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

Annual Report 2012

Stock code:1127

Contents

Our challenges

The recently announced double digit increase in minimum wage in China will take effect in May 2013. The applicable increase for Yuanzhou where our plant is located is 19%. This will bring the cumulative increase in our wage expenditure to 95% in the past four years.

Our book publishing customers will continue to operate under intense pricing pressure brought about by the paradigm shift in the industry: technological changes in information delivery, the on-going dominance of Amazon and the demise of traditional book stores. The merger of Penguin with Random House will usher in more consolidation among book publishers. This will further strengthen their bargaining power with printers. We will have to seek new solutions for these daunting challenges.


Exporter of Books to the US Market
Ranking No.2

Chairman's Statement

Dear Shareholders,

I am pleased to announce that our group registered a record increase in operating profits in the year 2012. This was propelled by a strong second half with improved sales turnover and operating profit margin.

The results are especially significant, considering most of our competitors are suffering from reduced orders, decreasing operating margin, insufficient orders and lower plant utilization.

The adverse business environment that we have highlighted before is here to stay and it is up to us to rise above these challenges and make 1010 the leading service provider in the book printing trade.

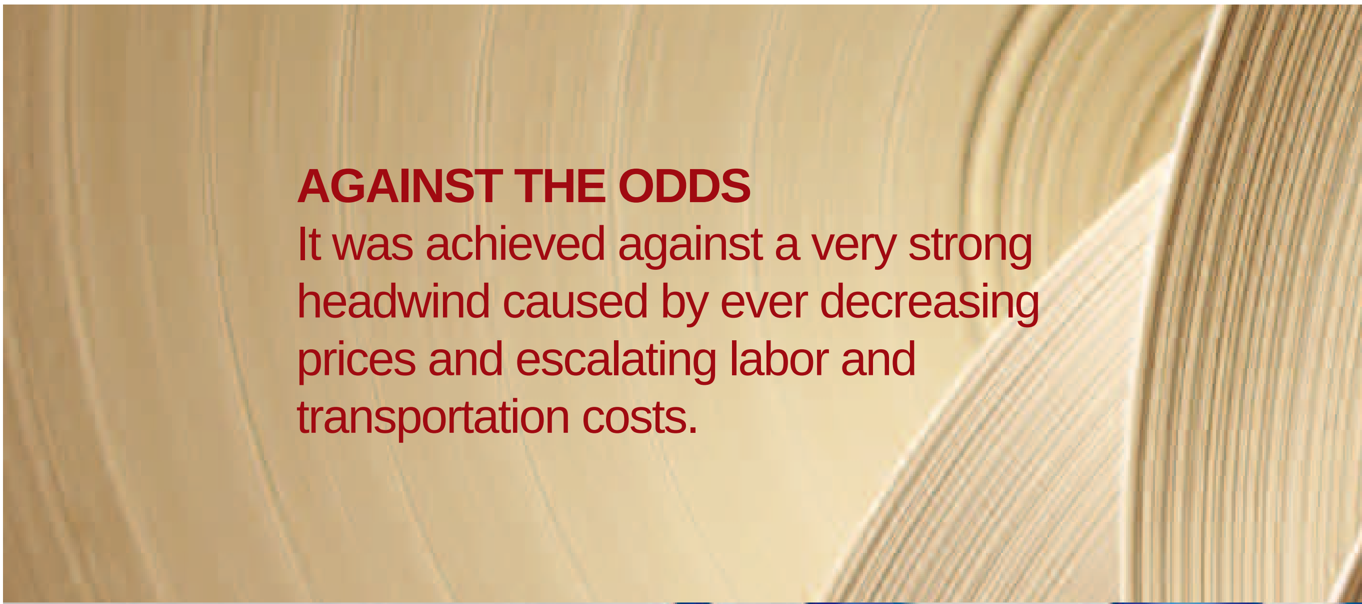
During the past year, the Group out performed the competition in strategic sourcing of paper, the single most critical component in our costs. The enhancements that we have made in our ERP system enables us to fine-tune our pricing for core customers. As a result, our plant at Yuanzhou has achieved over 95% machine utilization throughout the year.

Following our successful integration of OG Printing Productions Limited which was acquired in September, 2011, we also merged with Asia Pacific Offset Limited ("APOL") in late December 2012. APOL is one of the largest print management companies in the world with annual sales of HKD$486 million in 2011. We are bullish of the prospects of APOL and view this a game changer for the Group to become a key player in the global print management industry. Our proven record in managing production, supply chain and customers credit will enable us to compete in advantaged position. The APOL merger has already taken off to an impressive start and we are working with a number of major publishers on improving their supply chain management. We are also cooperating with our customers, paper mills and other key vendors to identify areas for cost improvement and supply chain efficiency.

