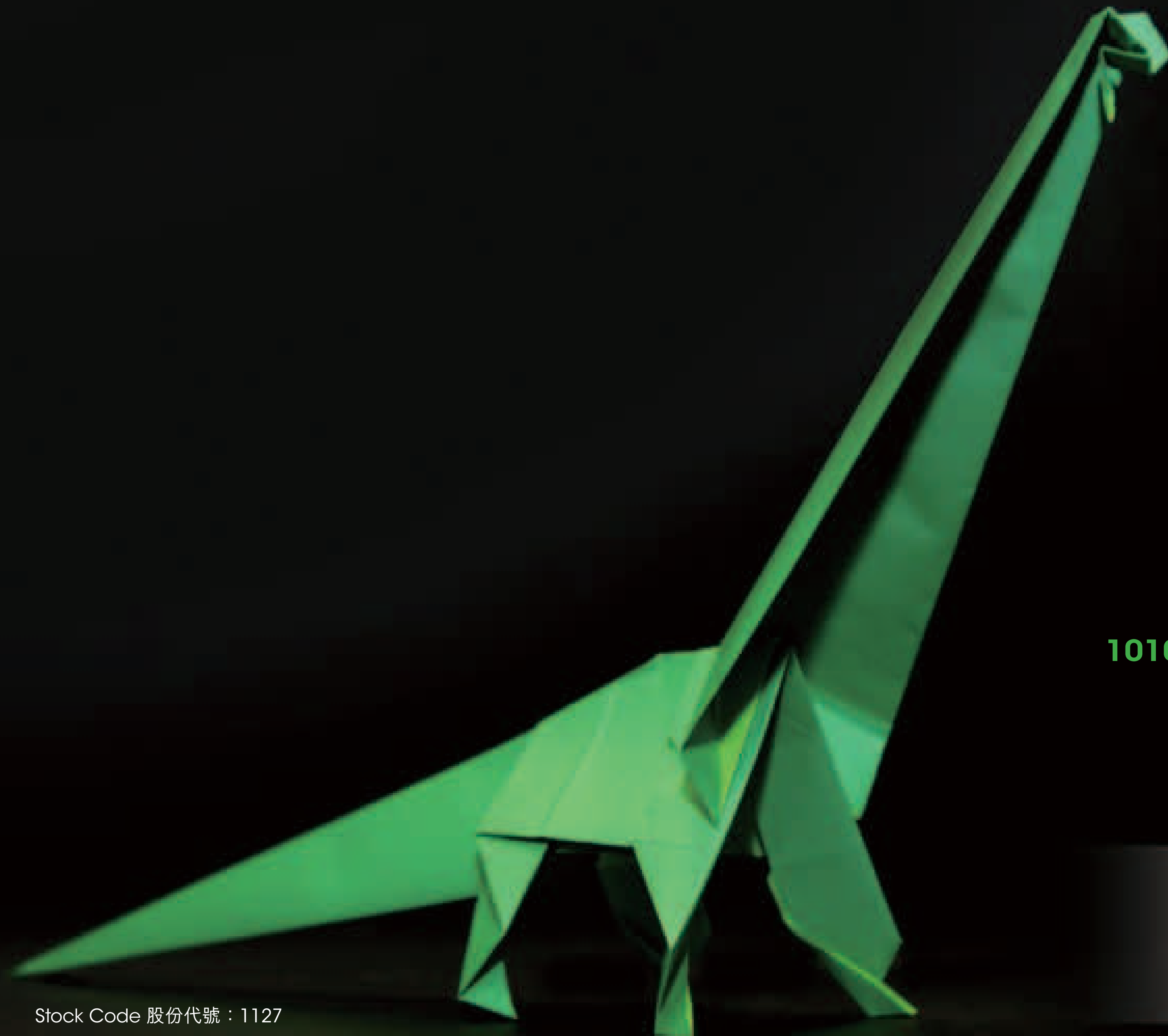


1010 Printing Group Limited
匯星印刷集團有限公司

Annual Report 年報 2011

Stock Code 股份代號：1127

Corporate Information

Board of Directors

EXECUTIVE DIRECTORS
Mr. Yang Sze Chen, Peter
Mr. Lau Chuk Kin
Ms. Choi Ching Kam, Dora

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Yeung Ka Sing (Chairman)
Prof. Lee Hau Leung
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

Company Secretary
Ms. Tan Lai Ming HKICPA, ACCA

Compliance Officer
Mr. Lau Chuk Kin

Authorised Representatives
Mr. Lau Chuk Kin
Ms. Tan Lai Ming

Bermuda Resident Representative
Codan Services Limited

Audit Committee
Dr. Ng Lai Man, Carmen (Chairman)
Mr. Yeung Ka Sing
Mr. Tsui King Chung, David

Nomination Committee
Mr. Yeung Ka Sing (Chairman)
Mr. Lau Chuk Kin
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

Remuneration Committee
Mr. Yeung Ka Sing (Chairman)
Mr. Lau Chuk Kin
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

Auditor
BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Legal Adviser
Cheung Tong & Rosa Solicitors
Room 501, 5/F., Sun Hung Kai Centre,
30 Harbour Road, Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking
Corporation Limited

Share Registrars And Transfer Offices

PRINCIPAL REGISTRAR
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road,
Pembroke HM08, Bermuda

HONG KONG BRANCH REGISTRAR
Computershare Hong Kong Investor Services
Limited
Shops 1712 – 1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Head Office And Principal Place Of Business
Suite 1704, 17/F, 625 King's Road
North Point, Hong Kong

Website
www.1010printing.com

Stock Code
1127

SURVIVAL OF THE FITTEST

Even declining margins complied with escalating costs of labour, raw materials and electricity, this is what the future holds. Scholars predict that within 3 years, 30% of the factories in the Pearl River Delta will go the way of dinosaurs. We are in a game of survival of the fittest.

Key Achievements

Sales turnover

HK$640M

Total comprehensive income attributable to owners

HK$62.4M

Exporter of Books to the US Market Ranking

No.3

Contents

Chairman's Statement

Dear Shareholders,

2011 was a challenging year for the global book printing industry. Weighed down by weak export demand and escalating manufacturing costs, printers in China experienced unprecedented operating difficulties. The debacle of the international book retailer "Borders Group" that went out of business, is a vivid reflection of the severity that the industry faces.

As success may come to those who persevere, in spite of the economic adversity, we executed decisive yet carefully considered actions that helped us to maintain our leading position in the book printing services industry. By concentrating on better margin products that match our production capability, we achieved significant operating efficiency without incurring additional labour costs. Supply chain management was streamlined to enhance production flexibility which further optimized operating efficiency. These control mechanisms underpinned and contributed to our profit and margins for the financial year.

I am encouraged by our performance and financial results which have proved that our persistence and endurance during difficult times has paid off.

2011 was also a memorable and critical year of corporate development for the Group. Following the successful spin-off from our parent company, Cinderella Media Group Limited ("Cinderella Media") (stock code: 550), and listing separately on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group is now positioned to further diversify its expertise within the printing related industry. Though slow industry recovery is anticipated, we will continue to implement cautious but proactive measures when expanding into new business segments and markets. Supported by our sound financial position, long-term relationship with our clients and suppliers, and proven internal control, I foresee steady growth for the Group and that we are well on track to emerge as one of the leading players in the global book printing industry.

Appreciation

I would like to take this opportunity to thank our management team and employees for their hard work and their unwavering dedication to make all our accomplishments possible. In addition, I convey my deepest gratitude to our customers, business partners and shareholders for their continual confidence and support.

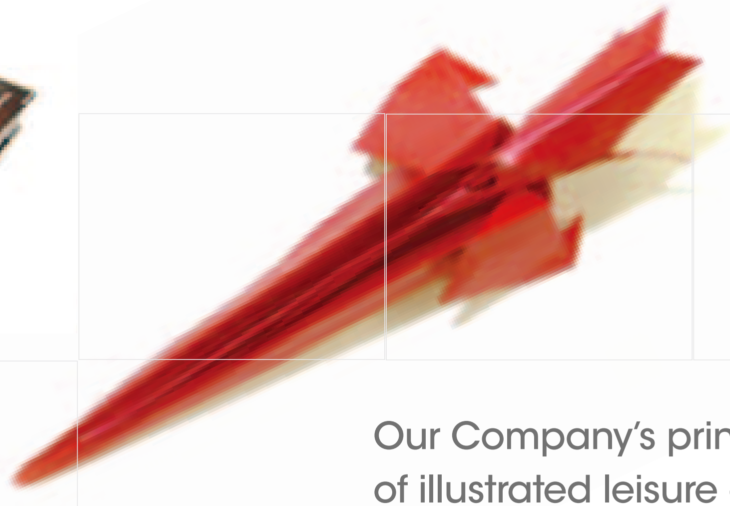
Yeung Ka Sing
Chairman
Hong Kong, 22 February 2012

As success may come to those who persevere, in spite of the economic adversity, we executed decisive yet carefully considered actions that helped us to maintain our leading position in the book printing services industry.

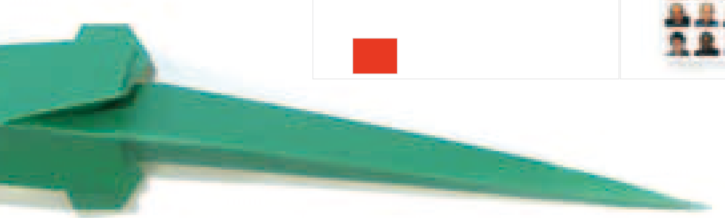
Management Discussion and Analysis

Business Review

1010 Printing Group Limited is engaged in providing printing services to international book publishers, trade, professional and educational conglomerates and print media companies.



Our Company's printed products comprise mainly of illustrated leisure and lifestyle books, educational text books, learning materials and children's books.



Business Review (continued)

1010 Printing Group Limited is an established book printing company with production bases in the People's Republic of China (the "PRC").

The Group has been providing specialized and comprehensive printing services to renowned international book publishers, trade, professional and educational book printing conglomerates, and print media companies. The Group has achieved accreditation of international quality standards, and together with our global sales and service teams in Hong Kong, United Kingdom, USA and Australia, we have built a vast global client base.

For the year ended 31 December 2011, the Group's turnover increased by 23% to approximately HK$640.1 million (2010: HK$522.0 million). Gross profit increased by 19% to HK$121.7 million (2010: HK$102.5 million). Net profit attributable to owners of the Company grew slightly to approximately HK$62.3 million (2010: HK$61.7 million). Excluding the one-off listing expense of HK$3.6 million, the adjusted net profit from normal operations is approximately HK$65.9 million, representing a year-on-year growth of approximately 7%. The relatively flat growth in net profit was mainly attributable to increases in income tax expenses during the year.

Sales to the United States, Australia and United Kingdom achieved growth rates of approximately 56.5%, 25.9% and 15.0% respectively and accounted for approximately 83.6% of the Group's overall sales for the year. Recognizing the economic uncertainty caused by the European debt crisis, the Group will consider expansion into other emerging markets in the near future, diversifying our business risk.

