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**CHINA PRINT POWER GROUP LIMITED**

**中國威力印刷集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**Hong Kong Stock Code: 6828**

**Singapore Stock Code: B3C**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

## UNAUDITED INTERIM RESULTS

The board (the “Board”) of Directors (the “Directors”) of China Print Power Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 (“HY2011”) together with the comparative figures for 2010.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

|                                                                                              |       | Six months ended 30 June |                 |
|----------------------------------------------------------------------------------------------|-------|--------------------------|-----------------|
|                                                                                              |       | 2011                     | 2010            |
|                                                                                              | Notes | HK\$'000                 | HK\$'000        |
|                                                                                              |       | (Unaudited)              | (Unaudited)     |
| <b>Revenue</b>                                                                               | 6     | <b>97,702</b>            | 85,024          |
| Cost of sales                                                                                |       | <u>(72,687)</u>          | <u>(60,446)</u> |
| Gross profit                                                                                 |       | <b>25,015</b>            | 24,578          |
| Other income                                                                                 | 6     | <b>748</b>               | 280             |
| Selling and distribution costs                                                               |       | <b>(4,925)</b>           | (4,047)         |
| Administrative expenses                                                                      |       | <b>(12,917)</b>          | (12,476)        |
| Other operating expenses                                                                     |       | <b>(923)</b>             | (503)           |
| Finance costs                                                                                | 7     | <u><b>(747)</b></u>      | <u>(1,155)</u>  |
| <b>Profit before income tax</b>                                                              | 8     | <b>6,251</b>             | 6,677           |
| Income tax expense                                                                           | 9     | <u><b>(1,055)</b></u>    | <u>(1,012)</u>  |
| <b>Profit for the period and attributable to owners of the Company</b>                       |       | <u><b>5,196</b></u>      | <u>5,665</u>    |
| <b>Other comprehensive income</b>                                                            |       |                          |                 |
| Exchange gain on translation of financial statements of foreign operations                   |       | <u><b>1,724</b></u>      | <u>207</u>      |
| <b>Other comprehensive income for the period, net of tax</b>                                 |       | <u><b>1,724</b></u>      | <u>207</u>      |
| <b>Total comprehensive income for the period and attributable to owners of the Company</b>   |       | <u><b>6,920</b></u>      | <u>5,872</u>    |
| <b>Earnings per share for profit attributable to owners of the Company during the period</b> | 11    |                          |                 |
| – Basic (HK cents)                                                                           |       | <u><b>4.25</b></u>       | <u>4.64</u>     |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