Appreciation

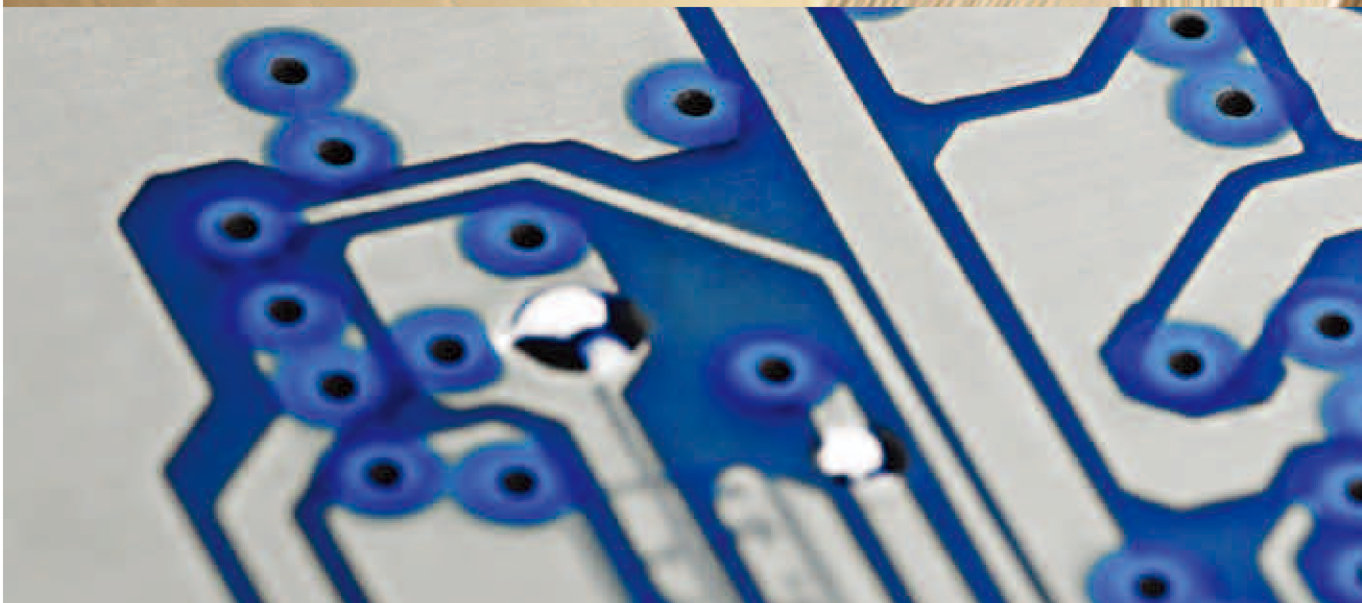
When the Group was founded in 2005, we defined 1010 Printing as a service company, not a manufacturer. Our forecast of the commoditization of the book printing industry has proven accurate, thus our focus on supply chain has reaped significant operating margin. Being able and willing to understand the needs of our customers and to solve their problems have become our DNA, which is carried in our team of professional and engaging staff. On behalf of the board, I would like to express our gratitude to all our Employees who have made 1010 a premier service provider.

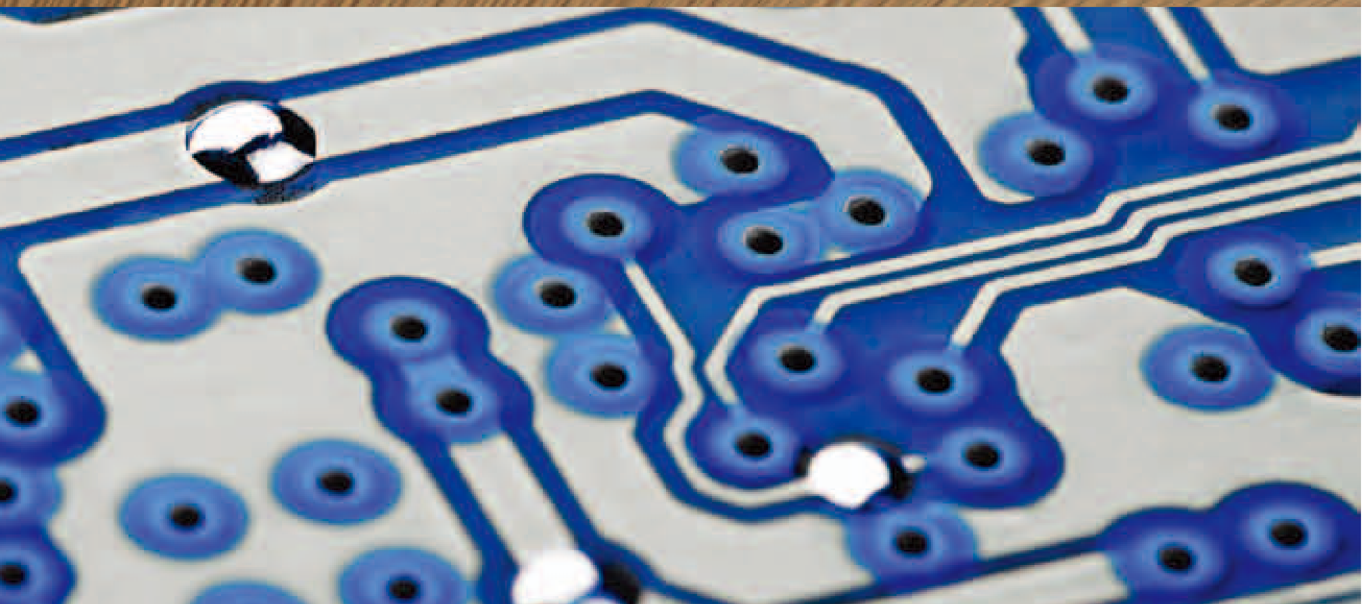
Yeung Ka Sing
Chairman
Hong Kong, 21 February 2013



AGAINST THE ODDS

It was achieved against a very strong headwind caused by ever decreasing prices and escalating labor and transportation costs.