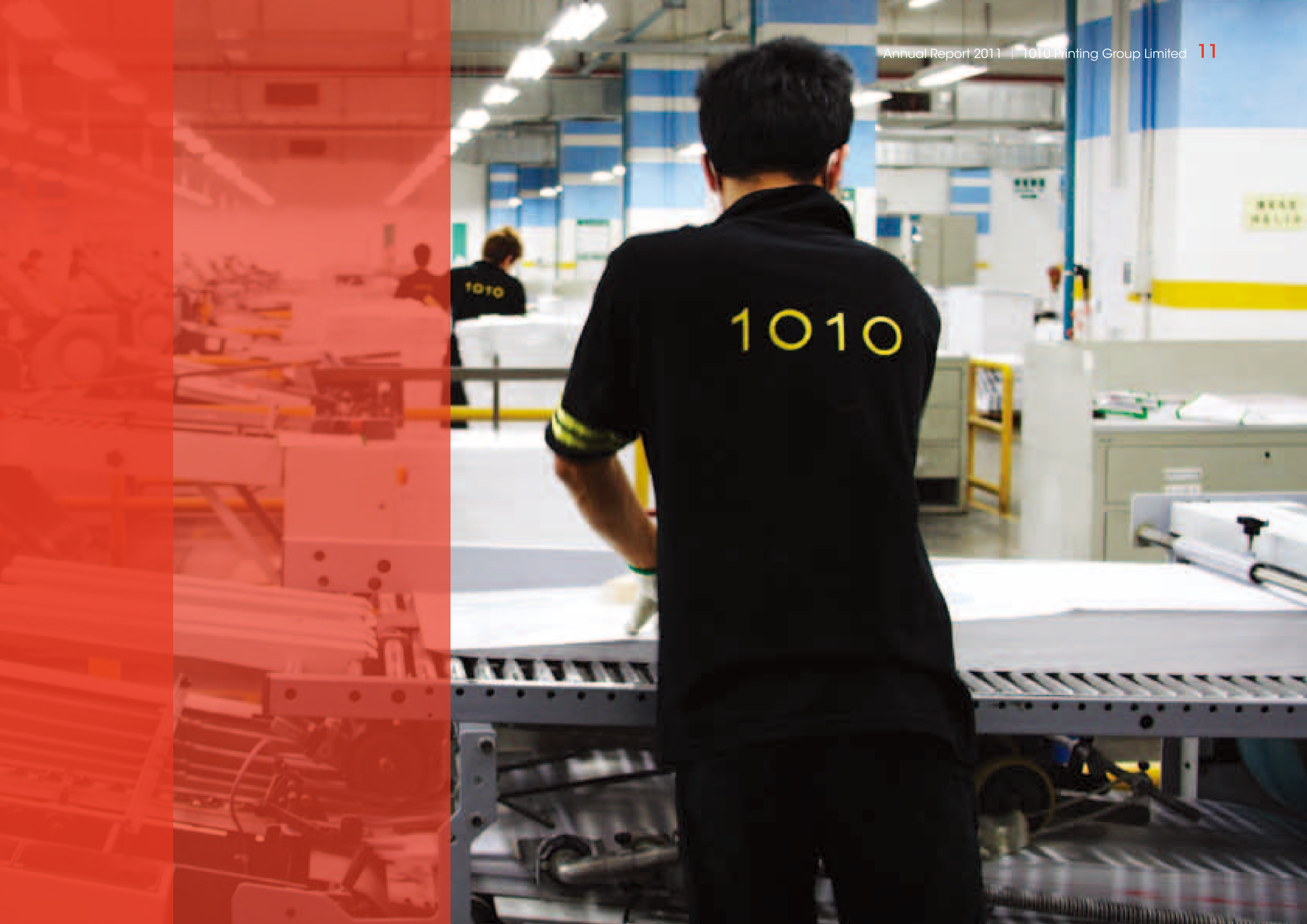
Rising production and labour costs continued to dampen the profit levels of book printers. However, thanks to proactive measures deployed internally, the Group's gross and net profit margins were sustained at a stable level of approximately 19% and 10% respectively. This was partly due to the Group's cash-rich financial position, which enabled strategic bulk purchasing strategies for raw materials, and partly due to our flexibility in supply chain management thus resulting in better operating efficiency.

The Group spun-off from our parent company Cinderella Media (stock code: 550) and was separately listed on the Main Board of the Stock Exchange on 25 July 2011. Net proceeds from the initial public offering amounted to approximately HK$78 million and currently approximately 20% was utilized for the purchasing of new machinery and equipment approximately. 2% was used to develop the electronic book conversion services.

Prospects

Looking ahead, the global export market will continue to face challenges in the coming year. The Group, however, strongly believes that behind every obstacle there lies opportunities and that perseverance is the key to greater accomplishments. Backed by our solid financial position, the Group will cautiously assess external markets, so as to capitalize on new business ventures with incremental value.

Lau Chuk Kin
Executive Director
Hong Kong, 22 February 2012


1010

Financial Review

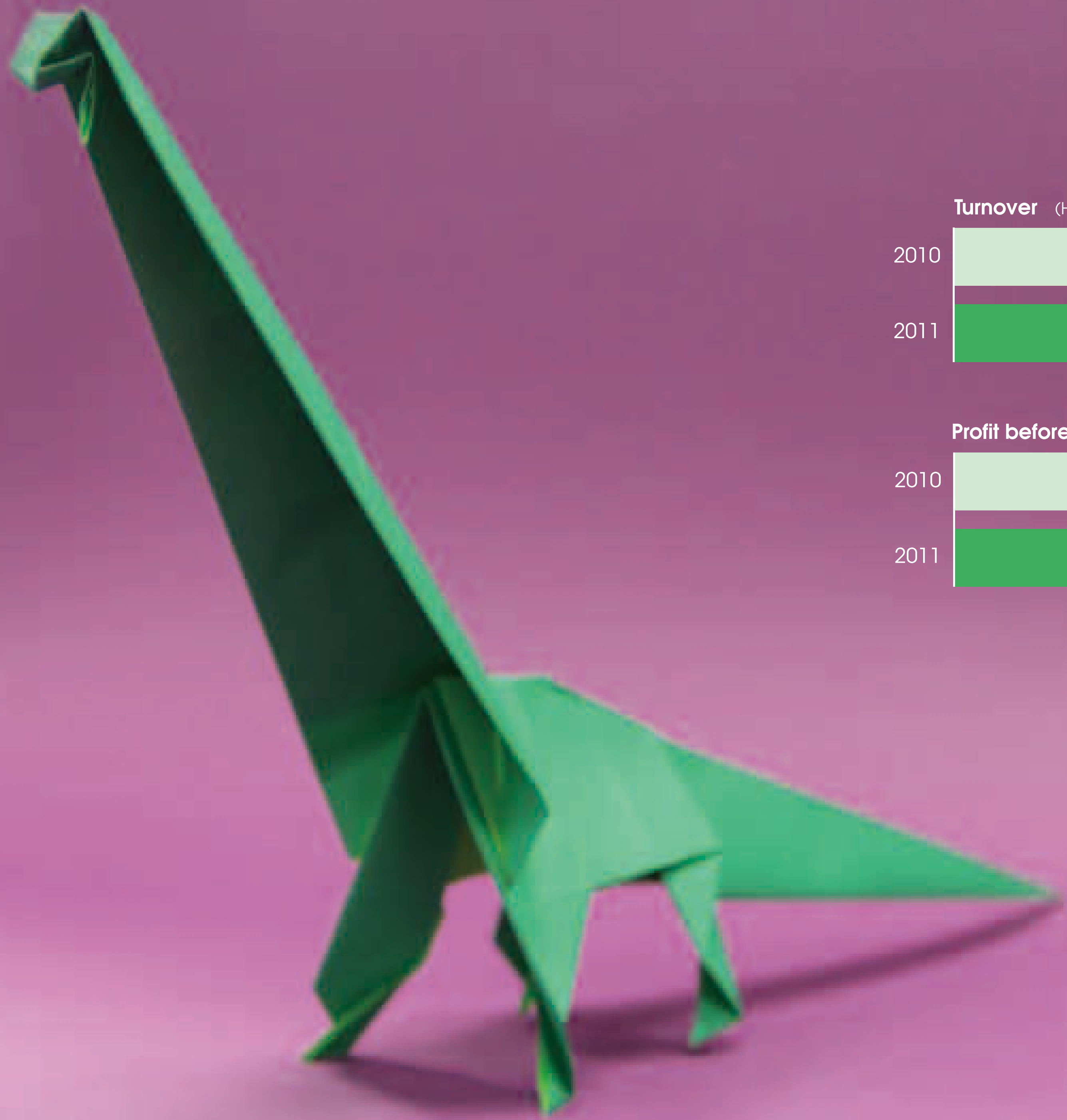
Turnover for the year ended 31 December 2011 was approximately HK$640.1 million and represented an increase of 23% from the previous corresponding year (2010: HK$522.0 million).

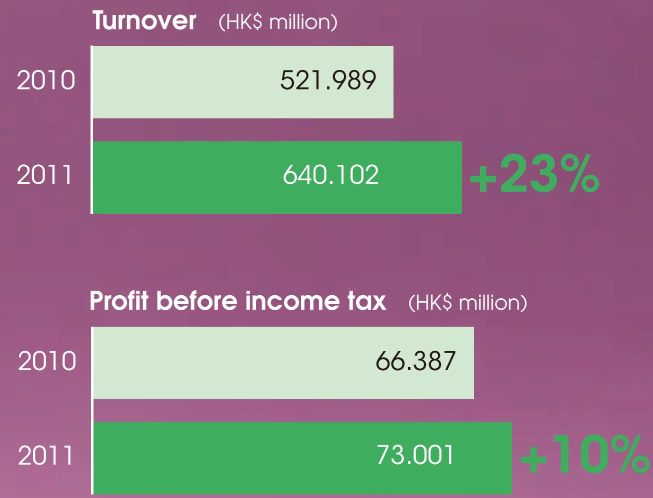
The increase in revenue was mainly attributable to satisfying order growth from our existing clients.

The increase in other income from HK$29.5 million last year to HK$31.2 million was mainly due to increase in gain from sales of scrapped paper and by-products and gain on financial assets at fair value through profit or loss. Such increase was partially offset by the decrease in exchange gains being realized from the foreign currencies trade receipts during the year. The increase in selling and distribution costs was in line with the increase in turnover. The administrative expenses increased by approximately HK$2.7 million which was mainly due to increase in staff costs.

For the purposes of listing the Group on the Main Board of the Stock Exchange, one-off listed expenses of HK$3.6 million was recorded for the year, which represented professional fees and other related expenses incurred during the process. It caused significant increase in other expenses as compared to 2010.

The Group's total comprehensive income attributable to owners of the Company amounted to approximately HK$62.4 million (2010: HK$61.5 million).




Turnover (HK$ million)
2010
521.989
2011
640.102
+23%
Profit before income tax (HK$ million)
2010
66.387
2011
73.001
+10%

Liquidity and financial resources

As at 31 December 2011, the Group had net current assets of approximately HK$196.5 million (31 December 2010: HK$121.5 million) of which the cash and bank deposits were approximately HK$77.3 million (31 December 2010: HK$16.1 million). The Group's current ratio was approximately 1.9 (31 December 2010: 1.7).

Total bank borrowings and finance lease liabilities were approximately HK$124.1 million (31 December 2010: HK$103.1 million). Approximately HK$24.4 million bank borrowing is denominated in Renminbi, at a fixed rate and repayable within one year. The rest of the bank borrowings and finance lease liabilities are denominated in Hong Kong dollars, at floating rates and repayable within five years. The Group's gearing ratio as at 31 December 2011 was 30.3% (31 December 2010: 35.2%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity.

The Group adopts centralized financing and treasury policies in order to ensure the group funding is utilized efficiently. The Group also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Foreign currency management

The Group's sales were denominated in a mixture of currencies, primarily US dollars, Australian dollars, Euros and Pound Sterling. In addition, the Group's costs and expenses are mainly denominated in US dollars, Hong Kong dollars and Renminbi. From time to time the Group enters into foreign currency exchange contracts to hedge its currency risk.

Capital expenditure

During the year, the Group had acquired property, plant and equipment at approximately HK$41.0 million. The purchase is financed by internal resources and proceeds generated from the listing. The net book amount of property, plant and equipment includes net carrying amount of approximately HK$21.5 million (31 December 2010: HK$37.6 million) in respect of assets held under finance leases.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Use of proceeds

As at 31 December 2011, the balance of the Company's net proceeds from the listing of its shares, after deducting underwriting fees and related expenses, were placed with reputable financial institutions for interest income.

The proceeds have been and will be used in accordance to the purposes stated in the prospectus dated 30 June 2011 issued by the Company. For the proceeds that have been used, approximately HK$15.8 million of the proceeds have been used to purchase new machinery and equipment; approximately HK$1.4 million have been used on the development of electronic book conversion services and approximately HK$1.5 million have been used on funding working capital and general corporate purposes.

Directors and Senior Management Profile

Mr. Yang Sze Chen, Peter

Mr. Lau Chuk Kin

Ms. Choi Ching Kam, Dora

Mr. Yeung Ka Sing

Prof. Lee Hau Leung

Mr. Tsui King Chung, David

Dr. Ng Lai Man, Carman

EXECUTIVE DIRECTORS

Mr. Yang Sze Chen, Peter, aged 73, was appointed as deputy chairman and an executive Director on 23 June 2011. Mr. Yang has been responsible for the overall management of the Group since he joined in February 2009. He graduated from the London School of Printing and Graphic Arts (currently known as London College of Communication) in 1958. Mr. Yang has over 50 years of experience in the printing industry. He is the founder of a premier book printing company in Hong Kong.

Mr. Lau Chuk Kin, aged 59, was appointed as an executive Director on 16 March 2011. Mr. Lau has been responsible for the overall strategic formulation of the Group since the Group commenced its printing business in 2005. Mr. Lau is an executive director of Cinderella Media Group Limited (stock code: 550) and was formerly the managing director of an executive search consultancy in Hong Kong. He also founded a main board listed printing company. Mr. Lau obtained a Bachelor of Arts degree from the United States and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr. Lau is the compliance officer of the Group.