|                                                    |       | 30 June<br>2011<br>(Unaudited)<br>HK\$'000 | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|----------------------------------------------------|-------|--------------------------------------------|----------------------------------------------|
|                                                    | Notes |                                            |                                              |
| <b>ASSETS AND LIABILITIES</b>                      |       |                                            |                                              |
| <b>Non-current assets</b>                          |       |                                            |                                              |
| Leasehold land and land use rights                 |       | 5,561                                      | 5,474                                        |
| Property, plant and equipment                      | 12    | 124,260                                    | 118,294                                      |
| Other non-current assets                           |       | 645                                        | 690                                          |
|                                                    |       | <u>130,466</u>                             | <u>124,458</u>                               |
| <b>Current assets</b>                              |       |                                            |                                              |
| Inventories                                        |       | 37,491                                     | 21,319                                       |
| Trade and other receivables                        | 13    | 77,240                                     | 71,414                                       |
| Deferred expenses                                  |       | 4,479                                      | —                                            |
| Cash and cash equivalents                          |       | 21,949                                     | 28,831                                       |
|                                                    |       | <u>141,159</u>                             | <u>121,564</u>                               |
| <b>Current liabilities</b>                         |       |                                            |                                              |
| Trade and other payables                           | 14    | 38,885                                     | 26,130                                       |
| Bank borrowings, secured                           | 15    | 49,557                                     | 34,682                                       |
| Obligations under finance leases                   | 16    | 4,870                                      | 10,834                                       |
| Income tax payable                                 |       | 1,525                                      | 108                                          |
|                                                    |       | <u>94,837</u>                              | <u>71,754</u>                                |
| <b>Net current assets</b>                          |       | <u>46,322</u>                              | <u>49,810</u>                                |
| <b>Total assets less current liabilities</b>       |       | <u>176,788</u>                             | <u>174,268</u>                               |
| <b>Non-current liabilities</b>                     |       |                                            |                                              |
| Deferred tax liabilities                           |       | 3,624                                      | 3,624                                        |
|                                                    |       | <u>3,624</u>                               | <u>3,624</u>                                 |
| <b>Net assets</b>                                  |       | <u><u>173,164</u></u>                      | <u><u>170,644</u></u>                        |
| <b>EQUITY ATTRIBUTABLE TO<br/>COMPANY'S OWNERS</b> |       |                                            |                                              |
| Share capital                                      | 17    | 67,215                                     | 67,215                                       |
| Reserves                                           |       | 105,949                                    | 103,429                                      |
| <b>Total equity</b>                                |       | <u><u>173,164</u></u>                      | <u><u>170,644</u></u>                        |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are dual primary listed on The Stock Exchange of Hong Kong Limited ("SEHK") and the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the printing business and sales of paper and leather products. There were no significant changes in the nature of the Group's principal activities during the period under review and the Group's operations are based in The People's Republic of China (the "PRC"), including Hong Kong. The Company's ultimate parent company is China Print Power Limited, a company incorporated in the British Virgin Islands.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

## 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") and the applicable disclosures requirements of Appendix 16 of the Rules Governing the Listing of Securities on SEHK. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010.

## 3. ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2010, except for the adoption of the following new or amended International Financial Reporting Standards ("IFRSs") issued by the IASB and the International Financial Reporting Interpretation Committee of the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011.

- IAS 24 (Revised) – Related Party Disclosures; and
- Improvements to IFRSs (2010)

IAS 24 (Revised) introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. The amendments do not have any financial impact on the Group for the current period.

The Improvements to IFRSs (2010) comprise a number of amendments to IFRSs, primarily with a view to remove inconsistencies and clarifying wordings. Of these, amendments to IAS 34 – Interim Financial Reporting requires the update of relevant information related to significant events and transactions in the most recent annual financial report. It also specifies events and transactions for which disclosures are required, and guidance has been added covering the application of the requirements for financial instruments.

At the date of authorisation of this announcement, certain new and amended IFRSs have been issued but are not yet effective, and have not been adopted early by the Group.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended IFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

### ***IFRS 7 (Amendment) “Disclosures – Transfers of Financial Assets”***

The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted and introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity’s statement of financial position. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liability. The disclosures must be presented by type of ongoing involvement.

### ***IFRS 9 “Financial Instruments”***

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors of the Company are currently assessing the possible impact of the new standard on the Group’s results and financial position in the first year of application.

In November 2010, the IASB issued additions to IFRS 9 to address financial liabilities. The changes resulting from the amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value changes in respect of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other requirements under IAS 39 in respect of liabilities are carried forward into IFRS 9.

## **4. SEASONALITY OF OPERATIONS**

Seasonal fluctuation exists in our printing services and in the overall industry. The demand is generally higher in the second half of the year when our customers will normally place more orders to us so as to meet their greater sales demand during Christmas and New Year holidays.

Seasonal fluctuations may pose negative effect on our production costs and the overall utilisation rate of the production facilities in our He Yuan Factory. Our interim results for the first half of the year may not serve as an indication of our result of operation for the entire financial year.

## **5. SEGMENT REPORTING**

The Group has identified the following reportable segments:

- Book products – provision of full suite of services from pre-press to printing to finishing/binding services; and
- Specialised products – production of custom-made and value-added printing products.