Management Discussion and Analysis

Business Review

The Group's 2012 operating profit margin ranks among the best in the industry. It was achieved against a very strong headwind trust by ever decreasing prices and escalating labor and transportation costs. The global book publishing industry is undergoing a paradigm shift-book publishers are consolidating or downsizing to survive. The merger of Penguin with Random House will not be the last of its kind.

2012 saw changes in ownership or management in a few of our key customers. Accredited with our service quality and price competitiveness, we managed to pass the "stress" tests and able to maintain, if not increase, share of their print spend.

The survival need for publishers to further reduce printing costs will continue to exert pressure. In 2012, a number of book publishers were unexpectedly let down by vendors, mostly small to medium size printers in China, which went out of business in the peak production season. Having experienced scrambling for alternative suppliers at the eleventh hour, book publishers are becoming even more prudent in choosing printers and this trend of aligning with reputable print partners will stay in the coming few years. Large printers with financial stability like our Group will benefit from this stringent selection process.

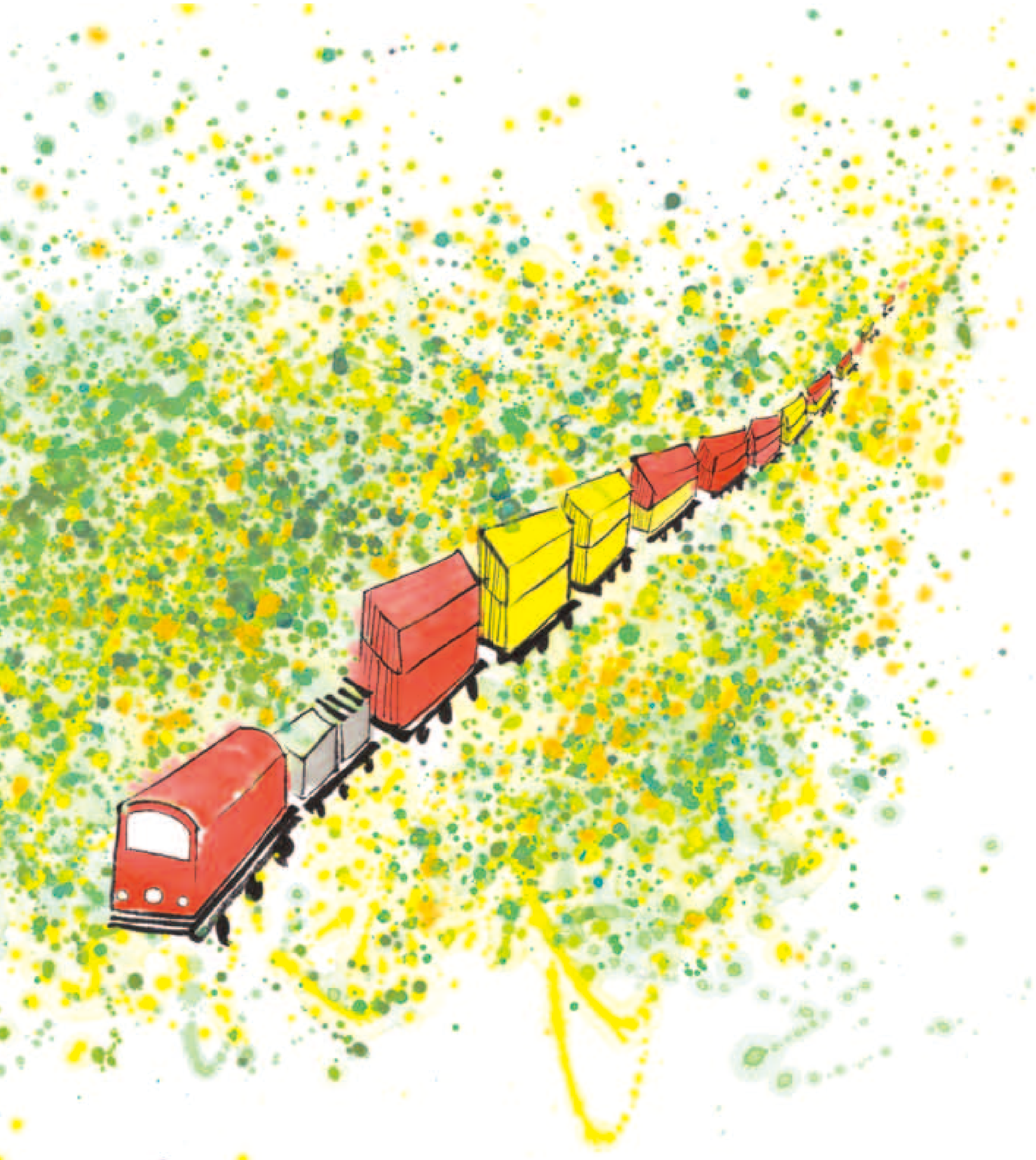
Having the economy of scale is a key success factor in our industry. Our new subsidiary APOL, with its substantial paper procurement budget, will add to the Group's consolidated purchase as one of the largest in the industry. We will enjoy even better pricing from the paper mills, which will translate to our price offering. Whilst the APOL merger took place only in late December 2012, it has already been well received by our key customers and we are extremely bullish of our prospects in becoming the leader in the global print management industry.