Ms. Choi Ching Kam, Dora, aged 47, was appointed as an executive Director on 16 March 2011. Ms. Choi is responsible for the human resources function and development of the publishing services of the Group. Ms. Choi has over 20 years of experience in mainstream publishing in Hong Kong. She joined Cinderella Media Group Limited (stock code: 550) in 2002. Ms. Choi obtained a diploma in Chinese Language and Literature from Hong Kong Shue Yan College, the predecessor of Hong Kong Shue Yan University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing, SBS, MBE, JP, aged 70, joined the Group and was appointed as an independent non-executive Director and the chairman of the Company on 23 June 2011. Mr. Yeung is currently the chairman of the Hong Kong Housing Society. Mr. Yeung has served on several major government advisory committees and boards, including the chairman of the Community Investment and Inclusion Fund Committee, a member of the Council of the City University of Hong Kong and a member of the Council of the Hong Kong Management Association. He is also a member of the general committee of the Employers' Federation of Hong Kong. He was the head of corporate human resources of the Hong Kong and China Gas Company Limited (stock code: 0003) before his retirement in 2006.

Prof. Lee Hau Leung aged 59, joined the Group and was appointed as an independent non-executive Director of the Company on 23 June 2011. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. He is the founding and current director of the Stanford Global Supply Chain Management Forum, an industry academic consortium to advance the theory and practice of global supply chain management. He is also the Director of the Stanford Institute for Innovations in Developing Economies. Prof. Lee was elected to the National Academy of Engineering in 2010, and is a fellow of the Manufacturing and Service Operations Management Society in 2001, a fellow of the Institute for Operations Research and the Management Sciences in 2005, and a fellow of the Production and Operations Management Society in 2005. Prof. Lee obtained his Bachelor of Social Science degree from the University of Hong Kong, his Master of Science degree in Operational Research from the London School of Economics and Political Science, University of London, and his Master of Science and Doctorate degree from the University of Pennsylvania. Prof. Lee is an independent external director of Pericom Semiconductor Corporation, a public company on NASDAQ in the U.S., and Esquel Group. He was an independent non-executive Director of Integrated Distribution Services Group Limited, which withdrew its listing on the Stock Exchange on 1 November 2010, for the period from November 2004 to November 2010.

Mr. Tsui King Chung, David, aged 65, joined the Group and was appointed as an independent non-executive Director on 23 June 2011. Mr. Tsui started his career in information technology in 1970 and has held a number of key positions in various banks in Hong Kong. He was the president and chief executive officer of Hong Leong Credit Berhad (now known as Hong Leong Financial Group Berhad), a listed company in Malaysia before his retirement in 2006.

Dr. Ng Lai Man, Carmen, aged 47, was appointed as an independent non-executive Director on 23 June 2011. Dr. Ng has more than 20 years of experience in professional accounting and corporate finance in Hong Kong, the PRC, the United States and Europe. Dr. Ng is a practising certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Institute of Chartered Accountants in England and Wales. Dr. Ng received her Doctor of Business Administration degree from the Hong Kong Polytechnic University, Juris Doctor degree from the Chinese University of Hong Kong, Master of Laws degree in Corporate and Financial Law from the University of Hong Kong, Master of Business Administration degree from the Chinese University of Hong Kong, and Master of Professional Accounting degree from the Hong Kong Polytechnic University. Dr. Ng is currently an independent non-executive director of Cheong Ming Investments Limited (stock code: 1196), Goldin Properties Holdings Limited (stock code: 283) and eSun Holdings Limited (stock code: 571), all being companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Cheung Ning, aged 47, is the production manager of the Group and joined the Group in 2005. He has over 25 years of experience in the printing industry.

Mr. Lam Wing Yip, aged 38, is the chief technology officer of the Group and joined Cinderella Media Group Limited in 2006. He is responsible for the design and implementation of information technology strategies that align with the Group's business goals. He has over 16 years of experience in information technology field. Prior to joining Cinderella Media Group, he worked in several multinational corporations. Mr. Lam obtained a Bachelor of Science degree from the Chinese University of Hong Kong.

Ms. Lee Wing Kwan, Angela, aged 42, is the vice president of sales of the Group. Ms. Lee has been responsible for the sales function of the Group since she joined the Group in January 2007. She has over 13 years of experience in handling the sales function of printing business. Ms. Lee obtained a Bachelor of Arts degree from the City Polytechnic of Hong Kong, now known as City University of Hong Kong and a Master of Financial Economics degree from the University of London.

Mr. Li Hoi, David, aged 54, was appointed as the Managing Director of Oceanic Graphic International Inc. ("OGI"), a subsidiary of the Group, in September 2011. Mr. Li is responsible for the overall management of OGI. He is the founder of a print broker firm in the United States. Mr. Li has over 30 years of experience in publishing and printing Industries and has held different positions in several publishing and printing companies in the United Kingdom, United States and Hong Kong. Mr. Li received a diploma from London College of Printing (currently known as London College of Communication) and a diploma from British Printing Industries Federation.

Mr. Pang Tak Hung, aged 55, is the printing superintendent of the Group and joined the Group in 2005. Mr. Pang supervises and oversees the technical matters of the printing operation. Mr. Pang has over 34 years of experience in the printing industry.

Mr. Su Leigang, aged 35, is the supply chain manager of the Group and joined Cinderella Media Group Limited in 2005. He obtained a Master's degree in information system from the University of Southampton, United Kingdom and a bachelor's degree in industrial automation (computer control) from China Textile University (currently known as Donghua University), Shanghai, the PRC. Mr. Su has nearly 10 years of experience in the information technology field. Prior to joining Cinderella Media Group Limited, he worked as IT manager for 5 years at a company listed on the Shanghai Stock Exchange. Mr. Su joined the Group from Cinderella Media Group Limited in 2007.

Ms. Tan Lai Ming, aged 34, is the company secretary and financial controller of the Company. She joined Cinderella Media Group Limited in March 2008. Ms. Tan obtained a bachelor's degree in accountancy from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. She worked at Deloitte Touche Tohmatsu for over 7 years before joining Cinderella Media Group Limited. She joined the Group from Cinderella Media Group Limited in February 2011 and is responsible for the company secretarial and accounting functions of the Group.

Directors' Report

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

GROUP REORGANISATION

The Company was incorporated in Bermuda on 9 March 2011 under the Bermuda Companies Act as an exempted limited liability company. Pursuant to the reorganization in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 20 June 2011. Details of the group reorganization are set out in the prospectus of the Company dated 30 June 2011. The shares of the company were listed on the main board of the Stock Exchange on 25 July 2011 (the "Listing Date").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in notes 40 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 34.

The Directors have declared an interim dividend of HK$0.02 per share, totaling HK$10,000,000 which was paid on 19 September 2011.

The Directors recommended a final dividend of HK$0.03 per share (the "Final Dividend") for the year ended 31 December 2011 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 23 April 2012. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend will be payable on 2 May 2012.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 38 to 39 and note 33 to the financial statements respectively.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four financial years is set out on page 98 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Yang Sze Chen, Peter	(appointed on 23 June 2011)
Mr. Lau Chuk Kin	(appointed on 16 March 2011)
Ms. Choi Ching Kam, Dora	(appointed on 16 March 2011)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing	(appointed on 23 June 2011)
Prof. Lee Hau Leung	(appointed on 23 June 2011)
Mr. Tsui King Chung, David	(appointed on 23 June 2011)
Dr. Ng Lai Man, Carmen	(appointed on 23 June 2011)

In accordance with No. 83(2) of the Company's bye-laws, all Directors will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICES CONTRACT

Each of the Directors in 2011 has entered into a service contract with the Company for a term of three years commencing from the Listing Date of the Company and may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries 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 year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of Part XV the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the 'Model Code") were as follows:

(a)(i) Long Position in the shares of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 1)	111,628	Nil	307,157,400	307,269,028	61.45

(ii) Long Position in the shares of Cinderella Media Group Limited ("Cinderella Media"), an associated corporation of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of Cinderella Media
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 2)	2,928,000	Nil	180,196,000	183,124,000	57.12
Ms. Choi Ching Kam, Dora	300,000	Nil	Nil	300,000	0.09

(iii) Long Position in the shares of ER2 Holdings Limited ("ER2 Holdings"), an associated corporation of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of ER2 Holdings
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin	8,375	Nil	Nil	8,375	67.00

(b) Options to subscribe for shares in Cinderella Media, an associated corporation of the Company

	Number of share options				
Name of Director	Outstanding at 1.1.2011	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2011
Mr. Yang Sze Chen, Peter	1,200,000	–	–	–	1,200,000
Ms. Choi Ching Kam, Dora	1,200,000	–	300,000	–	900,000

Notes:

1. Of 307,157,400 shares, 299,894,907 shares, 6,999,524 shares and 262,969 shares are beneficially owned by Recruit (BVI) Limited, a wholly owned subsidiary of Cinderella Media, City Apex Limited and ER2 Holdings respectively. As at 31 December 2011, Cinderella Media was owned as to 55.51% by City Apex Limited, as to 0.70% by ER2 Holdings and as at 0.91% by Mr. Lau Chuk Kin personally. ER2 Holdings was the ultimate holding company of City Apex Limited, Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, he is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2. Of 180,196,000 shares, 2,242,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings and City Apex Limited respectively. As at 31 December 2011, Mr. Lau Chuk Kin beneficially owned 67% of the issued share capital of ER2 Holdings, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.

Saved as disclosed above, as at 31 December 2011, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests of short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

The Company has no share option scheme as at the date of this report.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Nature of interest: Beneficial Owner	Nature of interest: Interest in controlled corporation	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note)	111,628	307,157,400	307,269,028	61.45
ER2 Holdings Limited (Note)	262,969	306,894,431	307,157,400	61.43
City Apex Limited (Note)	6,999,524	299,894,907	306,894,431	61.38
Cinderella Media Group Limited (Note)	Nil	299,894,907	299,894,907	59.98
Recruit (BVI) Limited (Note)	299,894,907	Nil	299,894,907	59.98
Mr. Chen Huang Zhi	56,818,055	Nil	56,818,055	11.36

Note:
Of 307,157,400 shares, 299,894,907 shares, 6,999,524 shares and 262,969 shares are beneficially owned by Recruit (BVI) Limited, a wholly owned subsidiary of Cinderella Media, City Apex Limited and ER2 Holdings respectively. As at 31 December 2011, Cinderella Media was owned as to 55.51% by City Apex Ltd, as to 0.70% by ER2 Holdings and as at 0.91% by Mr. Lau Chuk Kin personally. ER2 Holdings was the ultimate holding company of City Apex Limited, Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, he is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Save as disclosed above, as at 31 December 2011, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 34% and 10% for the Group's total purchases for the year ended 31 December 2011 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 26% and 8% for the Group's total sales for the year ended 31 December 2011 respectively.

At no time during the year did a Director, an associate of a Director, within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules'), or a shareholder of the Company which to the knowledge of the Directors owns more than 5% of the Company's share capital have any interest in the Group's five largest suppliers and five largest customers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

None of the Directors of the Company or any of their respective associates (as defined in the Listing Rules) has any business or interest that competes or may compete with the business of the Group.

NON-COMPETITION UNDERTAKINGS

On 29 June 2011, the Company and Cinderella Media entered into a non-competition deed (the "Non-competition Deed") to avoid any potential competitions between the business of the Company and Cinderella Media after the spin-off and separate listing of the Company. Relevant undertakings between the Company and Cinderella Media was disclosed in the section headed "Relationship with Controlling Shareholders" of the prospectus issued by the Company on 30 June 2011.

The Company has received a confirmation from Cinderella Media that it has complied with the terms of the Non-Competition Deed from the Listing Date and up to 31 December 2011. The independent non-executive Directors have also reviewed the said confirmation and are of the view that Cinderella Media has complied with the terms of the Non-competition Deed.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the transactions regarded as connected transactions for the year are set out in note 39 to the Financial Statements. These transactions were exempted connected transactions under the Listing Rules. Save as disclosed above, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of rule 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained throughout the period from the Listing Date to 31 December 2011, the amount of public float as required under the Listing Rules.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 28 to 31 of the annual report.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2011, the Group had around 978 employees (2010: 27). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover.

DONATION

During the year, the Group made charitable donations amounting to HK$250,000.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Yeung Ka Sing
Chairman
Hong Kong, 22 February 2012

Corporate Governance Report

During the year ended 31 December 2011, the Company has successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As such, the Group has adopted practices which meet the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The report describes its corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

Throughout the period from 25 July 2011 (the "Listing Date") to 31 December 2011, the Company has complied with all applicable code provisions as set out in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company 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 Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2011.

