish that can be used repeatedly*)	Dongguan Zensee	Invention	ZL 2011 1 0232801.7	PRC	15 August 2011	20 years from the date of application

No.	Title of Invention	Registered owner/assignee	Type	Registration number	Place of registration	Date of application	Validity period
6.	一種可用於UV-LED光源快速固化塗料及其制備方法 (UV-LED light source quick-curing paint and its production method*)	Dongguan Zensee	Invention	ZL 2011 1 0423628.9	PRC	17 December 2011	20 years from the date of application
7.	紙張餘料清除機 (paper residual removal machine*)	Dongguan Zensee	Utility model	ZL 2011 2 0260605.6	PRC	22 July 2011	10 years from the date of application
8.	一種無線的組合電器 (a wireless combination device*)	Product Innovator	Utility model	ZL 2011 2 0249832.9	PRC	15 July 2011	10 years from the date of application

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND CHIEF EXECUTIVE

1. Disclosure of interests

Immediately following the completion of the Global Offering and the Capitalisation Issue, without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of the Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange, will be as follows:

(i) Interests of our Directors in our Shares, underlying Shares and debentures and our Company's associated corporations after completion of the Capitalisation Issue and Global Offering

Name of Director	Capacity/ nature of interest	Number of Shares*(Note 1)*	Percentage of shareholding
Mr. Cheng	Interest in a controlled corporation*(Note 2)*	310,353,954 (L)	58.34%
Mr. Yeung	Interest in a controlled corporation*(Note 2)*	310,353,954 (L)	58.34%
Ms. Liu	Interest in a controlled corporation*(Note 3)*	64,706,046 (L)	12.16%
Mr. Chan	Interest in a controlled corporation*(Note 4)*	19,950,000 (L)	3.75%
Ms. Hui	Interest of spouse*(Note 5)*	310,353,954 (L)	58.34%
Mr. Mak	Interest in a controlled corporation*(Note 6)*	3,990,000 (L)	0.75%

Notes:

1. The Letter "L" denotes a person's long position (as defined under Part XV of the SFO) in such Shares.

2. Our Company will be owned as to 58.34% by Good Elite immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme). Good Elite is owned as to 50% by Mr. Cheng and as to 50% by Mr. Yeung. Under the SFO, Mr. Cheng and Mr. Yeung are deemed to be interested in the same number of Shares held by Good Elite.

3. Our Company will be owned as to 12.16% by Cypress Spurge immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued pursuant to the exercise the Over-allotment Option and options which may be granted under the Share Option Scheme). Cypress Spurge is wholly-owned by Ms. Liu. Under the SFO, Ms. Liu is deemed to be interested in the same number of Shares held by Cypress Spurge.

4. Under the SFO, Mr. Cheng is deemed to be interested in the same number of Shares held by Good Elite. Ms. Hui is the spouse of Mr. Cheng. Under the SFO, Ms. Hui is deemed to be interested in all our Shares in which Mr. Cheng is interested.

5. Our Company will be owned as to 3.75% by Dawn Gain immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme). Dawn Gain is wholly-owned by Mr. Chan.

6. Our Company will be owned as to 0.75% by Welcome Mark immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any of our Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). Welcome Mark is wholly-owned by Mr. Mak.

(ii) Interests of substantial shareholders in our Shares, underlying Shares and debentures and our Company's associated corporations after completion of the Capitalisation Issue and Global Offering

Name of Shareholder	Capacity/nature of interest	Number of Shares(Note 1)	Percentage of shareholding
Good Elite	Interest in a controlled corporation(Note 2)	310,353,954 (L)	58.34%
Cypress Spurge	Interest in a controlled corporation(Note 3)	64,706,046 (L)	12.16%

Notes:

1. The Letter "L" denotes a person's long position (as defined under Part XV of the SFO) in such Shares.

2. Our Company will be owned as to 58.34% by Good Elite immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

3. Our Company will be owned as to 12.16% by Cypress Spurge immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme).

Save as disclosed above, none of the Directors or chief executive of our Company will, immediately following the completion of the Capitalisation issue and the Global Offering and without taking into account any Share which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, have any interests or short positions in the shares, underlying shares or debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange.