Management Discussion and Analysis

Prospects

2013 has started off well and our order in hand is in line with our forecast. The announced increase in minimum wage in China will force the printers to pass on the costs to customers. Our strong balance sheet and supply chain expertise will empower us to gain further market share in 2013.

CK Lau
Executive Director
Hong Kong, 21 February 2013



700.1M

Sales turnover (HK$)

68.1M

Total comprehensive
income attributable to owners (HK$)

Management Discussion and Analysis

Financial Review

Turnover for the year ended 31 December 2012 was approximately HK$700.1 million and represented an increase of 9% from the previous corresponding year (2011: HK$640.1 million). The increase in revenue was mainly attributable to continuous order growth from establishment of sales office in United States.

Gross profit margin for the year improved from 19% to 22%. This is driven by the decrease in cost of raw materials contributed by the effective procurement strategy implemented in the year.

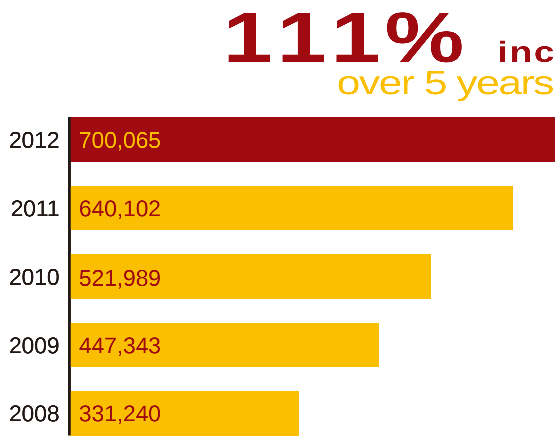
Selling and distribution costs increased from approximately HK$56.2 million to HK$70.7 million. The increase is mainly caused by the establishment of sales team in United States in September 2011 as well as increased in freight related costs.

Administrative expense increased by approximately 30% was due to the general increase in corporate expenses after listing and the increment in staff costs.

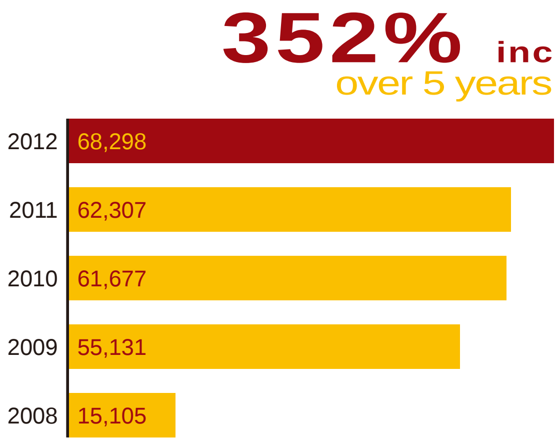
Other expenses for the year represented increase in provision for impairment on trade receivables which is set off with the effect of one off charge of listing expenses of the Company in 2011.

Income tax expenses increased from HK$10.6 million to HK$13.7 million was mainly attributable to the increase in tax provision rate in this period, compared to the 50% concessionary tax rate under the old processing arrangement.

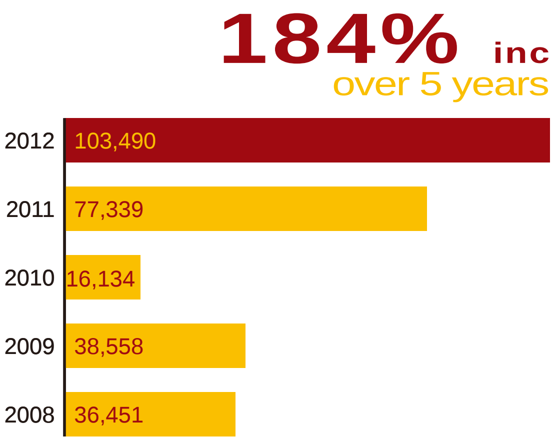
The Group's total comprehensive income attributable to owners of the Company amounted to approximately HK$68.1 million (2011: HK$62.4 million).



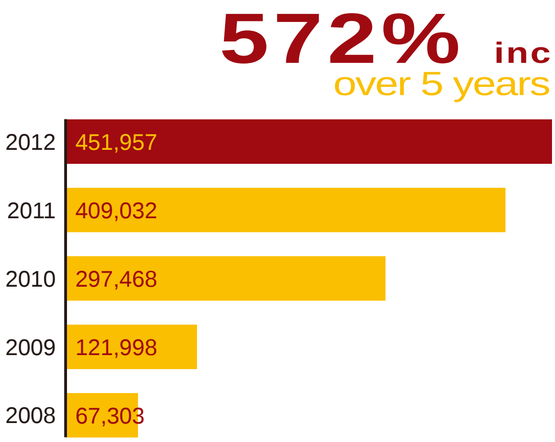
Turnover
(HK$ '000)



Profit attributable to owners of the Company
(HK$ '000)



Cash and bank balances
(HK$ '000)



Total equity
(HK$ '000)

Liquidity and Financial Resources

As at 31 December 2012, the Group had net current assets of approximately HK$202.4 million (31 December 2011: HK$196.5 million) of which the cash and bank deposits were approximately HK$103.5 million (31 December 2011: HK$77.3 million). The Group's current ratio was approximately 1.5 (31 December 2011: 1.9).