BOARD OF DIRECTORS

The Board comprises seven Directors, of whom three are executive Directors and four are independent non-executive Directors. The participation of non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Each of the Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and may be terminated by not less than three months' notice in writing served by either party on the other.

The Board considers that all of the independent non-executive Directors are independent and has received from each of them the annual confirmation of independence required by the Listing Rules.

The Board members for the year ended 31 December 2011 were:

Chairman

Mr. Yeung Ka Sing	(appointed on 23 June 2011)

Executive Directors

Mr. Yang Sze Chen, Peter	(appointed on 23 June 2011)
Mr. Lau Chuk Kin	(appointed on 16 March 2011)
Ms. Choi Ching Kam, Dora	(appointed on 16 March 2011)

Independent non-executive Directors

Mr. Yeung Ka Sing	(appointed on 23 June 2011)
Prof. Lee Hau Leung	(appointed on 23 June 2011)
Mr. Tsui King Chung, David	(appointed on 23 June 2011)
Dr. Ng Lai Man, Carmen	(appointed on 23 June 2011)

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive Directors and senior management, while reserving certain key matters for its approval.

Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

The Board held 3 board meetings in 2011. Details of the attendance of the Board are as follows:

Directors	Attended/ Held
Mr. Yang Sze Chen, Peter	3/3
Mr. Lau Chuk Kin	3/3
Ms. Choi Ching Kam, Dora	3/3
Mr. Yeung Ka Sing	3/3
Prof. Lee Hau Leung	3/3
Mr. Tsui King Chung, David	3/3
Dr. Ng Lai Man, Carmen	3/3

ACCOUNTABILITY AND AUDIT

The Directors acknowledge responsibility for overseeing the preparation of the financial statements for the year ended 31 December 2011.

The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibility are set out in the Independent Auditors' Report.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the shareholders and the Group's assets.

During the year, the Company conducted reviews on the effectiveness of the internal control system. The Audit Committee reviewed the internal control report. No major issue has been identified during the course of review.

REMUNERATION COMMITTEE

The Remuneration Committee was established in June 2011. It comprises one executive Director namely Mr. Lau Chuk Kin and three independent non-executive Directors, namely Mr. Yeung Ka Sing, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen. The chairman of the Remuneration Committee is Mr. Yeung Ka Sing.

The terms of reference of the Remuneration Committee are posted on the Company's website. The principal functions include:

- to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group;

- to determine the remuneration packages of all executive Directors and senior management of the Group;

- to review and approve their performance-based remuneration.

The principal elements of executive remuneration package include basic salary and discretionary bonus. The emoluments of executive Directors are based on skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee consults the executive Directors about its proposals relating to the remuneration of other executive Directors. During the year, a meeting with 100% attendance of the members of the Remuneration Committee was duly held for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the senior executives and other related matters.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye Laws to appoint any person as a Director either to fill a casual vacancy on or, subject to authorization by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business. The nomination of Directors of the Company for the year was confirmed prior to the listing of the Company to the Stock Exchange of Hong Kong Limited.

AUDITOR'S REMUNERATION

The fees in relation to the audit service provided by BDO Ltd, the external auditor of the Company, for the year ended 31 December 2011 amounted to HK$450,000 (2010: HK$300,000), and those in relation to non-audit services amounted to HK$542,000 (2010:HK$Nil).

AUDIT COMMITTEE

The Audit Committee was established in June 2011. It comprises three independent non-executive Directors, namely Mr. Yeung Ka Sing, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen. The chairman of the Audit Committee is Dr. Ng Lai Man, Carmen.

The terms of reference of the Audit Committee, which are in compliance with the Listing Rules, are posted on the Company's website. Under the terms of reference, the Audit Committee is responsible for overseeing the relationship between the Company and its external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting, internal control and risk management systems.

The Audit Committee held one meeting in 2011 with 100% attendance of all members.

During the year, the Audit Committee met with senior management to review the Group's half-yearly report, internal audit report and risk assessment report, and provided advice and comments thereon to the Company's Board of Directors.

The Group's 2011 interim report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF 1010 PRINTING GROUP LIMITED
匯星印刷集團有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of 1010 Printing Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 34 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Auditor's responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit 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. An audit also includes 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 22 February 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
Turnover	6	**640,102**	521,989
Direct operating costs		**(518,393)**	(419,538)
Gross profit		**121,709**	102,451
Other income	8	**31,191**	29,504
Selling and distribution costs		**(56,223)**	(46,885)
Administrative expenses		**(16,525)**	(13,865)
Other expenses		**(4,863)**	(546)
Finance costs	9	**(2,288)**	(4,272)
Profit before income tax	10	**73,001**	66,387
Income tax expense	13	**(10,647)**	(4,731)
Profit for the year		**62,354**	61,656
Other comprehensive income			
Exchange gain/(loss) on translation of financial statements of foreign operations		**43**	(182)
Other comprehensive income for the year, net of tax		**43**	(182)
Total comprehensive income for the year		**62,397**	61,474
Profit for the year attributable to:			
Owners of the Company	14	**62,307**	61,677
Non-controlling interests		**47**	(21)
		62,354	61,656
Total comprehensive income attributable to:			
Owners of the Company		**62,350**	61,495
Non-controlling interests		**47**	(21)
		62,397	61,474
Earnings per share for profit attributable to owners of the Company during the year	16		
Basic		**HK14.50 cents**	HK16.45 cents

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**223,127**	199,517
Goodwill	19	**9,614**	–
		232,741	199,517
Current assets			
Inventories	20	**63,874**	59,905
Trade and other receivables and deposits	21	**266,013**	211,336
Financial assets at fair value through profit or loss	22	**1,023**	–
Amounts due from fellow subsidiaries	23	**–**	688
Cash and cash equivalents	25	**77,339**	16,134
		408,249	288,063
Current liabilities			
Trade and other payables	26	**85,531**	66,865
Financial liabilities at fair value through profit or loss	22	**–**	5,174
Bank borrowings	27	**111,251**	83,316
Finance lease liabilities	28	**6,060**	7,003
Amounts due to intermediate holding company	29	**–**	1,509
Amounts due to fellow subsidiaries	23	**–**	940
Provision for taxation		**8,912**	1,744
		211,754	166,551
Net current assets		**196,495**	121,512
Total assets less current liabilities		**429,236**	321,029

Consolidated Statement of Financial Position (Continued)

As at 31 December 2011

	Notes	2011	2010
		HK$'000	HK$'000
Non-current liabilities			
Finance lease liabilities	28	**6,750**	12,814
Deferred tax liabilities	30	**13,454**	10,747
		20,204	23,561
Net assets		**409,032**	297,468
EQUITY			
Share capital	31	**5,000**	81,000
Reserves	33	**403,086**	216,503
Equity attributable to owners of the Company		**408,086**	297,503
Non-controlling interests		**946**	(35)
Total equity		**409,032**	297,468

Director

Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011
		HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investments in subsidiaries	18	**313,876**
Current assets		
Other receivables		**240**
Amounts due from subsidiaries	24	**97,313**
Cash and cash equivalents	25	**829**
		98,382
Current liabilities		
Other payables		**120**
Net current assets		**98,262**
Net assets		**412,138**
EQUITY		
Share capital	31	**5,000**
Reserves	33	**407,138**
Total equity		**412,138**

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company								
	Share capital	Share premium	Exchange reserve	Merger reserve	Proposed final dividend	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2010	33,000	–	(608)	–	–	89,620	122,012	(14)	121,998
Issue of shares	48,000	96,000	–	–	–	–	144,000	–	144,000
Dividend paid (Note 15)	–	–	–	–	–	(30,004)	(30,004)	–	(30,004)
Transactions with owners	48,000	96,000	–	–	–	(30,004)	113,996	–	113,996
Profit for the year	–	–	–	–	–	61,677	61,677	(21)	61,656
Other comprehensive income									
Currency translation	–	–	(182)	–	–	–	(182)	–	(182)
Total comprehensive income for the year	–	–	(182)	–	–	61,677	61,495	(21)	61,474
Balance at 31 December 2010 and 1 January 2011	81,000	96,000	(790)	–	–	121,293	297,503	(35)	297,468
Reorganisation	(81,000)	(96,000)	–	(136,875)	–	–	(313,875)	–	(313,875)
Issue of shares pursuant to the Group Reorganisation (Note 31)	3,750	310,125	–	–	–	–	313,875	–	313,875
Issue of shares upon listing (Note 31)	1,250	86,250	–	–	–	–	87,500	–	87,500
Dividend paid (Note 15)	–	–	–	–	–	(30,000)	(30,000)	–	(30,000)
Acquisition of subsidiaries (Note 38)	–	–	–	–	–	–	–	780	780
Contribution from non-controlling interests	–	–	–	–	–	–	–	154	154
Transactions with owners	(76,000)	291,108	–	(136,875)	–	(30,000)	48,233	934	49,167

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2011

	Attributable to owners of the Company								
	Share capital	Share premium	Exchange reserve	Merger reserve	Proposed final dividend	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit for the year	–	–	–	–	–	62,307	62,307	47	62,354
Other comprehensive income									
Currency translation	–	–	43	–	–	–	43	–	43
Total comprehensive income for the year	–	–	43	–	–	62,307	62,350	47	62,397
Proposed final dividend (Note 15)	–	–	–	–	15,000	(15,000)	–	–	–
Balance at 31 December 2011	5,000	387,108	(747)	(136,875)	15,000	138,600	408,086	946	409,032

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011	2010
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		**73,001**	66,387
Adjustments for:			
Impairment of trade receivables		**1,267**	546
Impairment of trade receivables written back		**(497)**	(1,421)
Depreciation		**27,739**	24,364
(Gain)/Loss on financial assets/liabilities at fair value through profit or loss		**(1,370)**	1,220
Interest income		**(116)**	(89)
Interest element of finance lease payments		**422**	584
Interest expenses		**1,866**	3,688
Loss/(Gain) on disposals of property, plant and equipment		**436**	(155)
Provision for inventories made		**–**	3,000
Operating profit before working capital changes		**102,748**	98,124
Increase in inventories		**(3,969)**	(21,428)
Increase in trade and other receivables and deposits		**(50,249)**	(42,512)
Decrease/(Increase) in amounts due from fellow subsidiaries		**688**	(40)
Increase/(Decrease) in trade and other payables		**7,528**	(4,627)
(Increase)/Decrease in financial assets/liabilities at fair value through profit or loss		**(4,827)**	1,594
(Decrease)/Increase in amounts due to fellow subsidiaries		**(940)**	220
Cash generated from operations		**50,979**	31,331
Income taxes (paid)/refunded		**(1,426)**	48
Net cash from operating activities		**49,553**	31,379

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2011

	Note	2011	2010
		HK$'000	HK$'000
Cash flows from investing activities			
Interest received		**116**	89
Proceeds on disposals of property, plant and equipment		**675**	198
Purchases of property, plant and equipment		**(40,967)**	(33,808)
Acquisition of subsidiaries	38	**(10,629)**	-
Net cash used in investing activities		**(50,805)**	(33,521)
Cash flows from financing activities			
Decrease in amounts due to intermediate holding company		**(1,704)**	(29,826)
Proceeds of bank borrowings		**85,558**	39,100
Repayments of bank borrowings		**(60,719)**	(10,112)
Interest on bank borrowings paid		**(1,671)**	(1,030)
Proceeds of issue of shares		**87,500**	21,818
Payment of share issue expenses		**(9,267)**	-
Capital element of finance lease liabilities paid		**(7,007)**	(9,644)
Interest element of finance lease payments		**(422)**	(584)
Dividends paid		**(30,000)**	(30,004)
Capital contribution from non-controlling interests		**154**	-
Net cash from/(used in) financing activities		**62,422**	(20,282)
Net increase/(decrease) in cash and cash equivalents		**61,170**	(22,424)
Effect of exchange rate fluctuations, net		**35**	-
Cash and cash equivalents at 1 January		**16,134**	38,558
Cash and cash equivalents at 31 December		**77,339**	16,134

Notes to the Financial Statements

For the year ended 31 December 2011

1. GENERAL INFORMATION

1010 Printing Group Limited (the "Company") was incorporated in Bermuda under the Bermuda Companies Act as an exempted limited liability company on 9 March 2011. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Suite 1704, 17/F, 625 King's Road, North Point, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 25 July 2011.

As at 31 December 2011, the Company's ultimate holding company is ER2 Holdings Limited which was incorporated in Hong Kong and the Company's intermediate holding company is Cinderella Media Group Limited (formerly known as Recruit Holdings Limited) ("Cinderella Media"), which was incorporated in the Cayman Islands and redomiciled to Bermuda and is also a listed company on the Main Board of the SEHK.