Each of these operating segments is managed separately as each of the product lines requires different resources as well as marketing approaches. For the six months ended 30 June 2011, there have been no change in the measurement policies used for reporting segment results.

Segment revenue below represents revenue from external customers. There were no inter-segment sales for the six months ended 30 June 2011 and 2010. The segment revenue and results for the six months ended 30 June 2011 and 2010 and the segment assets as at 30 June 2011 and 31 December 2010 are as follows:

|                      | Segment revenue          |               | Segment profit           |               | Segment assets |                |
|----------------------|--------------------------|---------------|--------------------------|---------------|----------------|----------------|
|                      | Six months ended 30 June |               | Six months ended 30 June |               | 30 June        | 31 December    |
|                      | 2011                     | 2010          | 2011                     | 2010          | 2011           | 2010           |
|                      | (Unaudited)              | (Unaudited)   | (Unaudited)              | (Unaudited)   | (Unaudited)    | (Audited)      |
|                      | HK\$'000                 | HK\$'000      | HK\$'000                 | HK\$'000      | HK\$'000       | HK\$'000       |
| Book products        | 60,152                   | 43,796        | 13,913                   | 11,667        | 124,549        | 121,494        |
| Specialised products | 37,550                   | 41,228        | 11,102                   | 12,911        | 35,164         | 23,596         |
| Segment total        | <u>97,702</u>            | <u>85,024</u> | <u>25,015</u>            | <u>24,578</u> | <u>159,713</u> | <u>145,090</u> |

The total presented for the Group's operating segment results are reconciled to the profit before income tax as presented in the condensed consolidated statement of comprehensive income as follows:

|                                | Six months ended 30 June |              |
|--------------------------------|--------------------------|--------------|
|                                | 2011                     | 2010         |
|                                | (Unaudited)              | (Unaudited)  |
|                                | HK\$'000                 | HK\$'000     |
| Reportable segment profit      | 25,015                   | 24,578       |
| Unallocated corporate income   | 748                      | 280          |
| Unallocated corporate expenses | (18,765)                 | (17,026)     |
| Finance costs                  | (747)                    | (1,155)      |
| Profit before income tax       | <u>6,251</u>             | <u>6,677</u> |

## 6. REVENUE AND OTHER INCOME

An analysis of the revenue, which is also the Group's turnover and other income is as follows:

|                                                              | Six months ended 30 June |               |
|--------------------------------------------------------------|--------------------------|---------------|
|                                                              | 2011                     | 2010          |
|                                                              | (Unaudited)              | (Unaudited)   |
|                                                              | HK\$'000                 | HK\$'000      |
| <b>Revenue</b>                                               |                          |               |
| Sales of goods                                               | <u>97,702</u>            | <u>85,024</u> |
| <b>Other income</b>                                          |                          |               |
| Interest income on financial assets stated at amortised cost | 6                        | 6             |
| Reversal of impairment loss on trade receivables             | 226                      | —             |
| Sundry income                                                | <u>516</u>               | <u>274</u>    |
|                                                              | <u>748</u>               | <u>280</u>    |

## 7. FINANCE COSTS

|                                                    | Six months ended 30 June |              |
|----------------------------------------------------|--------------------------|--------------|
|                                                    | 2011                     | 2010         |
|                                                    | (Unaudited)              | (Unaudited)  |
|                                                    | HK\$'000                 | HK\$'000     |
| Interest charges on:                               |                          |              |
| Bank borrowings                                    | 188                      | 356          |
| Finance charges on obligations under finance lease | 559                      | 799          |
|                                                    | <u>747</u>               | <u>1,155</u> |
| Total finance costs                                | <u>747</u>               | <u>1,155</u> |