Total borrowings for the Group amounted to HK$152.6 million (31 December 2011: HK$124.1 million). Borrowings of the Group comprised of bank borrowings, finance lease and loan from intermediate holding company. As at 31 December 2012, borrowings of HK$106.3 million and HK$46.3 million are denominated in Hong Kong dollars and US dollars respectively. All borrowings are at floating rates and repayable within five years except an amount of HK$4.1 million being repayable after five years and subject to a repayable on demand clause. For the borrowings as at 31 December 2011, approximately HK$24.4 million is denominated in Renminbi, at a fixed rate and repayable within one year and the rest of the borrowing and finance leases are denominated in Hong Kong dollars, at floating rates and repayable within five years. The Group's gearing ratio as at 31 December 2012 was 33.8% (31 December 2011: 30.3%), 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.

With reference to the announcement dated 22 and 25 February 2013, the Board proposed to raise approximately HK$100 million by way of a right issue to finance any potential new investment or acquisition opportunities as and when such opportunities arise. Details regarding the proposed right issues is set out in the right issue prospectus of the Company on or around 15 March 2013.

Management Discussion and Analysis

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$21.9 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$20.9 million (31 December 2011: HK$21.5 million) in respect of assets held under finance leases.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

PEOPLE

We have built a strong management team
who are ready to face the challenges ahead.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Yang Sze Chen, Peter, aged 74, 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 60, 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.

Mr. Li Hoi, David, aged 55, was appointed as the executive Director on 1 February 2013. Mr. Li 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 management company 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 the British Printing Industries Federation.

Mr. Lam Wing Yip, aged 39, was appointed as an executive Director on 7 September 2012. Mr. Lam is the chief technology officer of the Group and joined Cinderella Media Group 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 17 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing, *GBS, MBE, JP,* aged 71, 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 a member of the supervisory board of the Hong Kong Housing Society. Mr. Yeung has served on several major government advisory committees and boards, including as 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. In January 2013, Mr. Yeung was appointed as a director of "Food for Good", a non-governmental organisation for promotion on reduction of food wastage. 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 60, 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., an independent external director of Synnex Corporation, a public company on NYSE 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 66, 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 48, 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 48, 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. Chu Chun Wan, aged 62, has been appointed as the managing director of Asia Pacific Offset Limited ("APOL") since 1999. He has over 40 years of experience in the printing industry in Hong Kong and held senior positions, including as deputy managing director of Mandarin Offset Limited and executive vice president of Hua Yang Printing Group. Mr. Chu is responsible for the overall management of APOL which is a subsidiary acquired by the Group in December 2012.

Ms. Lee Wing Kwan, Angela, aged 43, 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 14 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. Pang Tak Hung, aged 56, 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 35 years of experience in the printing industry.

Mr. Su Leigang, aged 36, is the deputy general manager of the production plant at Yuanzhou 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 over 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 35, 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 fellow member of the Hong Kong Institute of Certified Public Accountants and 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.


LEADER
in global print management industry

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 2012.

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 2012 are set out in the consolidated statement of comprehensive income on page 38.

The directors have declared an interim dividend of HK$0.02 (2011: HK$0.02) per share, totaling HK$10,000,000 which was paid on 14 September 2012.

The Directors do not recommend the payment of a final dividend in 2012 (2011: HK$0.03 per share).

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 41 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 five financial years is set out on page 99 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
Mr. Lau Chuk Kin
Mr. Lam Wing Yip (appointed on 7 September 2012)
Mr. Li Hoi, David (appointed on 1 February 2013)
Ms. Choi Ching Kam, Dora (resigned on 1 January 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

In accordance with No. 83(2) and No. 84 of the Company's bye-laws, Mr. Lam Wing Yip, Mr. Li Hoi, David, Mr. Lau Chuk Kin and Mr. Yeung Ka Sing will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICES CONTRACT

All the directors except Mr. Lam Wing Yip and Mr. Li Hoi, David has entered into a service contract with the Company for a term of three years commencing from 25 July 2011, the date of listing 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 2012, 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
Mr. Lam Wing Yip	12,000	Nil	Nil	12,000	0.00

(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)	Nil	Nil	183,632,000	183,632,000	55.96
Ms. Choi Ching Kam, Dora	770,000	Nil	Nil	770,000	0.23

(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 the 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 1.1.2012	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2012
Mr. Yang Sze Chen, Peter	1,200,000	–	–	–	1,200,000
Mr. Lam Wing Yip	900,000	–	450,000	–	450,000
Ms. Choi Ching Kam, Dora	900,000	–	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 2012, Cinderella Media was owned as to 54.23% by City Apex Limited, as to 1.73% by ER2 Holdings. 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 183,632,000 shares, 5,678,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings and City Apex Limited respectively. As at 31 December 2012, 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 2012, 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.

The Board proposes adopting a share option scheme at the forthcoming annual general meeting.

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 2012, 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	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 2012, Cinderella Media was owned as to 54.23% by City Apex Ltd and as to 1.73% by ER2 Holdings. 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 2012, 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 36% and 10% for the Group's total purchases for the year ended 31 December 2012 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 23% and 9% for the Group's total sales for the year ended 31 December 2012 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 2012, 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 in 2012. 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 year ended 31 December 2012, 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 30 to 35 of the annual report.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2012, the Group had around 1,011 employees (2011: 978). 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.