2. Directors' service contracts and letters of appointment

Our Company entered into a service contract with each of our executive Directors and a letter of appointment with each of our independent non-executive Directors on 20 December 2019. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for FY2016, FY2017, FY2018 and 6M2019 were HK$14.7 million, HK$12.4 million, HK$11.4 million and HK$5.2 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of FY2016, FY2017, FY2018 and 6M2019, by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, including discretionary bonus, of our Directors for FY2019 to be HK$12.3 million.

4. Directors' competing interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors has any direct or indirect interest 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, any member of 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 is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.

(c) so far as is known to our Directors, none of our Directors and their close associates or our Shareholders, who are interested in more than 5% of the number of issued shares of our Company, has any interest in our Company's five largest customers or five largest suppliers.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on 20 December 2019. The following summary does not form, nor is 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

The purpose of the Share Option Scheme is to motivate Eligible Persons (as set out in paragraph (b) below) (i) to optimise their future contributions to our Group; (ii) to reward them for their past contributions; and (iii) to attract, retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of our Group.

(b) Eligible persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "**Executive**"), a consultant, business or sole venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or an associate (as defined under the Listing Rules) of any of the foregoing persons (together, "**Eligible Persons**" and each an "**Eligible Person**").

(c) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and

(ii) the commencement of the dealings in the Shares on the Stock Exchange.

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 in the Share Option Scheme) be final and binding on all parties.

(d) Determination of eligibility

(i) The Board may, at its absolute discretion, offer to grant to any Eligible Person (a "**Grantee**") an option to subscribe for Shares under the Share Option Scheme.

(ii) The basis of eligibility of any Eligible Person to the grant of any option shall be determined by our Directors from time to time on the basis of their contributions to the development, growth and success of our Group.

(iii) For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless our Directors otherwise determine, be construed as a grant of options under the Share Option Scheme.

(iv) An Eligible Person or a Grantee shall provide the Board such information and supporting evidence as the Board may in its absolute discretion request from time to time (including before the offer of a grant of option, at the time of acceptance of a grant of option and at the time of exercise of an option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or a Grantee or that of his close associates or for purposes in connection with the terms of an option (and the exercise thereof) or the Share Option Scheme and the administration thereof.

(e) Duration

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date. However, the Shareholders may by a resolution in general meeting at any time terminate the Share Option Scheme. Upon expiry or termination of the Share Option Scheme, no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted before such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

(f) Grant of options

On and subject to the terms and conditions of the Share Option Scheme, our Board shall be entitled at any time within a period of ten years commencing on the Listing Date to offer the grant of any option to any Eligible Person as the Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the option as accepted to the Eligible Person.

Subject to the provisions of the Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any condition, restriction or limitation in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the option), including but without prejudice to the generality of the foregoing continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the Grantee, the satisfactory performance or maintenance by the Grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the Shares to which the option relates shall vest.

An offer of the grant of an option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the option. Once such acceptance is made, the option shall be deemed to have been granted and to have taken effect from the offer date.

(g) Subscription price of the Shares

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

(i) the nominal value of a Share;

(ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(iii) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph (m).

(h) Exercise of options

(i) An option shall be exercised in whole or in part by the Grantee according to the procedures for the exercise of options established by our Company from time to time. Every exercise of an option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such option.

(ii) An option shall be personal to the Grantee and shall not be assignable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do so. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or any part thereof granted to such Grantee without any compensation.

(iii) Subject to sub-paragraph (v) below and any condition, restriction or limitation imposed in relation to the particular option pursuant to the provisions of paragraphs (f), (j) or (I) and subject as hereinafter provided, an option may be exercised at any time during the option period, provided that:

(1) if the Grantee (being an individual) dies or becomes permanently disabled before exercising an option (or exercising it in full), he (or his legal representative(s)) may exercise the option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;

(2) in the event of the Grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;

(3) in the event of the Grantee ceasing to be an Executive by reason of his transfer of employment to an affiliated company of our Company, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;

(4) in the event of the Grantee ceasing to be an Executive by any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time, transfer of employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(5) in the event of the Grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's option has lapsed pursuant to this sub-paragraph shall be final and conclusive;