## 8. PROFIT BEFORE INCOME TAX

|                                                                    | Six months ended 30 June |             |
|--------------------------------------------------------------------|--------------------------|-------------|
|                                                                    | 2011                     | 2010        |
|                                                                    | (Unaudited)              | (Unaudited) |
|                                                                    | HK\$'000                 | HK\$'000    |
| Profit before income tax is arrived at after charging/(crediting): |                          |             |
| Amortisation of leasehold land and land use rights                 | 56                       | 61          |
| Depreciation of property, plant and equipment                      | 5,849                    | 6,605       |
| Reversal of impairment losses on trade receivables                 | (226)                    | –           |
| Net loss on disposals of property, plant and equipment             | 127                      | –           |
| Operating lease charges                                            | 198                      | 192         |
|                                                                    | <u>198</u>               | <u>192</u>  |

## 9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profits arising for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

|                                 | Six months ended 30 June |              |
|---------------------------------|--------------------------|--------------|
|                                 | 2011                     | 2010         |
|                                 | (Unaudited)              | (Unaudited)  |
|                                 | HK\$'000                 | HK\$'000     |
| <b>Current tax</b>              |                          |              |
| Hong Kong profits tax           | 1,055                    | 1,012        |
| Elsewhere                       | –                        | –            |
|                                 | <u>1,055</u>             | <u>1,012</u> |
| <b>Total income tax expense</b> | <u>1,055</u>             | <u>1,012</u> |

Pursuant to the Departmental Interpretation and Practice Note No. 21 issued by the Hong Kong Inland Revenue Department, Power Printing Products Limited, a wholly-owned subsidiary of the Company, having manufacturing facilities in the PRC are entitled to deduct 50% of its estimated assessable profits for Hong Kong tax reporting purposes and thus 50% of the estimated assessable profits are subject to Hong Kong profits tax. Power Printing Products Limited has been submitting its tax return based on the above income tax treatment since it made assessable profits. So far, the Hong Kong Inland Revenue Department did not raise any objections to these tax returns.

## 10. DIVIDEND

The Board did not recommend a payment of interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$5,196,000 (six months ended 30 June 2010: approximately HK\$5,665,000) and on the weighted average number of 122,209,373 (six months ended 30 June 2010: 122,209,373) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2011 and 2010 are not presented as there is no dilutive potential ordinary share.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with a cost of approximately HK\$10,391,000 (six months ended 30 June 2010: approximately HK\$1,129,000).

Property, plant and equipment with net book value of approximately HK\$227,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## 13. TRADE AND OTHER RECEIVABLES

|                                             | <b>30 June<br/>2011<br/>(Unaudited)<br/>HK\$'000</b> | <b>31 December<br/>2010<br/>(Audited)<br/>HK\$'000</b> |
|---------------------------------------------|------------------------------------------------------|--------------------------------------------------------|
| Trade receivables                           | <b>70,225</b>                                        | 72,077                                                 |
| Less: Provision for impairment loss         | <b>(3,470)</b>                                       | (3,696)                                                |
| Trade receivables – net                     | <b>66,755</b>                                        | 68,381                                                 |
| Deposits, prepayments and other receivables | <b>10,485</b>                                        | 3,033                                                  |
|                                             | <b>77,240</b>                                        | 71,414                                                 |

The Group generally allows a credit period of 30 to 120 days to its trade customers. Based on invoice dates, aging analysis of trade receivables (net of provision for impairment loss) is as follows:

|                | <b>30 June<br/>2011<br/>(Unaudited)<br/>HK\$'000</b> | <b>31 December<br/>2010<br/>(Audited)<br/>HK\$'000</b> |
|----------------|------------------------------------------------------|--------------------------------------------------------|
| 0 – 90 days    | <b>47,084</b>                                        | 43,936                                                 |
| 91 – 120 days  | <b>7,580</b>                                         | 11,698                                                 |
| 121 – 180 days | <b>6,873</b>                                         | 7,246                                                  |
| 181 – 365 days | <b>1,880</b>                                         | 2,496                                                  |
| Over 365 days  | <b>3,338</b>                                         | 3,005                                                  |
|                | <b>66,755</b>                                        | 68,381                                                 |