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, 21 February 2013

Corporate Governance Report

The Group has adopted practices which meet the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 (collectively the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the” Stock Exchange”). The report describes its corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

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 2012.

BOARD OF DIRECTORS

The Board comprises eight Directors, of whom four are executive Directors (one being appointed in September 2012) and four are independent non-executive Directors. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. 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, except Mr. Lam Wing Yip, has entered into a service contract with the Company for a term of three years commencing from 25 July 2011, 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.

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 2012 were:

Chairman
Mr. Yeung Ka Sing

Executive Directors
Mr. Yang Sze Chen, Peter
Mr. Lau Chuk Kin
Ms. Choi Ching Kam, Dora
Mr. Lam Wing Yip (appointed on 7 September 2012)

Independent non-executive Directors
Mr. Yeung Ka Sing
Prof. Lee Hau Leung
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

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 Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group's management information updates to give them aware of the Group's affairs and facilitates them to discharge their duties under the relevant requirements of the Listing Rules.

The Board held 4 Board meetings and one annual general meeting ("AGM") in 2012. Details of the attendance of the Board are as follows:

	Attended/Held	
Directors	Board meeting	AGM
Mr. Yang Sze Chen, Peter	4/4	0/1
Mr. Lau Chuk Kin	4/4	0/1
Ms. Choi Ching Kam, Dora	4/4	0/1
Mr. Lam Wing Yip (appointed on 7 September 2012)	1/1	N/A
Mr. Yeung Ka Sing	3/4	0/1
Prof. Lee Hau Leung	4/4	0/1
Mr. Tsui King Chung, David	4/4	1/1
Dr. Ng Lai Man, Carmen	4/4	0/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge responsibility for overseeing the preparation of the financial statements for the year ended 31 December 2012.

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.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Yeung Ka Sing is the chairman of the Company. The Chairman's responsibility is to oversee the functioning of the Board and the strategies and policies of the Group.

The Company has no specific title named as chief executive officer and the daily operation and management of the Company is monitored by the executive directors.

PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an induction training so as to ensure that he has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organized by professional bodies or chambers in Hong Kong. All directors are requested to provide the Company with their respective training records pursuant to the Code.

All Directors have participated in appropriate continuous professional development and refresh their knowledge and skills during the year for ensuring their contribution to the Board remains informed and relevant. Such professional development was completed either by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business-related research which are relevant to the business or directors duties.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the Corporate Governance Functions to the compliance officer, Mr. Lau Chuk Kin. The compliance officer is responsible for the corporate governance duties as follows:

(a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

(b) To review and monitor the training and continuous professional development of directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company is Ms. Tan Lai Ming, a fellow member of The Hong Kong Institute of Certified Public Accountants. Ms. Tan is also the financial controller of the Company. As an employee of the Company, the company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. She has taken not less than 15 hours of relevant professional training in 2012.

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 the management's remuneration proposal with reference to corporate goals and objectives resolved by the Board from time to time.

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.

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management paid by the Group by band for the year ended 31 December 2012 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	6
HK$1,000,001 – HK$1,500,000	nil

NOMINATION COMMITTEE

The Nomination Committee of the Company was established in February 2012 comprising the Executive Director namely Mr. Lau Chuk Kin, the Independent Non-executive Directors namely Mr. Yeung Ka Sing, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen. The Chairman of the Nomination Committee is Mr. Yeung Ka Sing. The terms of reference of the Nomination committee are posted on the Company's website

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, selecting or making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession, and assessing the independence of the independent non-executive directors.

During the year, a meeting with 100% attendance of the Nomination Committee's members was duly held for reviewing the structure, size and composition, and assessing the independence of the independent non-executive directors of the board of directors. The Nomination Committee also recommended the Board for appointment of Mr. Lam Wing Yip as the Executive Director.

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 three meetings in 2012. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Dr. Ng Lai Man, Carmen	3/3
Mr. Yeung Ka Sing	2/3
Mr. Tsui King Chung, David	3/3

During the year, the Audit Committee met with senior management to review the Group's draft annual report and accounts, half-yearly report, internal audit report and circulars, and provided advice and comments thereon to the Company's Board of Directors. The Audit Committee members also met with external auditor to discuss matters arising from the audit and the nature and scope of the audit and reporting obligations before the audit commenced.

The Group's 2012 interim report and 2011 annual 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. For the 2011 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

AUDITOR'S REMUNERATION

The fees in relation to the audit service provided by BDO Limited, the external auditors of the Company, for the year ended 31 December 2012 amounted to HK$650,000 (2011: HK$450,000), and those in relation to non-audit services amounted to HK$100,000 (2011: HK$542,000).

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholders' Communication Policy in February 2012 reflecting mostly the current practices of the Company for communication with its shareholders. Information will be communicated to shareholders through:

– continuous disclosure to the Stock Exchange of all material information;

– periodic disclosure through the annual and interim reports;

– notices of meetings and explanatory material;

– the annual general meetings and other general meetings; and

– the Company's website at www.1010printing.com

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The code provision E.1.2 of the Code stipulates that the Chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board did not attend the annual general meeting held in 2012 due to other business engagement. An independent non-executive Director, who is also member of audit, remuneration and nomination committees, chaired the annual general meeting held in 2012 to answer questions and collect views of shareholders. The external auditor also attended the annual general meeting to answer questions of shareholders.