(6) if a Grantee being an executive Director ceases to be an Executive but remains a non-executive Director, his option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board has determined the option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(7) if (aa) our Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or (bb) a Grantee has failed to satisfy or comply with or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the option or which were the basis on which the option was granted, the option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (aa)) or on the date on which the Grantee has failed to satisfy or comply with or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (bb)) and not be exercisable unless our Board otherwise determines in which event the option (or such

remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (aa), a resolution of our Board resolving that the Grantee's option has lapsed pursuant to this subparagraph shall be final and conclusive;

(8) if a Grantee (being a corporation) (aa) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertakings of the Grantee; or (bb) has suspended, ceased or threatened to suspend or cease business; or (cc) is unable to pay its debts; or (dd) otherwise becomes insolvent; or (ee) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (ff) commits a breach of any contract entered into between the Grantee or his associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be), and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the Grantee's option has lapsed pursuant to this subparagraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(9) if a Grantee (being an individual) (aa) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or (bb) has made any arrangements or compositions with his creditors generally; or (cc) has been convicted of any criminal offence involving his integrity or honesty; or (dd) commits a breach of any contract entered into between the Grantee or his associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors, or on the date of his conviction or on the date of the said breach of contract (as the case may be), and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(10) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) 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) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) before such time and date as shall be notified by our Company;

(11) in the event of an effective resolution being passed for the voluntary winding-up of our Company, and if the Grantee immediately before such event had any subsisting option which had not been fully exercised, the Grantee may by notice in writing to our Company within one month after the date of such resolution elect to be treated as if the option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, with the rights same as the holders of Shares, such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof;

(12) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have unexercised options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (aa) the option period; (bb) the period of two months from the date of such notice; and (cc) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his option. Except insofar as exercised in accordance with this subparagraph, all options outstanding at the expiry of the relevant period referred to in this sub-paragraph shall lapse. Our Company may then require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any Grantee to exercise an option on any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional condition, restriction or limitation imposed in relation to the particular option pursuant to the provisions of paragraph (f) and/or deem the right to exercise the option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular option such right shall not have then vested;

(13) the Shares to be allotted upon exercise of an option shall be subject to all the provisions of the Articles of Association in force from time to time and shall carry the same rights as then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the allotment date. Subject as aforesaid, no Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an option pursuant to the Share Option Scheme; and

(14) our Company is entitled to refuse any exercise of an option if such exercise is not in accordance with the terms and conditions of the Share Option Scheme or the procedures for exercise of options established from time to time or if such exercise may cause to contravene or breach the Listing Rules, any applicable law, enactment or regulation for the time being in force in Hong Kong, the Cayman Islands or any other jurisdiction, or any other rule or regulation governing the listing of the Shares on a stock exchange.

(i) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Company:

(i) the expiry of the option period;

(ii) the expiry of any of the periods referred to in sub-paragraph (h)(iii) above;

(iii) subject to sub-paragraph (h)(iii)(11) above, the date of the commencement of the winding-up of our Company;

(iv) there is an unsatisfied judgement, order or award outstanding against the Grantee or our Board has reason to believe that the Grantee is unable to pay or has no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong);

(v) there are circumstances entitling any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (h)(iii)(8), (h)(iii)(9) or (i)(iv) above; or

(vi) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any option, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

(j) Maximum number of Shares available for subscription

The maximum number of Shares to be issued upon exercise of all options which may be granted under the Share Option Scheme (and under any other post-IPO share option scheme of our Company) shall not in aggregate exceed 10% of the Shares representing 53,200,000 Shares in issue immediately after completion of the Global Offering and as at the Listing Date ("**Scheme Mandate Limit**"), provided that our Company may at any time as our Board may think fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, except that the maximum number of Shares to be issued upon exercise of all options which may be granted under the Share Option Scheme (and under any other post-IPO share option scheme of our Company) shall not exceed 10% of the Shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Options previously granted under the Share Option Scheme and any other post-IPO share option scheme (including those outstanding, cancelled and lapsed in accordance with the terms and conditions of the Share Option Scheme or any other post-IPO share option scheme or exercised options under the said schemes of our Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall issue a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to the Shareholders. In addition, our Company may seek separate approval from the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is obtained. Our Company shall issue a circular to the Shareholders containing the information required under Rule 17.03(3) of the Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme (and under any other post-IPO share option scheme of our Company) shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and which may be granted to such Eligible 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 shall be separately approved by the Shareholders in general meeting with such Eligible Person and his associates or close associates (as the case may be) abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

The maximum numbers set out in this paragraph (j) shall be subject to adjustment in accordance with paragraph (I) but shall not in any event exceed the limits imposed by Chapter 17 of the Listing Rules.