#### 14. TRADE AND OTHER PAYABLES

|                                     | <b>30 June<br/>2011<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|-------------------------------------|------------------------------------------------------|----------------------------------------------|
| Trade payables                      | 28,976                                               | 17,770                                       |
| Accrued charges and other creditors | 8,667                                                | 7,661                                        |
| Trade deposits received             | 1,242                                                | 699                                          |
|                                     | <u>38,885</u>                                        | <u>26,130</u>                                |

Based on invoice dates, the aging analysis of trade payables is as follows:

|                | <b>30 June<br/>2011<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|----------------|------------------------------------------------------|----------------------------------------------|
| 0 – 90 days    | 23,715                                               | 12,497                                       |
| 91 – 180 days  | 4,940                                                | 3,257                                        |
| 181 – 365 days | 58                                                   | 1,030                                        |
| Over 365 days  | 263                                                  | 986                                          |
|                | <u>28,976</u>                                        | <u>17,770</u>                                |

#### 15. BANK BORROWINGS, SECURED

The Group's bank borrowings bear interest at floating rates and are denominated in HK\$. Based on the scheduled repayment dates set out in the loan agreements, the Group's bank borrowings were repayable as follows:

|                            | <b>30 June<br/>2011<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|----------------------------|------------------------------------------------------|----------------------------------------------|
| Within one year            | 32,715                                               | 23,259                                       |
| In the second year         | 6,294                                                | 4,325                                        |
| In the third to fifth year | 10,548                                               | 7,098                                        |
|                            | <u>49,557</u>                                        | <u>34,682</u>                                |

The Group's bank loan agreements contain clauses which give the banks the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. Accordingly, the amounts due for repayment after one year containing a repayment on demand clause are classified as current liabilities.

## 16. OBLIGATIONS UNDER FINANCE LEASES

The Group's obligations under finance leases bear interest at floating rate and are denominated in HK\$. Based on the scheduled repayment dates set out in the leases agreements, the Group's obligations under finance leases were repayable as follows:

|                    | <b>30 June<br/>2011<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|--------------------|------------------------------------------------------|----------------------------------------------|
| Within one year    | <b>3,857</b>                                         | 5,593                                        |
| In the second year | <b>1,013</b>                                         | 5,241                                        |
|                    | <b>4,870</b>                                         | 10,834                                       |

The Group's finance lease arrangements contain clauses which give the lessors the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. Accordingly, the amounts due for repayment after one year containing a repayment on demand clause are classified as current liabilities.

Finance lease liabilities are secured by the underlying assets where the lessor had the rights to revert in the events of default in repayment by the Group.

## 17. SHARE CAPITAL

|                                                                  | Number of<br>ordinary shares<br>of HK\$0.55 each | HK\$'000 |
|------------------------------------------------------------------|--------------------------------------------------|----------|
| <i>Authorised:</i>                                               |                                                  |          |
| At 1 January 2010, 30 June 2010, 1 January 2011 and 30 June 2011 | 909,090,909                                      | 500,000  |
| <i>Issued and fully paid:</i>                                    |                                                  |          |
| At 1 January 2010, 30 June 2010, 1 January 2011 and 30 June 2011 | 122,209,373                                      | 67,215   |

## 18. CAPITAL COMMITMENTS

|                                                | <b>30 June<br/>2011<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2010<br>(Audited)<br>HK\$'000 |
|------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Contracted but not provided for in respect of: |                                                      |                                              |
| – property, plant and equipment                | <b>23,166</b>                                        | 668                                          |
| – intangible assets                            | <b>270</b>                                           | 270                                          |
|                                                | <b>23,436</b>                                        | 938                                          |