SHAREHOLDERS' RIGHTS

(i) *Procedures for members to convene a special general meeting ("SGM")*

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office in Bermuda and its principal place of business in Hong Kong, for the attention of the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Shareholders concerned themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

The written requisition must state the purposes of the general meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

The notice period to be given to all the registered Members for consideration of the proposal raised by the shareholders concerned at a SGM varies according to the nature of the proposal, as follows:

– at least twenty-one clear days' and not less than ten clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

– at least fourteen clear days' and not less than ten clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

(ii) *Procedures for a member to propose a person for election as a director*
As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.1010printing.com

(iii) *Procedures for directing Shareholders' enquires to the Board*
Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or by e-mail to investor@1010printing.com for the attention of the company secretary.

(iv) *Procedures for putting forward proposals at a general meeting*
Shareholders holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting of the Company; or (ii) not less then 100 Shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the Shareholders concern and deposited at the Company's registered office in Bermuda and its principal place of business in Hong Kong for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholders concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

Independent Auditor's Report

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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 38 to 98, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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.

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 2012, 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, 21 February 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012	2011
		HK$'000	HK$'000
Turnover	6	**700,065**	640,102
Direct operating costs		**(542,791)**	(518,393)
Gross profit		**157,274**	121,709
Other income	8	**26,554**	31,191
Selling and distribution costs		**(70,696)**	(56,223)
Administrative expenses		**(21,417)**	(16,525)
Other expenses		**(7,620)**	(4,863)
Finance costs	9	**(2,263)**	(2,288)
Profit before income tax	10	**81,832**	73,001
Income tax expense	13	**(13,682)**	(10,647)
Profit for the year		**68,150**	62,354
Other comprehensive income			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(225)**	43
Other comprehensive income for the year, net of tax		**(225)**	43
Total comprehensive income for the year		**67,925**	62,397
Profit for the year attributable to:			
Owners of the Company	14	**68,298**	62,307
Non-controlling interests		**(148)**	47
		68,150	62,354
Total comprehensive income attributable to:			
Owners of the Company		**68,075**	62,350
Non-controlling interests		**(150)**	47
		67,925	62,397
Earnings per share for profit attributable to owners of the Company during the year	16		
Basic		**HK13.66 cents**	HK14.50 cents
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012	2011
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	17	**213,382**	223,127
Intangible assets	19	**66,487**	9,614
Deferred tax assets	29	**3,803**	–
		283,672	232,741
Current assets			
Inventories	20	**73,523**	63,874
Trade and other receivables and deposits	21	**399,738**	266,013
Financial assets at fair value through profit or loss	22	**–**	1,023
Pledged cash and bank balances	24	**7,297**	–
Cash and cash equivalents	24	**96,193**	77,339
		576,751	408,249
Current liabilities			
Trade and other payables	25	**189,435**	85,531
Financial liabilities at fair value through profit or loss	22	**718**	–
Bank borrowings	26	**112,327**	111,251
Finance lease liabilities	27	**6,227**	6,060
Loan from intermediate holding company	28	**33,500**	–
Provision for taxation		**32,157**	8,912
		374,364	211,754
Net current assets		**202,387**	196,495
Total assets less current liabilities		**486,059**	429,236
Non-current liabilities			
Other payable	30	**32,000**	–
Finance lease liabilities	27	**526**	6,750
Deferred tax liabilities	29	**1,576**	13,454
		34,102	20,204
Net assets		**451,957**	409,032
EQUITY			
Share capital	31	**5,000**	5,000
Reserves	33	**446,161**	403,086
Equity attributable to owners of the Company		**451,161**	408,086
Non-controlling interests		**796**	946
Total equity		**451,957**	409,032

Director *Director*

Statement of Financial Position

As at 31 December 2012

	Notes	2012	2011
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	**313,876**	313,876
Current assets			
Other receivables		**194**	240
Amounts due from subsidiaries	23	**116,235**	97,313
Cash and cash equivalents	24	**310**	829
		116,739	98,382
Current liabilities			
Other payables		**635**	120
Loan from intermediate holding company	28	**33,500**	–
		34,135	120
Net current assets		**82,604**	98,262
Net assets		**396,480**	412,138
EQUITY			
Share capital	31	**5,000**	5,000
Reserves	33	**391,480**	407,138
Total equity		**396,480**	412,138

Director *Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company								Non-controlling interest	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Proposed final dividend	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 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
Share issue expenses	–	(9,267)	–	–	–	–	–	(9,267)	–	(9,267)
2011 interim 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
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 and 1 January 2012 as previously reported	5,000	387,108	(747)	(136,875)	–	15,000	138,600	408,086	946	409,032
Correction of prior period classifications (Note 33)	–	(310,125)	–	–	310,125	–	–	–	–	–
Balance as at 31 December 2011 and 1 January 2012 as restated	5,000	76,983	(747)	(136,875)	310,125	15,000	138,600	408,086	946	409,032
Final 2011 dividend paid (Note 15)	–	–	–	–	–	(15,000)	–	(15,000)	–	(15,000)
2012 interim dividend paid (Note 15)	–	–	–	–	–	–	(10,000)	(10,000)	–	(10,000)
Transactions with owners	–	–	–	–	–	(15,000)	(10,000)	(25,000)	–	(25,000)
Profit for the year	–	–	–	–	–	–	68,298	68,298	(148)	68,150
Other comprehensive income										
Currency translation	–	–	(223)	–	–	–	–	(223)	(2)	(225)
Total comprehensive income for the year	–	–	(223)	–	–	–	68,298	68,075	(150)	67,925
Balance at 31 December 2012	5,000	76,983	(970)	(136,875)	310,125	–	196,898	451,161	796	451,957