(k) Grant of options to core connected persons

Insofar as and for so long as the Listing Rules require, where any offer of an option is proposed to be made to a Director, chief executive of our Company or Substantial Shareholder or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is or whose associate is the Grantee to whom the option is proposed to be granted). Insofar and for so long as the Listing Rules so require, no option may be granted to any Substantial Shareholder or Independent Non-executive Director or any of their respective associates which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme (and under any other share option scheme of our Company) in the 12-month period up to and including the date of board meeting for proposing such further grant (i) representing in aggregate over 0.1% of the share capital of our Company in issue; or (ii) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK$5 million, unless such further grant is approved by the Shareholders in general meeting. Before seeking such approval, our Company shall issue a circular containing such information as required by the Listing Rules to the Shareholders. At such general meeting, the grant of options to the Substantial Shareholder or independent non-executive Director or any of their respective associates shall, for so long and insofar as the Listing Rules so required, be approved by the Shareholders by way of poll with the Grantee, his associates and all core connected persons of our Company abstaining from voting, except that any such person may vote against such resolution provided that he has informed our Company of his intention to do so and such intention has been stated in the relevant circular to the Shareholders.

(l) Cancellation of options

Our Board shall be entitled for the following causes to cancel any option in whole or in part by giving notice in writing to the Grantee stating that such option is thereby cancelled with effect from the date specified in such notice ("**Cancellation Date**"):

(i) the Grantee commits or permits or attempts to commit or permit a breach of subparagraphs (d)(iv) or (h)(ii) above or any term or condition attached to the grant of the option;

(ii) the Grantee makes a written request to our Board for, or agrees to, the option to be cancelled; or

(iii) if the Grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or any member of our Group.

The option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels an option held by a Grantee and issues new options to the same Grantee, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled option) within the limits set out in paragraph (j) above.

(m) Reorganisation of capital structure

In the event of any change in the capital structure of our Company while any option may become or remains exercisable, whether by way of a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(i) the number of Shares subject to outstanding options;

(ii) the subscription price of each outstanding option; and/or

(iii) the number of Shares subject to the Share Option Scheme.

Where our Board determines that adjustments are appropriate (other than an adjustment arising from a Capitalisation Issue), the auditors or the independent financial advisers (as our Board may select) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes, provided that:

(i) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the Listing Rules from time to time;

(ii) any such adjustments 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 as (but shall not be greater than) it was before such event;

(iii) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and

(iv) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any Grantee is entitled to subscribe pursuant to the options held by him shall remain the same as (but shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisers (as the case may be) in this paragraph (m) is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the Grantees. The costs of the auditors or the independent financial advisers (as the case may be) shall be borne by our Company.

(n) Distributions

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) ("**Distribution**"), our Company may make a downward adjustment to the subscription price of any option granted but not exercised as at the date of such Distribution by an amount which our Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (i) the Board's determination of any adjustment shall be final and binding on all Grantees; (ii) the amount of adjustment shall not exceed the amount of such Distribution to be made to the Shareholders; (iii) such adjustment shall take effect on or after the date of such Distribution by our Company; (iv) any adjustment provided for in this paragraph (n) shall be cumulative to any other adjustment contemplated under paragraph (m) or approved by the Shareholders in general meeting; and (v) the adjusted subscription price shall not, in any case, be less than the nominal value of the Shares.

(o) Share capital

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of options.

(p) Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares, the subject of an option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisers (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

(q) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of our Board, except that the following shall not be carried out except with the prior approval of the Shareholders by an ordinary resolution in a general meeting:

(i) any material alteration of the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(ii) any alteration of the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules;

(iii) any change to the authority of our Directors in relation to any alteration of the terms of the Share Option Scheme; or

(iv) any alteration to this paragraph (q),

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules.

(r) Termination

Our Company may by a resolution of the Shareholders in general meeting at any time terminate the operation of the Share Option Scheme. Upon expiry or termination of the Share Option Scheme, no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted before such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Our company will disclose in the annual and interim reports details of the Share Option Scheme including the number of options granted/exercised/cancelled/lapsed, date of grant, vesting period, exercise period and exercise price during the relevant financial year/period in accordance with the Listing Rules in force from time to time.

Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and

(ii) the commencement of the dealings in the Shares on the Stock Exchange.

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Our Company will disclose in the annual and interim reports details of the Share Option Scheme including the number of options granted/exercised/cancelled/lapsed, date of grant, vesting period, exercise period and exercise price during the relevant financial year/period in accordance with the Listing Rules in force from time to time.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Tax and Other Indemnities

Our Controlling Shareholders have entered into a deed of indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being a contract referred to in "B. Further information about our business – 1. Summary of our material contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other things, taxation resulting from profits or gains earned, accrued or received, on or before the date on which the Global Offering becomes unconditional.

3. Sole Sponsor's fees

The Sole Sponsor will receive a fee of HK$5.6 million for acting as the sponsor for the Listing.

4. Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in, or referred to in, this prospectus (the "**Experts**") are set out below:

Name	Qualifications
Guotai Junan Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
GFE Law Office	Legal advisers to our Company as to PRC law
Hogan Lovells	Legal advisers to our Company to International Sanction law
Nixon Peabody LLP	Legal advisers to our Company as to U.S. law
RHTLaw Taylor Wessing Vietnam	Legal advisers to our Company as to Vietnamese law
Appleby	Legal advisers to our Company as to Cayman Islands law
China Insights Industry Consultancy Limited	Industry consultant
Cushman & Wakefield Limited	Property valuer

5. Consents of experts

Each of the experts named as referred in "– E. Other information – 4. Qualification of experts" in this Appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which they respectively included.

6. Interests of experts

Save as disclosed in this prospectus, none of the Experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the Experts has any direct or indirect interest 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 any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

8. Preliminary expenses

The preliminary expenses incurred by our Company amounted to HK$54,000 and were paid by our Company.

9. Exemption from requirement to set out property valuation report

This prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in reliance on the exemption under section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). See "Business – Properties" for further details.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. 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).

12. Miscellaneous

(a) Save as disclosed herein:

(i) within the two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group; and

(cc) no commission (except commission to sub-underwriters) has been paid or payable to any person for subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of our Company;

(ii) no share or loan capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option;

(iii) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(iv) our Company has no outstanding convertible debt securities or debentures;

(v) there is no arrangement under which future dividends are waived or agreed to be waived; and

(vi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(b) The English version of this prospectus shall prevail over the Chinese version.

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 copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to "Statutory and General Information – E. Other Information – 5. Consents of Experts" in Appendix V to this prospectus, and copies of the material contracts referred to in "Statutory and General Information – B. Further information about our business – 1. Summary of our material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus.

1. the Memorandum of Association and Articles of Association of the Company;

2. the Accountant's Report for FY2016, FY2017, FY2018 and 6M2019 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

3. the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

4. the audited consolidated financial statements of our Group for FY2016, FY2017, FY2018 and 6M2019;

5. the letter with a summary of valuations and valuation report relating to our properties prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix III to this prospectus;

6. the legal memorandum issued by Hogan Lovells, legal advisers to the Company as to International Sanctions law;

7. the U.S. legal opinions issued by Nixon Peabody LLP, our U.S. Legal Advisers, in respect of certain aspects of the U.S. law;

8. the PRC legal opinions issued by GFE Law Office, our PRC legal advisers, in respect of certain aspects of the PRC law;

9. the Vietnamese legal opinions issued by RHTLaw Taylor Wessing Vietnam, our Vietnamese Legal Advisers, in respect of certain aspects of the Vietnamese law;

10. the letter of advice prepared by Appleby, our Cayman Islands legal advisers, summarising certain aspects of the Cayman Islands company law as referred to in Appendix IV to this prospectus;

11. the industry report prepared by CIC;

12. the material contracts referred to in "Statutory and General Information – B. Further information about our business – 1. Summary of our material contracts" in Appendix V to this prospectus;

13. the written consents referred to in "Statutory and General Information – E. Other Information – 5. Consents of experts" in Appendix V to this prospectus;

14. the rules of the Share Option Scheme;

15. the service contracts referred to in "Statutory and General Information – C. Further information about our Directors and chief executive – 2. Directors' service contracts and letters of appointment" in Appendix V to this prospectus; and

16. the Companies Law.

QP Group
雋思集團

Q P Group Holdings Limited
雋思集團控股有限公司