The Company acts as an investment holding company. Details of the activities of its principal subsidiaries are set out in Note 40 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. There were no significant changes in the Group's operations during the year.

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors of the Company (the "Directors") on 22 February 2012.

Comparative figures for the Company's statement of financial position have not been presented because the Company was incorporated on 9 March 2011.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company on the Main Board of the SEHK and for the purpose of rationalising the Group's structure on 20 June 2011, the Company became the holding company of the subsidiaries comprising the Group on 20 June 2011. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2011. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group is regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, the consolidated financial statements has been prepared by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5, "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group include the results and cash flows of the Company and its subsidiaries from 1 January 2010, or since the Company's and its subsidiaries' respective dates of incorporation whichever is shorter, as if the current group structure had been in existence throughout the period. The consolidated statement of financial position of the Group as at 31 December 2010 has been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION (continued)

As a part of the Reorganisation, all assets and liabilities of its subsidiaries namely Mega Form Inc. Limited and 1010 Printing (USA) Inc. (the "Excluded Companies") have been transferred out of the Group to a fellow subsidiary. For the purpose of these consolidated financial statements, the consolidated financial statements have been prepared as if the transfer had taken place on 1 January 2010. Accordingly, the results of the Excluded Companies during the years ended 31 December 2010 and up to the date of Reorganisation and all assets and liabilities directly related to the Excluded Companies have been carved out and excluded in the consolidated financial statements as follows:

	2011	2010
	HK$'000	HK$'000
Revenue	**–**	–
Loss for the year	**(11)**	(20)
Total assets	**–**	28
Total liabilities	**–**	(693)
Net liabilities	**–**	(665)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 34 to 97 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years/periods presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 4.

The financial statements have been prepared under historical cost convention, except for certain financial assets and liabilities that are measured at fair value through profit or loss, which are stated at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

3.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Business combination and basis of consolidation (continued)

The results of subsidiaries (other than combining entities under common control as a consequence of the Reorganisation) acquired or disposed of (other than the Excluded Companies as a consequence of the Reorganisation) during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses (other than those combining entities under common control as a consequence of the Reorganisation) is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Business combination and basis of consolidation (continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of goods or services, or for administrative purposes are stated at acquisition cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off their costs over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and buildings	Over 50 years of the lease terms, whichever is shorter
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% - 50% or over the lease term, whichever is shorter
Computer equipment and systems	33%
Motor vehicles	20%
Machinery	6.6% – 20%

The assets' depreciation methods, residual values and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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. All other costs, such as repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

3.6 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Goodwill (continued)

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

3.7 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 3.15 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial assets (continued)

(ii) Loans and receivables (continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment and impairment is recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- Significant financial difficulty of the debtors;

- A breach of contract, such as a default of delinquency in interest for principal payments;

- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group. If any such evidence exists, impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial assets (continued)

(ii) Loans and receivables (continued)

Financial assets carried at amortised cost (continued)

For financial assets other than financial assets at fair value through profit or loss and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work-in-progress and finished goods, cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.9 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Leases (continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments (the "initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the period in which they are incurred.

(iii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss using straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the period in which they are incurred.

3.11 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, financial liabilities at fair value through profit or loss, finance lease liabilities and amounts due to group companies.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 3.18).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 3.10).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Financial liabilities at fair value through profit or loss

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivate contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Trade and other payables and amounts due to group companies

These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

3.13 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Share capital (continued)

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Printing income and publication sales are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

- Interest income is recognised on time-proportion basis using effective interest method.

- Dividend income is recognised when the right to receive the dividend is established.

3.16 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment annually. All other assets are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses are charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss on assets other than goodwill is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Employee benefits

(i) Retirement benefit schemes

The Group participates in several staff retirement benefit schemes for employees in Hong Kong, the PRC, except Hong Kong and other countries, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC and other countries are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

(ii) Share-based employee compensation

The Group's intermediate holding company, Cinderella Media, operates equity-settled share-based compensation plans to remunerate its employees and Directors.

For share options granted by Cinderella Media to the Directors and employees of the Group, the share-based compensation is recharged as an expense in the Group's statement of comprehensive income with a corresponding credit to the amount due to intermediate holding company prior to 31 March 2011.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. The fair value is measured at the grant date using applicable option-pricing models, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses where it has a contractual obligation or where there is a past practice that has created a constructive obligation.

(iv) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.18 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Borrowing costs (continued)

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

3.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Accounting for income taxes (continued)

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either :

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified one reportable segment, which is the provision of printing services. No segment information is presented other than the analysis of sales and non-current assets by geographical location.

The measurement policies the Group uses for reporting segment profit under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- expenses related to share-based payments
- finance costs

are not included in arriving at the operating profit of the operating segment.

Segment assets include all assets.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include deferred tax liabilities and liabilities incurred for financing rather than operating purposes.

No asymmetrical allocations have been applied to reportable segments.

3.21 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Related parties (continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

3.22 Carve out policy

Comparative figures of the consolidated financial statements exclude the assets, liabilities, revenue and expenses of the Excluded Companies.

The assets and liabilities of the Excluded Companies are substantially identifiable and did not require allocations and most of the results from the operations of the Excluded Companies could be directly captured.

3.23 Merger accounting

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses which are under common control as if the combination occurred from the date when the combining entities or businesses first came under the control of the ultimate holding company.

The net assets of the combining entities or businesses are combined based on the existing carrying values in the books and records from the ultimate holding company's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over costs at the time of common control combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Merger accounting (continued)

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the control of the ultimate holding company, where this is a shorter period, regardless of the date of the combination.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on combination. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. The interests of equity holders other than the founding shareholders in the combining companies have been presented as non-controlling interests in the financial statements.

4. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

HKFRS 3(Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as the NCI in the business acquisition in 2011 (Note 38) represented such present ownership interests.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has revised its accounting policy for the identification of its related parties and has reassessed counterparties of transactions in accordance with the revised definition. The reassessment did not result in new related parties being identified. Related parties identified in prior years remain unchanged under the new accounting policy and the Group concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

At the date of this report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

4. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

HKAS 24 (Revised) – Related Party Disclosures (continued)

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

Amendments to HKAS 1 (Revised) - Presentation of Items of Other Comprehensive Income

This standard is effective for accounting periods beginning on or after 1 July 2012. The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to "Statement of profit or loss and other comprehensive income". However, HKAS 1 permits entities to use other titles.

HKFRS 9 - Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2015. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 - Consolidated Financial Statements

This standard is effective for accounting periods beginning on or after 1 January 2013. HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

4. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

HKFRS 10 - Consolidated Financial Statements (continued)

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

5. 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 preparation of the consolidated financial statements requires management to make judgement, 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 discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.6. The recoverable amounts of CGUs have been determined based on value-in-use calculations, which require the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

(iii) Estimated impairment of receivables and advances

The policy for impairment of receivables and advances of the Group is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iv) Depreciation

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the Directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(v) Current taxation and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final outcome of the tax 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.

6. TURNOVER

Turnover represents the revenue from printing income earned by the Group during the year.

7. SEGMENT INFORMATION

The executive directors have identified that, the Group has only one reportable segment, which is the provision of printing services.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas.

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**–**	–	**204,044**	195,887
United States	**233,504**	149,169	**111**	–
Australia	**160,198**	127,211	**48**	81
United Kingdom	**141,295**	122,886	**15**	71
Hong Kong (domicile)	**15,554**	19,082	**28,523**	3,478
Germany	**29,820**	39,238	**–**	–
New Zealand	**18,393**	22,771	**–**	–
Netherland	**10,639**	13,201	**–**	–
Belgium	**8,309**	10,202	**–**	–
France	**3,321**	2,125	**–**	–
Others	**19,069**	16,104	**–**	–
	640,102	521,989	**232,741**	199,517

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on the physical location of the assets.

No customer attributed more than 10% of the Group's total revenue (2010: Nil).

7. SEGMENT INFORMATION (continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2011	2010
	HK$'000	HK$'000
Reportable segment profit	**75,641**	71,285
Share-based payment	**(352)**	(626)
Finance costs	**(2,288)**	(4,272)
Profit before income tax	**73,001**	66,387
Reportable segment liabilities	**107,253**	96,049
Deferred tax liabilities	**13,454**	10,747
Borrowings	**111,251**	83,316
Group liabilities	**231,958**	190,112

8. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Gain from sales of scrapped paper and by-products	**23,846**	17,724
Net foreign exchange gain	**4,414**	9,619
Gain on financial assets at fair value through profit or loss	**1,370**	–
Impairment of trade receivables written back	**497**	1,421
Interest income	**116**	89
Gain on disposals of property, plant and equipment	**–**	155
Sundry income	**948**	496
	31,191	29,504

9. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	**1,667**	1,030
Interest charges on other bank borrowing,wholly repayable within five years	**4**	–
Interest expenses payable to intermediate holding company	**195**	2,658
Finance lease charges	**422**	584
	2,288	4,272

10. PROFIT BEFORE INCOME TAX

	2011	2010
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**536**	402
Impairment of receivables	**1,267**	546
Cost of inventories recognised as expense	**338,742**	263,280
Including provision of inventories made	**–**	3,000
Depreciation (Note 17)	**27,739**	24,364
Net foreign exchange gain	**(4,414)**	(9,619)
Loss/(Gain) on disposals of property, plant and equipment	**436**	(155)
(Gain)/Loss on financial assets/ liabilities at fair value through profit or loss	**(1,370)**	1,220
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	**8,777**	8,606
Staff costs (Note 12)	**32,121**	16,070

Notes:

Auditor's remuneration for other services paid during the year is HK$542,000 (2010: Nil).

Depreciation charges of HK$25,524,000 (2010: HK$22,081,000) and HK$2,215,000 (2010: HK$2,283,000) have been included in direct operating costs and administrative expenses respectively.

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid or payable to the Directors are as follows:

	Fee	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011						
Executive directors						
Mr. Yang Sze Chen, Peter (appointed on 23 June 2011)	–	1,500	–	–	86	1,586
Mr. Lau Chuk Kin (appointed on 16 March 2011)	–	450	–	–	–	450
Ms. Choi Ching Kam, Dora (appointed on 16 March 2011)	–	756	–	11	29	796
Independent non-executive directors						
Mr. Yeung Ka Sing (appointed on 23 June 2011)	90	–	–	–	–	90
Prof. Lee Hau Leung (appointed on 23 June 2011)	60	–	–	–	–	60
Mr. Tsui King Chung, David (appointed on 23 June 2011)	90	–	–	–	–	90
Dr. Ng Lai Man, Carmen (appointed on 23 June 2011)	90	–	–	–	–	90
	330	2,706	-	11	115	3,162

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) **Directors' emoluments** (continued)

	Fee	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010						
Executive directors						
Mr. Yang Sze Chen, Peter	–	500	250	–	180	930
Mr. Lau Chuk Kin	–	–	–	–	–	–
Ms. Choi Ching Kam, Dora	–	–	–	–	–	–
Independent non-executive directors						
Mr. Yeung Ka Sing	–	–	–	–	–	–
Prof. Lee Hau Leung	–	–	–	–	–	–
Mr. Tsui King Chung, David	–	–	–	–	–	–
Dr. Ng Lai Man, Carmen	–	–	–	–	–	–
	–	500	250	–	180	930

Equity-settled share-based payment expenses are measured according to the accounting policies as set out in Note 3.17 to the financial statements. Particulars of the share options granted to the Directors under the share option schemes of Cinderella Media, the intermediate holding company, are set out in Note 32 to the financial statements.

During each of the two years ended 31 December 2011 and 2010, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2010: one) Director whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining four (2010: four) individuals during the year are as follows:

	2011	2010
	HK$'000	HK$'000
Salaries, allowances and other benefits	6,429	3,406
Discretionary bonuses	–	755
Retirement benefit scheme contributions	23	36
Equity-settled share-based payments	193	216
	6,645	4,413

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
Nil – HK$1,000,000	–	1
HK$1,000,001 – HK$3,000,000	4	3

During each of the two years ended 31 December 2011 and 2010, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2011	2010
	HK$'000	HK$'000
Directors' fee	330	–
Wages, salaries and other benefits	30,529	14,892
Equity-settled share-based payments	352	626
Retirement benefit scheme contributions	910	552
	32,121	16,070

13. INCOME TAX EXPENSE

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

	2011	2010
	HK$'000	HK$'000
Hong Kong profits tax		
Current year	**8,218**	1,811
Under provision in prior years	**201**	-
	8,419	1,811
Overseas tax		
Current year	**53**	3
Under/(Over) provision in prior years	**102**	(202)
	155	(199)
Deferred tax (Note 30)		
Current year	**2,073**	3,119
	10,647	4,731

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2011	2010
	HK$'000	HK$'000
Profit before income tax	**73,001**	66,387
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	**11,719**	10,906
Tax effect of non-taxable revenue	**(629)**	(2,249)
Tax effect of non-deductible expenses	**3,342**	476
Tax effect of profit not subject to tax under 50:50 arrangement	**(4,729)**	(4,200)
Tax effect of tax losses not recognised	**641**	-
Under/(Over) provision in prior years	**303**	(202)
Income tax expense	**10,647**	4,731

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$62,307,000 (2010: HK$61,677,000), profit of HK$30,030,000 (2010: Nil) has been dealt with in the financial statements of the Company.