## 19. RELATED PARTY TRANSACTIONS

In addition to the transactions or information disclosed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with connected and related parties during the period:

|                                                                                                           | <b>Six months ended 30 June</b> |                    |
|-----------------------------------------------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                                                           | <b>2011</b>                     | <b>2010</b>        |
|                                                                                                           | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                                                                           | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| <b>Key management personnel:</b>                                                                          |                                 |                    |
| Short-term employee benefits                                                                              | <b>2,881</b>                    | 2,596              |
| Post employment benefits                                                                                  | <b>36</b>                       | 36                 |
|                                                                                                           | <hr/>                           | <hr/>              |
| Key management personnel remuneration                                                                     | <b>2,917</b>                    | 2,632              |
|                                                                                                           | <hr/> <hr/>                     | <hr/> <hr/>        |
| <b>A company in which certain directors of the Company have equity interest:</b>                          |                                 |                    |
| Rental expenses                                                                                           | <b>168</b>                      | 168                |
|                                                                                                           | <hr/> <hr/>                     | <hr/> <hr/>        |
| <b>A company in which a member of key management personnel of the Company have significant influence:</b> |                                 |                    |
| Sales of goods                                                                                            | <b>1,126</b>                    | 1,404              |
|                                                                                                           | <hr/> <hr/>                     | <hr/> <hr/>        |

## 20. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings utilised by the Group:

|                               | <b>30 June</b>     | <b>31 December</b> |
|-------------------------------|--------------------|--------------------|
|                               | <b>2011</b>        | <b>2010</b>        |
|                               | <b>(Unaudited)</b> | <b>(Audited)</b>   |
|                               | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| Property, plant and equipment | –                  | 5,387              |
| Trade receivables             | <b>3,760</b>       | 4,930              |
|                               | <hr/>              | <hr/>              |
|                               | <b>3,760</b>       | 10,317             |
|                               | <hr/> <hr/>        | <hr/> <hr/>        |

In addition to the above, the Group's obligations under finance leases (note 16) are secured by plant and machinery with net carrying amount of HK\$13,500,000 (31 December 2010: HK\$16,109,000) as at 30 June 2011.

In addition, certain of the Group's property, plant and equipment with net carrying amount of Nil (31 December 2010: HK\$54,062,000) and leasehold land and land use rights with net carrying amount of HK\$5,561,000 (31 December 2010: HK\$5,474,000) as at 30 June 2011 have been pledged as securities. These assets are pledged for the banking facilities granted, which are not utilised by the Group.

## 21. EVENT AFTER THE REPORTING PERIOD

Subsequent to 30 June 2011, the Company's shares were dual primarily listed on SGX-ST and SEHK and 30,000,000 new shares were issued since then.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group's shares were successfully listed on the SEHK on 12 July 2011.

Being one of the leading books and specialised products printing groups serving international markets across Europe, North America and Asia, the Group is principally engaged in (i) printing of books; and (ii) manufacturing of specialised products such as pop-up children books and stationery. We provide a full suite of services including pre-printing, printing and post-printing. Strategically located in He Yuan, Guangdong Province, the PRC, our production plant operates a site with approximately 104,349 sq. m. utilising twelve printing presses.

During the first half of 2011 ("HY2011"), the Group's turnover increased by approximately 14.9% to approximately HK\$97.7 million, mainly driven by the increase in sales orders and average selling prices of the Group's products. As compared with the first half of 2010 ("HY2010"), market demand increased as a result of better global economic conditions and gradually improving momentum. The book products segment continued to be the major revenue contributor. During HY2011, it achieved a turnover of approximately HK\$60.2 million (HY2010: approximately HK\$43.8 million), surging by approximately 37.3%, which represented approximately 61.6% of the Group's total turnover. Meanwhile, the specialised products segment remains to be an important business arm of the Group, and generated a turnover of approximately HK\$37.6 million (HY2010: approximately HK\$41.2 million), accounting for approximately 38.4% of the Group's total turnover.

### **Financial Review**

#### ***Revenue***

Revenue increased by approximately 14.9% from approximately HK\$85.0 million for HY2010 to approximately HK\$97.7 million for HY2011. The increase in revenue was due to increase in sales orders and average selling prices.

#### ***Gross Profit Margin***

Overall gross profit margin decreased from approximately 28.9% in HY2010 to approximately 25.6% in HY2011 which was mainly due to an increase in labour cost as a result of increase in number of workers and average wages.

#### ***Other Income***

Other income increased by approximately 167.1% from approximately HK\$0.3 million in HY2010 to approximately HK\$0.7 million in HY2011. The increase was mainly due to proceeds of approximately HK\$0.2 million on sales of scraps and the net effect of reversal of impairment loss on trade receivables of approximately HK\$0.2 million.

## ***Operating Expenses***

### *(a) Selling and distribution costs*

The selling and distribution costs increased by approximately 21.7% from approximately HK\$4.0 million in HY2010 to approximately HK\$4.9 million in HY2011. This was mainly due to the increase of approximately HK\$0.8 million in transportation and freight charges as a result of increase in sales orders.

### *(b) Administrative expenses*

The administrative expenses slightly increased by approximately 3.5% from approximately HK\$12.5 million in HY2010 to approximately HK\$12.9 million in HY2011. This was mainly due to an increase in (i) computer expenses of approximately HK\$0.1 million, (ii) courier charges of approximately HK\$0.1 million and (iii) sundry expenses of approximately HK\$0.1 million.

### *(c) Other operating expenses*

Other operating expenses increased by approximately 83.5% from approximately HK\$0.5 million in HY2010 to approximately HK\$0.9 million in HY2011 was mainly due to an increase in (i) bank charges of approximately HK\$0.2 million, and (ii) net loss on disposals of plant and equipment of approximately HK\$0.1 million.

### *(d) Finance costs*

Finance costs decreased by approximately HK\$0.4 million or approximately 35.3% from approximately HK\$1.2 million in HY2010 to approximately HK\$0.7 million in HY2011, which was mainly due to the repayment of obligations under finance leases despite the increase in bank borrowings.

### *(e) Income tax expense*

Income tax expense increased by approximately 4.2% from approximately HK\$1.0 million in HY2010 to approximately HK\$1.1 million in HY2011. The increase was mainly due to less tax allowances given to a subsidiary in Hong Kong for its acquisition of plant and equipment in previous years despite there are approximately HK\$10.2 million of acquisition on plant and equipment in the PRC operation.

As a result of the above, profit for the period attributable to owners of the Company decreased by approximately 8.3% from approximately HK\$5.7 million for HY2010 to approximately HK\$5.2 million for HY2011. However, the Group achieved a higher currency translation gain of approximately HK\$1.7 million in HY2011 compared to approximately HK\$0.2 million in HY2010 resulting in the total comprehensive income attributable to owners increased by approximately 17.8% to approximately HK\$6.9 million.

## STATEMENT OF FINANCIAL POSITION

### Assets

As at 30 June 2011, non-current assets amounted to approximately HK\$130.5 million or represented approximately 48.0% of our total assets, an increase of approximately HK\$6.0 million as compared to approximately HK\$124.5 million as at 31 December 2010. This was mainly due to the acquisition of plant and equipment in He Yuan.

As at 30 June 2011, current assets amounted to approximately HK\$141.2 million, comprised mainly of the followings:

- (a) Inventories of approximately HK\$37.5 million; an increase of approximately HK\$16.2 million as compared to HK\$21.3 million as at 31 December 2010 which was mainly due to the upcoming delivery of orders to customers at period end;
- (b) Trade and other receivables of approximately HK\$77.2 million; an increase of approximately HK\$5.8 million from approximately HK\$71.4 million as at 31 December 2010 which was attributable to higher period-end sales in HY2011;
- (c) Deferred expense of approximately HK\$4.5 million which are related to dual listing of the Company's shares on SEHK and to be charged to profit or loss or deducted from equity in the second half of the financial year 2011; and
- (d) Cash and cash equivalents of approximately HK\$21.9 million; a decrease of approximately HK\$6.9 million from approximately HK\$28.8 million as at 31 December 2010.