15. DIVIDENDS

(a) Dividends attributable to the year:

	2011	2010
	HK$'000	HK$'000
Interim dividends (Note)	**20,000**	30,004
Interim dividend of HK$0.02 per share	**10,000**	–
Proposed final dividend of HK$0.03 (2010: Nil) per share	**15,000**	–
	45,000	30,004

Final dividends proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained earnings for the year ended 31 December 2011 to the proposed final dividends reserve.

Proposed final dividends are to be distributed subsequent to the reporting date and are subject to the approval of the Company's equity holders in the forthcoming annual general meeting.

Note:

Interim dividends represented those declared by 1010 Group Limited to its shareholders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for these financial statements.

(b) Dividends approved and paid during the year:

	2011	2010
	HK$'000	HK$'000
Interim dividends	**30,000**	30,004

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$62,307,000 (2010: HK$61,677,000) and on the weighted average number of 429,794,521 (2010: 375,000,000) ordinary shares in issue during the year, as adjusted to reflect ordinary shares issued for the Group Reorganisation (Note 31(c)).

No diluted earnings per share are presented as the Group has no dilutive potential ordinary shares during the year (2010: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010								
Cost	–	2,181	2,496	35,187	7,862	1,090	168,703	217,519
Accumulated depreciation	–	(1,246)	(931)	(13,017)	(3,312)	(421)	(32,479)	(51,406)
Net book amount	–	935	1,565	22,170	4,550	669	136,224	166,113
Year ended 31 December 2010								
Opening net book amount	–	935	1,565	22,170	4,550	669	136,224	166,113
Exchange differences	–	3	–	1	2	(3)	–	3
Additions	–	1,268	702	5,454	657	545	49,182	57,808
Disposals	–	-	(5)	–	–	(3)	(35)	(43)
Depreciation	–	(558)	(570)	(4,127)	(2,076)	(218)	(16,815)	(24,364)
Closing net book amount	–	1,648	1,692	23,498	3,133	990	168,556	199,517
At 31 December 2010								
Cost	–	3,452	3,191	40,643	8,522	1,521	217,832	275,161
Accumulated depreciation	–	(1,804)	(1,499)	(17,145)	(5,389)	(531)	(49,276)	(75,644)
Net book amount	–	1,648	1,692	23,498	3,133	990	168,556	199,517
Year ended 31 December 2011								
Opening net book amount	–	1,648	1,692	23,498	3,133	990	168,556	199,517
Exchange differences	–	5	–	1	1	1	(3)	5
Additions	5,790	281	662	1,486	333	–	32,415	40,967
Acquisition of subsidiaries	10,800	278	–	138	262	10	–	11,488
Disposals	-	(5)	–	(2)	(4)	–	(1,100)	(1,111)
Depreciation	(101)	(568)	(628)	(4,475)	(1,836)	(282)	(19,849)	(27,739)
Closing net book amount	16,489	1,639	1,726	20,646	1,889	719	180,019	223,127
At 31 December 2011								
Cost	16,590	4,016	3,853	42,266	9,118	1,537	248,837	326,217
Accumulated depreciation	(101)	(2,377)	(2,127)	(21,620)	(7,229)	(818)	(68,818)	(103,090)
Net book amount	16,489	1,639	1,726	20,646	1,889	719	180,019	223,127

Net book amount of property, plant and equipment includes the net carrying amount of HK$21,520,000 (2010: HK$37,615,000) held under finance leases.

As at 31 December 2011, the Group's leasehold land and buildings were situated in Hong Kong, which located on medium-term leasehold land.

18. INVESTMENTS IN SUBSIDIARIES

	Company
	2011
	HK$'000
Unlisted shares, at cost	**313,876**

Details of principal subsidiaries are set out in Note 40 to the financial statements.

19. GOODWILL

The balance as at 31 December 2011 all arose in the current year from the acquisition of 80% equity interests of Express Ocean Investment Limited and O.G. Printing Productions Limited which are engaged in the provision of graphic design. Management of the Group determined that the CGU containing goodwill had not suffered any impairment.

The recoverable amount for the CGU in relation to the subsidiaries of the Company was determined based on value-in-use calculations, covering a detailed 5-year budget plan followed by an extrapolation of expected cash flows with a growth rate of 7%. The pre-tax discount rate used for value-in-use calculations is 12%, which reflects specific risks relating to the relevant CGU.

Apart from the considerations described above in determining the value-in-use of the CGU, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

20. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**46,265**	44,259
Work-in-progress	**20,256**	19,422
Finished goods	**1,335**	206
	67,856	63,887
Less: Provision for net realisable value	**(3,982)**	(3,982)
	63,874	59,905

For the year ended 31 December 2010, the Group made the provision for inventories of HK$3,000,000. The amount was included in "direct operating costs" in profit or loss.

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**257,473**	189,678
Less: Provision for impairment of trade receivables	**(1,794)**	(1,131)
Trade receivables – net	**255,679**	188,547
Other receivables and deposits	**10,334**	22,789
	266,013	211,336

Movement in the provision for impairment loss on trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Balance at the beginning of the year	**1,131**	2,006
Amount written off during the year	**(51)**	–
Impairment loss recognised during the year	**1,267**	546
Impairment loss recovered during the year	**(497)**	(1,421)
Exchange difference	**(56)**	–
Balance at the end of the year	**1,794**	1,131

Ageing analysis of trade receivables, net of provision as at 31 December 2011, based on invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	**60,262**	49,773
31 – 60 days	**44,427**	33,653
61 – 90 days	**31,924**	23,376
91 – 120 days	**45,024**	27,191
121 – 150 days	**36,295**	31,826
Over 150 days	**37,747**	22,728
Total trade receivables	**255,679**	188,547

The Group allows a credit period from 45 to 180 days (2010: 45 to 180 days) to its trade customers.

The Directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

All trade receivables are subject to credit risk exposure. At each of the reporting dates, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2011, the Group determined trade receivables of HK$1,794,000 (2010: HK$1,131,000) as impaired respectively and as a result, impairment loss of HK$1,267,000 (2010: HK$546,000) has been recognised. The impaired trade receivables are due from the customers experiencing financial difficulties that have been in default or delinquency of payments.

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS (continued)

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Ageing analysis of trade receivables past due but not impaired is as follows:

	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	154,354	133,036
1 – 30 days past due	51,832	39,366
31 – 90 days past due	42,642	15,571
Over 90 days past due but less than one year	6,851	574
	101,325	55,511
	255,679	188,547

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

22. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

This relates to the forward foreign exchange contracts which are considered by management to be part of economic hedging arrangements but have not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value. Its fair value has been measured as described in Note 41(g).

23. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

The balances are non-trading in nature, unsecured, interest-free and repayable on demand.

24. AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

25. CASH AND CASH EQUIVALENTS

The balances as at the reporting date are bank and cash balances.

Cash at banks earned interest at floating rates based on the daily bank deposits rates during the year.

Included in bank and cash balances of the Group is HK$18,713,000 (2010: Nil) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade payables	**47,871**	39,560
Other payables and accruals	**37,660**	27,305
	85,531	66,865

As at 31 December 2011, ageing analysis of trade payables based on invoice date is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	**30,482**	24,601
31 – 60 days	**12,177**	9,701
61 – 90 days	**4,654**	3,079
91 – 120 days	**208**	836
Over 120 days	**350**	1,343
	47,871	39,560

Credit terms granted by the suppliers are generally 0 – 90 days (2010: 0 – 90 days). All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

27. BANK BORROWINGS

	Group	
	2011	2010
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	**47,824**	10,000
– Bank loans due for repayment after one year which contain a repayment on demand clause	**63,427**	73,316
	111,251	83,316
Total bank borrowings	**111,251**	83,316

The current portion includes bank borrowings of HK$63,427,000 (2010: HK$73,316,000) that are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due from repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

27. BANK BORROWINGS (continued)

Assuming that the banks do not request the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings are due for repayments, as at each of the reporting dates, as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**72,004**	31,624
In the second year	**18,256**	21,624
In the third to fifth year	**20,991**	30,068
Wholly repayable within 5 years	**111,251**	83,316

Bank borrowings as at 31 December 2011 included (1) bank loans brought forward from 2010 with original principal amounts of HK$78.8 million and an additional borrowing of HK$12.8 million obtained during the year, which were repayable in 5 years through monthly instalments; (2) trade finance facilities of HK$23.4 million which was repayable within one year; (3) a bank borrowing of HK$12.0 million under the loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region and (4) a short term bank borrowing of RMB20.0 million, equivalent to HK$24.4 million, which was repayable within 2 months from the date of borrowing and was secured by the corporate guarantee from one of its wholly owned subsidiaries, 1010 Printing International Limited. Other bank borrowings were secured by the corporate guarantees from the Company.

As at 31 December 2010, the bank borrowings included (1) bank loans brought forward from 2008 with original principal amounts of HK$51.7 million which were repayable in 5 years through monthly instalments; (2) short term revolving credit facility of HK$10 million which was repayable within one year and (3) several bank loans with total principal amounts of HK$39.1 million which included bank borrowings of HK$12 million under the loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region. These bank loans were repayable in 5 years through monthly instalments. All bank borrowings were secured by the corporate guarantees from Cinderella Media, the intermediate holding company, and non-controlling shareholders of 1010 Group Limited, a subsidiary of the Company. The corporate guarantees given by Cinderella Media and non-controlling shareholders of 1010 Group Limited were released on 25 July 2011, the date of the Company's listing on the SEHK.

Effective interest rate of the bank borrowings ranged from 2.15% to 5.49% (2010: 2.15% to 2.24%) per annum for the year.

28. FINANCE LEASE LIABILITIES

The analysis of the Group's obligations under finance lease is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	**6,326**	7,434
Due in the second to fifth years	**6,854**	13,190
	13,180	20,624
Future finance charges on finance leases	**(370)**	(807)
Present value of finance lease liabilities	**12,810**	19,817

	Group	
	2011	2010
	HK$'000	HK$'000
Present value of minimum lease payments:		
Due within one year	**6,060**	7,003
Due in the second to fifth years	**6,750**	12,814
	12,810	19,817
Less: Portion due within one year included under current liabilities	**(6,060)**	(7,003)
Non-current portion included under non-current liabilities	**6,750**	12,814

The Group entered into finance lease for various items of machineries. These leases run for initial periods of three to five years (2010: three to five years). These leases do not have options to renew or any contingent rental provisions.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

29. AMOUNTS DUE TO INTERMEDIATE HOLDING COMPANY

As at 31 December 2010, the balances were unsecured, interest bearing at 3% per annum and repayable on demand.

30. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group operates.

Group

Movement on the deferred tax liabilities is as follows:

	2011	2010
	HK$'000	HK$'000
At 1 January	**10,747**	7,628
Deferred taxation arising from acquisition of subsidiaries	**634**	–
Deferred taxation charged to profit or loss (Note 13)	**2,073**	3,119
At 31 December	**13,454**	10,747

30. DEFERRED TAX LIABILITIES (continued)

Movements of deferred tax liabilities/(assets) recognised in the statement of financial position during the current and prior years are as follows:

	Accelerated tax depreciation		Tax losses		Fair value adjustments arising from acquisition of subsidiaries		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**10,747**	10,416	**–**	(2,788)	**–**	–	**10,747**	7,628
Charged to profit or loss	**2,073**	331	**–**	2,788	**–**	–	**2,073**	3,119
Acquisition of subsidiaries (Note 38)	**–**	–	**–**	–	**634**	–	**634**	–
At 31 December	**12,820**	10,747	**–**	–	**634**	–	**13,454**	10,747

Company

No deferred tax has been provided in the financial statements of the Company as there are no material temporary differences.

At the reporting date, the amount of the deferred tax assets not recognised are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of unutilised tax losses	**641**	–	**–**	–

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiary operating in the PRC can be carried forward for 5 years from the year in which the tax losses were incurred.

31. SHARE CAPITAL

	Notes	No. of shares	Amount
			HK$'000
Ordinary shares of HK$0.1 each			
Authorised ordinary shares at the date of incorporation	(a)	10,000,000	100
Increase in authorised ordinary shares	(b)	990,000,000	9,900
At 31 December 2011		1,000,000,000	10,000
Issued and fully paid:			
Issue of ordinary share at the date of incorporation	(a)	1	–
Issue of ordinary shares upon Reorganisation	(c)	374,999,999	3,750
Issue of ordinary shares upon listing	(d)	125,000,000	1,250
At 31 December 2011		500,000,000	5,000

Notes:

(a) The Company was incorporated in Bermuda on 9 March 2011 with the authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each, of which 1 ordinary share was issued and allotted on 16 March 2011.

(b) On 20 June 2011, the authorised share capital of the Company was increased from HK$100,000 to HK$10,000,000 by the creation of 990,000,000 ordinary shares of HK$0.01 each.

(c) On 20 June 2011, upon the Reorganisation, the Company entered into the share swap agreements with all the shareholders of 1010 Group Limited to acquire the entire issued share capital of 1010 Group Limited. The Company issued 374,999,999 ordinary shares of HK$0.01 each to the shareholders of 1010 Group Limited as the consideration. Since then, the Company became the holding company of the subsidiaries now comprising the Group.

(d) On 25 July 2011, the Company allotted and issued 125,000,000 ordinary shares of HK$0.01 each upon listing of shares on the SEHK at a price of HK$0.70 each.

The Group's share capital balance as at 31 December 2010 represented the issued and paid up share capital of 1010 Group Limited.

32. SHARE-BASED EMPLOYEE COMPENSATION

The share option scheme of its intermediate holding company, Cinderella Media, (the "Share Option Scheme") was adopted pursuant to its resolution passed on 13 July 2007 and expires on 12 July 2017. The purpose of the Share Option Scheme is to reward participants who have contributed to Cinderella Media and its subsidiaries (collectively referred to as "Cinderella Media Group") and to encourage participants to work towards enhancing the value of the Cinderella Media Group and its shares for the benefit of the Cinderella Media Group and its shareholders as a whole. The board of directors of Cinderella Media may, at its discretion, offer to directors, employees of any member of the Cinderella Media Group, any advisors and service providers of any member of the Cinderella Media Group, options to subscribe for the shares in Cinderella Media at a price not less than the highest of: (i) the closing price of the shares of Cinderella Media on the SEHK on the date of offer of the option; (ii) the average of the closing prices of the shares on the SEHK for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of the share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option irrespective of numbers of share options granted. The options vest on the condition that the grantee is a director or employee of any member of the Cinderella Media Group or any advisor and service provider of any member of the Cinderella Media Group from the date of options grant to the commencement date of the exercisable period of the options.

The options are exercisable at any time during the period to be determined and notified by the board of directors of Cinderella Media to the grantee at the time of making an offer in respect of any particular option which shall not expire later than 10 years from the date of grant.

The share-based employee compensation was settled by the issue of Cinderella Media's ordinary shares. The Cinderella Media Group had no legal or constructive obligation to repurchase or settle the options other than in Cinderella Media's ordinary shares.

32. SHARE-BASED EMPLOYEE COMPENSATION (continued)

Details of the share options granted under the Share Option Scheme are as follows:

Share option type	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$
2008	18.8.2008	18.8.2008 to 17.8.2009	18.8.2009 to 17.8.2013	0.93
2008	18.8.2008	18.8.2008 to 17.8.2010	18.8.2010 to 17.8.2013	0.93
2009	29.10.2009	29.10.2009 to 28.4.2010	29.4.2010 to 28.10.2014	0.902
2009	29.10.2009	29.10.2009 to 28.10.2011	29.10.2011 to 28.10.2014	0.902
2010	11.6.2010	11.6.2010 to 10.6.2011	11.6.2011 to 10.6.2015	1.60
2010	11.6.2010	11.6.2010 to 10.6.2012	11.6.2012 to 10.6.2015	1.60
2010	23.6.2010	23.6.2010 to 22.6.2011	23.6.2011 to 22.6.2015	1.636
2010	23.6.2010	23.6.2010 to 22.6.2012	23.6.2012 to 22.6.2015	1.636

32. SHARE-BASED EMPLOYEE COMPENSATION (continued)

The following table shows the movements in the outstanding options granted under the Share Option Scheme:

			Number of share options				
Grantees	**Share option type**	**Exercisable period**	**Outstanding at 1 January 2011**	**Transfer from fellow subsidiary during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December 2011**
Directors	2008	18.8.2009 to 17.8.2013	300,000	-	(300,000)	-	-
	2008	18.8.2010 to 17.8.2013	300,000	-	-	-	300,000
	2010	23.6.2011 to 22.6.2015	900,000	-	-	-	900,000
	2010	23.6.2012 to 22.6.2015	900,000	-	-	-	900,000
			2,400,000	-	(300,000)	-	2,100,000
Employees	2008	18.8.2009 to 17.8.2013	900,000	-	(600,000)	-	300,000
	2008	18.8.2010 to 17.8.2013	1,200,000	-	(900,000)	-	300,000
	2009	29.4.2010 to 28.10.2014	-	300,000	(300,000)	-	-
	2009	29.10.2011 to 28.10.2014	-	300,000	(300,000)	-	-
	2010	11.6.2011 to 10.6.2015	525,000	150,000	(138,000)	(225,000)	312,000
	2010	11.6.2012 to 10.6.2015	525,000	150,000	-	(225,000)	450,000
	2010	23.6.2011 to 22.6.2015	750,000	450,000	-	-	1,200,000
	2010	23.6.2012 to 22.6.2015	750,000	450,000	-	-	1,200,000
			4,650,000	1,800,000	(2,238,000)	(450,000)	3,762,000
Total			7,050,000	1,800,000	(2,538,000)	(450,000)	5,862,000
Weighted average exercise price			HK$1.36	HK$1.573	HK$0.960	HK$0.930	HK$1.523

32. SHARE-BASED EMPLOYEE COMPENSATION (continued)

			Number of share options				
Grantees	**Share option type**	**Exercisable period**	**Outstanding at 1 January 2010**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December 2010**
Directors	2008	18.8.2009 to 17.8.2013	300,000	-	-	-	300,000
	2008	18.8.2010 to 17.8.2013	300,000	-	-	-	300,000
	2010	23.6.2011 to 22.6.2015	-	900,000	-	-	900,000
	2010	23.6.2012 to 22.6.2015	-	900,000	-	-	900,000
			600,000	1,800,000	-	-	2,400,000
Employees	2008	18.8.2009 to 17.8.2013	1,200,000	-	(300,000)	-	900,000
	2008	18.8.2010 to 17.8.2013	1,200,000	-	-	-	1,200,000
	2010	11.6.2011 to 10.6.2015	-	525,000	-	-	525,000
	2010	11.6.2012 to 10.6.2015	-	525,000	-	-	525,000
	2010	23.6.2011 to 22.6.2015	-	750,000	-	-	750,000
	2010	23.6.2012 to 22.6.2015	-	750,000	-	-	750,000
			2,400,000	2,550,000	(300,000)	-	4,650,000
Total			3,000,000	4,350,000	(300,000)	-	7,050,000
Weighted average exercise price			HK$0.930	HK$1.627	HK$2.110	–	HK$1.360

32. SHARE-BASED EMPLOYEE COMPENSATION (continued)

Notes:

(i) The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	23.6.2010	11.6.2010
Expected volatility	43.60%	43.64%
Expected life (in years)	4	4
Risk-free interest rate (being the approximate yield of Hong Kong Exchange Fund Bills and Notes on the grant date)	1.298%	1.298%
Expected dividend yield	4.94%	5.00%
Weighted average share price	HK$1.62	HK$1.51

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

(ii) Based on the fair values derived with the above pricing models, share-based employee compensation expenses of HK$352,000 were charged to profit or loss for the year ended 31 December 2011 (2010: HK$626,000). For the share options granted by Cinderella Media to the Directors and the Group's employees, Cinderella Media recharged the Group based on the fair value of share options granted and over the vesting periods under the respective schemes.

(iii) As at 31 December 2011, 3,312,000 (2010: 9,180,000) share options are exercisable and the weighted average exercise price of these share options is HK$1.46 (2010: HK$0.93).

(iv) As at 31 December 2011, the weighted average remaining contractual life for the outstanding share options is 1,441 days (2010: 1,372 days).

(v) The weighted average share price at the date of exercise was HK$2.84 for the year ended 31 December 2011 (2010: HK$2.11).

33. RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 38 to 39.

	Company			
	Share premium	**Proposed final dividend**	**Retained earnings**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 9 March 2011 (date of incorporation)	-	-	-	-
Issue of shares pursuant to the Group Reorganisation	310,125	-	-	310,125
Issue of shares upon listing	86,250	-	-	86,250
Share issue expenses	(9,267)	-	-	(9,267)
Profit for the year	-	-	30,030	30,030
Dividend paid	-	-	(10,000)	(10,000)
Proposed final 2011 dividend (Note 15)	-	15,000	(15,000)	-
Balance as at 31 December 2011	387,108	15,000	5,030	407,138

The Company's reserves available for distribution comprise its retained earnings.

34. OPERATING LEASE COMMITMENTS

Group

As at 31 December 2011, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	8,709	7,788
In the second to fifth years inclusive	19,459	26,273
After five years	-	-
	28,168	34,061

The Group leases a number of properties and production facilities under operating leases. The leases run for an initial period ranged from one to ten years (2010: one to ten years), with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

Company

As at 31 December 2010 and 2011, the Company had no commitments under non-cancellable operating leases.

35. CAPITAL COMMITMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	9,746	16,334

Company

As at 31 December 2011 and 2010, the Company did not have any significant capital commitments.

36. CORPORATE GUARANTEES

	Group	
	2011	2010
	HK$'000	HK$'000
Corporate guarantees given and utilised	-	-

36. CORPORATE GUARANTEES (continued)

	Company	
	2011	2010
	HK$'000	HK$'000
Corporate guarantees given and utilised	**99,661**	–

As at 31 December 2011, the Company provided corporate guarantees to its subsidiaries to the extent of HK$187,591,000 (2010: Nil) in relation to the Group's bank borrowings as set out in Note 27 to the financial statements, HK$99,661,000 (2010: Nil) of which was utilised.

In the opinion of the Directors, no material liabilities will arise from the above guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

For the year ended 31 December 2011, the Group paid interest expenses of HK$195,000 (2010: HK$2,658,000) to its intermediate holding company through its current account. These amounts were credited to the amounts due to intermediate holding company.

For the year ended 31 December 2010, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$24,000,000.

For the year ended 31 December 2010, 1010 Group Limited increased its issued share capital by issuing 480,000,000 ordinary shares of HK$0.1 each at HK$0.3 per share to the Cinderella Media Group and another existing shareholder. The amount paid by the Cinderella Media Group of HK$122,182,000 was settled through its current accounts and was debited to the amounts due to intermediate holding company. The amount paid by another existing shareholder of HK$21,818,000 was paid by cash.

38. BUSINESS COMBINATION

On 16 September 2011, the Group acquired 80% equity interests of Express Ocean Investment Limited and O.G. Printing Productions Limited, limited liability companies incorporated in Hong Kong, for a cash consideration of HK12,731,000. These companies were engaged in the provision of graphic design. The acquisition of these companies will allow the Group to have the synergy effect on a combination of the graphic design services and the existing printing services.

The acquisition-related costs of HK$9,000 have been expensed and are included in administrative expenses.

Goodwill of HK$9,614,000 arose on the acquisition, reflecting the strong position of these companies within the graphic design industry and expected synergies that the acquisition is anticipated to offer within the Group's existing printing services.

38. BUSINESS COMBINATION (continued)

The acquired business contributed revenue of HK$3,032,000 and a loss after income tax of HK$329,000 to the Group for the period from 16 September 2011 to 31 December 2011.