### Liabilities

As at 30 June 2011, our current liabilities amounted to approximately HK\$94.8 million and comprised mainly of the followings:

- (a) Trade and other payables of approximately HK\$38.9 million; an increase of approximately HK\$12.8 million from approximately HK\$26.1 million as at 31 December 2010. This was mainly due to an increase in trade payables of approximately HK\$11.2 million resulting from better credit terms from its suppliers and increase in purchases at period end;
- (b) Bank borrowings of approximately HK\$49.6 million; an increase of approximately HK\$14.9 million from approximately HK\$34.7 million as at 31 December 2010. This was mainly due to new bank borrowings of approximately HK\$19.5 million obtained and increase in trust receipt loans of approximately HK\$6.7 million which was partly offset by the repayment of approximately HK\$11.3 million; and
- (c) Obligations under finance leases of approximately HK\$4.9 million; a decrease of approximately HK\$5.9 million from approximately HK\$10.8 million as at 31 December 2010.

### Equity

As at 30 June 2011, total equity stood at approximately HK\$173.2 million as compared to approximately HK\$170.6 million as at 31 December 2010. The increase of approximately HK\$2.5 million was mainly due to the profit attributable to owners of the Company for HY2011 of approximately HK\$5.2 million and the exchange gain on translation of financial statements of foreign operations of approximately HK\$1.7 million offset by payment of final dividend for FY2010 of approximately HK\$4.4 million.

## **FUTURE DEVELOPMENT AND PROSPECTS**

Looking ahead, we will leverage on the Group's dedicated strength in printing and production expertise and experience in specialised products to enhance our market position and increase our market share. The Group intends to focus on the development of children's booklets and the stationery market where more specialised skills and techniques are required and hence enjoy a higher profit margin. The Group will endeavour to market value-added children's products by participating in international and domestic trade fairs.

Along with sustained economic growth, rising average disposable incomes and higher living standards in the PRC, the Group believes that increasing demand in the PRC for high-end premium products presents tremendous opportunities for our future development. Thus, we plan to set up sales offices/showrooms for specialised products in major cities in the PRC to identify potential customers, and strive to seek new business opportunities.

The strong business relationships with our existing customers in Hong Kong, Europe and North America continue to be one of the key assets of the Group. To secure more sales orders from them and expand our customer base, we will strengthen and enlarge our sales and marketing team.

Given the current debt and financial conditions in the United States and Europe, the Group expects business conditions to be challenging in the second half of FY2011.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on SEHK ("Listing Rules") and The Singapore Code of Corporate Governance 2005 throughout the six months ended 30 June 2011.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, during the six months ended 30 June 2011, all Directors have complied with the required standards of the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the unaudited interim results of the Group for the six months ended 30 June 2011.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)), SGX-ST ([www.sgx.com](http://www.sgx.com)) and the Company ([www.powerprinting.com.hk](http://www.powerprinting.com.hk)). The interim report of the Company for the six months ended 30 June 2011 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the aforesaid websites in due course.

By order of the Board  
**China Print Power Group Limited**  
**Sze Chun Lee**  
*Executive Director*

Hong Kong, 14 August 2011

*As at the date of this announcement, the executive Directors are Mr. Sze Chun Lee, Mr. Chan Wai Ming, Mr. Kwan Wing Hang, and Mr. Lam Shek Kin and the independent non-executive Directors are Mr. Lim Siang Kai, Mr. Leong Ka Yew and Mr. Wee Piew.*