Had the acquisition occurred on 1 January 2011, the Group's revenue and profit after income tax would have been HK$646,664,000 and HK$62,381,000 respectively for the year ended 31 December 2011. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

Details of net assets acquired were as follows:

	HK$'000
Purchase consideration – cash paid	12,731
Fair value of net assets acquired (see below)	3,117
Goodwill (Note 19)	9,614

	HK$'000
Purchase consideration settled in cash	(12,731)
Cash and cash equivalents acquired	2,102
Cash outflow on acquisition of subsidiaries	(10,629)

The assets and liabilities arising from this acquisition were as follows:

	Fair value	**Acquiree's carrying amount**
	HK$'000	HK$'000
Property, plant and equipment	11,488	7,642
Trade and other receivables	5,198	5,198
Cash and cash equivalents	2,102	2,102
Trade and other payables	(11,138)	(11,138)
Bank borrowings	(3,096)	(3,096)
Provision for taxation	(23)	(23)
Deferred tax liabilities	(634)	-
Net assets	3,897	685
Less: Non-controlling interests	(780)	
Net assets acquired	3,117	

The fair value of trade and other receivables at the date of acquisition amounted to HK$5,198,000 which is same as the gross contractual amounts of these trade and other receivables acquired. None of the contractual cash flows of the above amount is estimated to be uncollectible.

The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interest's proportionate share of the recognised amount of the net assets of these companies and amounted to HK$780,000.

39. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to those balances and transactions detailed in Notes 23, 24 and 29 to the financial statements, details of other significant transactions between the Group and other related parties during the year are disclosed as follows:

(a) Related party transactions

Name of related parties	Nature of transactions	Notes	2011	2010
			HK$'000	HK$'000
Intermediate holding company				
Cinderella Media	Interest expense	(i)	195	2,658
	Management fees paid	(ii)	–	1,500
Fellow subsidiaries				
Recruit Information Technology Limited ("RIT")	Computer service fees paid	(iii)	30	1,200
Recruit Management Services Limited ("RMS")	Computer service fees paid	(iii)	–	35
	Administration service fees paid	(iii)	50	1,800
Recruit Advertising Limited	Printing income	(iv)	–	50
Related company				
OGP Management Corp.	Rental expenses	(v)	351	–

Notes:

(i) Interest expense was charged based on the outstanding loan balance charged at interest rate of 3% (2010: 3%) per annum for the year, which was determined based on the cost of borrowing of the Cinderella Media Group.

39. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(ii) Management fees paid to Cinderella Media, representing mainly the staff costs and other general expenses incurred by Cinderella Media, were primarily allocated on a cost reimbursement basis. Staff costs were allocated to the Group based on (i) the estimated time spent on managing the printing business by the directors of Cinderella Media and (ii) the actual hourly rates of the directors of Cinderella Media calculated on the basis of their actual remuneration. Other general expenses were allocated based on the percentage as represented by such directors' remuneration of Cinderella Media allocated to the printing business over the total directors' remuneration of Cinderella Media (2010: 30%). The sum of staff costs and other general expenses was charged to the Group as management fees.

(iii) RIT provided information technology services whereas RMS provided general administrative services for the year ended 31 December 2010. The costs incurred by RIT and RMS were mainly staff salaries. Similar to the management fees, the relevant staff salaries of these two related companies were allocated to the Group based on a cost reimbursement basis. In particular, staff costs of RIT and RMS were allocated to the Group based on (i) the estimated time spent on providing the relevant services by the staff of RIT and RMS and (ii) the actual hourly rates of the staff of RIT and RMS calculated on the basis of their actual salaries. Other general expenses of RIT and RMS were allocated based on the percentage as represented by such staff costs of RIT and RMS allocated to the printing business over the total staff costs of RIT and RMS (2010: 35%). The total allocated staff costs and other general expenses were then split between RIT and RMS and charged to the Group as computer service fees and administration service fees respectively.

(iv) Printing income was based on the prevailing market price.

(v) Rental expenses were charged by a related company, OGP Management Corp., in which the non-controlling interest has controlling interest, for leasing of office premises. The lease runs for a period of one year (2010: Nil) and the monthly rental was determined at the market rate at the date when the lease arrangement was entered into.

In the opinion of the Directors, the related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Apart from rental expenses as mentioned in note (v) above, other transactions have been discontinued upon the listing of the Company's share on the SEHK.

(b) Compensation of key management personnel

The key management personnel of the Group are the Directors. The remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends. Details of the remuneration paid to them are set out in Note 11(a) to the financial statements.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$81,000,000	100%	Investment holding, Hong Kong
1010 Printing International Limited 匯星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
1010 Printing (UK) Limited *	2 January 2007	United Kingdom, limited liability company	Ordinary	GBP1,000	98.5%	Printing agency, United Kingdom
Anson Worldwide Limited	8 November 2002	British Virgin Islands ("BVI"), limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
1010 Printing (Australia) Pty Limited *	10 October 2008	Australia, limited liability company	Ordinary	AUD2	100%	Provision of printing services, Australia
1010 Printing Limited	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1	100%	Printing, Hong Kong
Naturbest Investments Limited	15 August 2006	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
Express Ocean Investment Limited 飛洋投資有限公司	5 May 2008	Hong Kong, limited liability company	Ordinary	HK$2,000	80%	Property investment, Hong Kong
O.G. Printing Productions Limited 海濤製作有限公司	11 August 1989	Hong Kong, limited liability company	Ordinary	HK$500,000	80%	Provision of graphic design, Hong Kong
Oceanic Graphic International Inc.	12 August 2011	United States of America ("USA"), limited liability company	Ordinary	US$100,000	80%	Printing, USA
惠州市滙星印刷有限公司 *	28 January 2011	People's Republic of China ("PRC"), limited liability company	N/A	RMB150,000,000 (registered capital)	100%	Provision of printing services, PRC

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The Group acquired 80% equity interests in Oceanic Graphic International Inc. in September 2011 and 100% equity interests in 惠州市匯星印刷有限公司 in October 2011.

^ Except 1010 Group Limited, all subsidiaries are indirectly held by the Company.

* The statutory accounts of these companies have been audited by firms other than BDO Limited.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to a variety of risks which resulted from its operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out as follows:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's financial assets are summarised in Note 41(f) below.

The Directors consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for less than 26% (2010: 34%) of total sales during the year. In this regards, the Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The Group also continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 21 to the financial statements.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(a) **Credit risk** (continued)

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major reputable banks located in Hong Kong and the PRC.

(b) Currency risk

Foreign current risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Most of the sales transactions of the Group are denominated in United States Dollars ("US$"), Australian Dollars ("AUD"), RMB and HK$ and there are expenses and capital expenditures denominated in US$, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, AUD and RMB.

To mitigate the impact of exchange rate fluctuations, the Group continuously assesses and monitors the exposure to foreign currency risk. During the year, management of the Group had used foreign currency forward contracts to hedge the exposure to foreign exchange risk when the need arises.

Foreign currencies denominated financial assets are as follows:

Group

2011	**US$'000**	**RMB'000**	**AUD'000**
Trade and other receivables	**17,715**	**718**	**6,239**
Cash and cash equivalents	**2,449**	**2**	**713**
Trade and other payables	**(535)**	**(9,289)**	**–**
	19,629	**8,569**	**6,952**
Notional amounts of forward foreign exchange contracts	**–**	**–**	**(7,000)**
	19,629	**8,569**	**(48)**
2010	US$'000	RMB'000	AUD'000
Trade and other receivables	14,476	–	6,244
Cash and cash equivalents	1,123	3	203
Trade and other payables	(2,027)	(3,303)	(94)
	13,572	(3,300)	6,353
Notional amounts of forward foreign exchange contracts	992	–	(6,153)
	14,564	(3,300)	200

The following table illustrates the sensitivity of the net results for the year and retained earnings in regards to the Group's financial assets and liabilities at the reporting date and the reasonably possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the reporting date, based on the assumption that other variables are held constant. Changes in foreign exchange rates have no impact on the Group's other components of equity.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(b) Currency risk (continued)

Group

	2011		2010	
	Increase/ (Decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK$'000		HK$'000
US$	**0.3%**	**458**	0.2%	230
	(0.3%)	**(458)**	(0.2%)	(230)
RMB	**4.3%**	**(450)**	2.9%	(112)
	(4.3%)	**450**	(2.9%)	112
AUD	**6.8%**	**(25)**	10%	141
	(6.8%)	**25**	(10%)	(141)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in banks, certain bank borrowings and finance lease contracts. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The terms of repayment of bank borrowings and obligations under finance leases are set out in Notes 27 and 28 to the financial statements respectively.

During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The Group has net current assets of HK$196,495,000 (2010: HK$121,512,000) and net assets of HK$409,032,000 (2010: HK$297,468,000) as at 31 December 2011. In the opinion of the Directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the reporting dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group may be required to pay.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(d) Liquidity risk (continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity is required to pay, that is if the banks were to invoke the unconditional rights to call the loans with immediate effect.

Group

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2011					
Non-derivative financial liabilities					
Trade and other payables	85,531	85,531	85,531	-	-
Bank borrowings	111,251	111,251	111,251	-	-
Finance lease liabilities	12,810	13,180	1,581	4,745	6,854
Amounts due to intermediate holding company	–	–	–	–	–
Amounts due to fellow subsidiaries	–	–	–	–	–
	209,592	209,962	198,363	4,745	6,854

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(d) Liquidity risk (continued)

Group

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2010					
Non-derivative financial liabilities					
Trade and other payables	66,865	66,865	66,865	–	–
Bank borrowings	83,316	83,316	83,316	–	–
Finance lease liabilities	19,817	20,624	2,686	4,748	13,190
Amounts due to intermediate holding company	1,509	1,509	1,509	–	–
Amounts due to fellow subsidiaries	940	940	940	–	–
	172,447	173,254	155,316	4,748	13,190
Derivative financial liabilities					
Net settled forward foreign exchange contracts					
– cash outflow	(5,174)	(5,174)	(3,166)	(2,008)	–
	(5,174)	(5,174)	(3,166)	(2,008)	–

The table that follows summarises the maturity analysis of those term loans with repayment-on-demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, the Directors believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(d) Liquidity risk (continued)

Group

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment-on-demand clause based on scheduled repayments:					
31 December 2011	111,251	113,888	54,541	18,956	40,391
31 December 2010	83,316	86,191	16,664	16,281	53,246

Company

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2011					
Non-derivative financial liabilities					
Other payables	120	120	120	-	-
Financial guarantees issued					
Maximum amount guaranteed	187,591	187,591	187,591	–	–

(e) Fair values

The Directors consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(f) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows. See Notes 3.7 and 3.12 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company
	2011	2010	**2011**
	HK$'000	HK$'000	**HK$'000**
Financial assets			
Current assets			
Financial assets at fair value through profit or loss	**1,023**	–	**–**
Loans and receivables:			
– Trade and other receivables	**255,751**	211,336	**240**
– Amounts due from subsidiaries	**–**	688	**97,313**
– Cash and cash equivalents	**77,339**	16,134	**829**
	334,113	228,158	**93,382**
Financial liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	**–**	5,174	**–**
Financial liabilities measured at amortised cost:			
– Trade and other payables	**85,531**	66,865	**120**
– Bank borrowings	**111,251**	83,316	**–**
– Finance lease liabilities	**6,060**	7,003	**–**
– Amounts due to intermediate holding company	**–**	1,509	**–**
– Amounts due to fellow subsidiaries	**–**	940	**–**
Non-current liabilities			
Financial liabilities measured at amortised cost:			
– Finance lease liabilities	**6,750**	12,814	**–**
	209,592	177,621	**120**

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(g) Fair value measurements recognised in the statement of financial position – Group

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	2011 – Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Assets				
Forward foreign exchange contracts (Note)	–	1,023	–	1,023
Net fair values	–	1,023	–	1,023

	2010 – Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities				
Forward foreign exchange contracts (Note)	–	5,174	–	5,174
Net fair values	–	5,174	–	5,174

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(g) Fair value measurements recognised in the statement of financial position – Group (continued)

There have been no significant transfers between levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Note:

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximises the use of observable market inputs e.g. market currency and interest rates (Level 2). Most derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts.

42. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2010 and 2011 amounted to approximately HK$297,468,000 and HK$409,032,000 respectively, which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the published audited financial statements and restated upon the adoption of the new or amended HKFRSs as appropriate, is set out below:

FINANCIAL RESULTS

	Financial year ended 31 December			
	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue and turnover	331,240	447,343	521,989	**640,102**
Profit before income tax	16,062	60,134	66,387	**73,001**
Income tax expense	(1,126)	(5,230)	(4,731)	**(10,647)**
Profit for the year	14,936	54,904	61,656	**62,354**
Attributable to:				
Owners of the Company	15,105	55,131	61,677	**62,307**
Non-controlling interests	(169)	(227)	(21)	**47**
Profit for the year	14,936	54,904	61,656	**62,354**

	As at 31 December			
	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES				
Total assets	342,162	414,930	487,580	**640,990**
Total liabilities	(274,859)	(292,932)	(190,112)	**(231,958)**
Total equity	67,303	121,998	297,468	**409,032**

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