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012	2011
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		**81,832**	73,001
Adjustments for:			
Depreciation		**30,483**	27,739
Impairment of trade receivables		**7,620**	1,267
Impairment of trade receivables written back		**(294)**	(497)
Interest element of finance lease payments		**276**	422
Interest expenses		**1,987**	1,866
Interest income		**(110)**	(116)
Loss/(Gain) on financial assets/liabilities at fair value through profit or loss		**1,682**	(1,370)
(Gain)/Loss on disposals of property, plant and equipment		**(77)**	436
Reversal of write-down of inventories		**(2,900)**	–
Write-down of inventories		**4,896**	–
Operating profit before working capital changes		**125,395**	102,748
Increase in inventories		**(201)**	(3,969)
Decrease/(Increase) in trade and other receivables and deposits		**12,094**	(50,249)
Decrease in amounts due from fellow subsidiaries		**–**	688
Increase in trade and other payables		**18,954**	7,528
Decrease/(Increase) in financial assets/liabilities at fair value through profit or loss		**59**	(4,827)
Decrease in amounts due to fellow subsidiaries		**–**	(940)
Cash generated from operations		**156,301**	50,979
Income taxes		**(15,122)**	(1,426)
Net cash from operating activities		**141,179**	49,553
Cash flows from investing activities			
Interest received		**110**	116
Proceeds on disposals of property, plant and equipment		**1,526**	675
Purchases of property, plant and equipment		**(21,932)**	(40,967)
Acquisition of subsidiaries	38	**(95,702)**	(10,629)
Increase in pledged bank deposits		**(7,297)**	–
Net cash used in investing activities		**(123,295)**	(50,805)

	2012	2011
	HK$'000	HK$'000
Cash flows from financing activities		
Increase in loan from intermediate holding company	**33,500**	–
Decrease in amounts due to intermediate holding company	**–**	(1,704)
Proceeds of bank borrowings	**121,259**	85,558
Repayments of bank borrowings	**(120,195)**	(60,719)
Interest on bank and other borrowings paid	**(1,987)**	(1,671)
Proceeds of issue of shares	**–**	87,500
Payment of share issue expenses	**–**	(9,267)
Capital element of finance lease liabilities paid	**(6,057)**	(7,007)
Interest element of finance lease payments	**(276)**	(422)
Dividends paid	**(25,000)**	(30,000)
Capital contribution from non-controlling interests	**–**	154
Net cash from financing activities	**1,244**	62,422
Net increase in cash and cash equivalents	**19,128**	61,170
Effect of exchange rate fluctuations, net	**(274)**	35
Cash and cash equivalents at 1 January	**77,339**	16,134
Cash and cash equivalents at 31 December	**96,193**	77,339
Analysis of cash and cash equivalents		
Cash at banks and in hand	**103,490**	77,339
Pledged cash and bank balances	**(7,297)**	–
	96,193	77,339

Notes to the Financial Statements

For the year ended 31 December 2012

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 Units 2&3, 5/F, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, 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 2012, 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 ("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. Except for the acquisition of Asia Pacific Offset Limited on 28 December 2012 which are detailed in Note 38(b) to the financial statements, there were no significant changes in the Group's operations during the year.

The financial statements for the year ended 31 December 2012 were approved for issue by the board of directors of the Company (the "Directors") on 21 February 2013.

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 was 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 for year ended 31 December 2010 were 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").

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") were 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 year ended 31 December 2010 and up to the date of Reorganisation and all assets and liabilities directly related to the Excluded Companies were carved out and excluded in the consolidated financial statements as follows:

	2012	2011
	HK$'000	HK$'000
Revenue	**–**	–
Loss for the year	**–**	(11)
Total assets	**–**	–
Total liabilities	**–**	–
Net liabilities	**–**	–

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 38 to 98 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 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.

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 non-controlling interests even if this results in those non-controlling interests having a deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Intangible assets

(i) 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. Goodwill on acquisition of subsidiaries is included in intangible assets.

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.

For goodwill arising on 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.

(ii) Non competition covenants

Non competition covenants acquired in business combination are recognised at fair value at the date of acquisition. Non competition covenants have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using straight-line method over the expected useful lives of two years. The amorisation expense is recognised in profit or loss and included in administrative expenses.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see Note 3.16).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets (Continued)

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.

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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial assets (Continued)

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.

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, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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 leases corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.12 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, amounts due to group companies and loan from intermediate holding company.

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 (including loan from intermediate holding company) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial liabilities (Continued)

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 derivative 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Impairment of non-financial assets

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

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are 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 other 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.

3.17 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Employee benefits (Continued)

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Income taxes

Income tax for the year comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

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
- income tax expense

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

Segment assets include all assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Segment reporting (Continued)

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.

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

  (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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

New/amended HKFRSs that have been issued but are not yet effective

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.

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.

4. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

New/amended HKFRSs that have been issued but are not yet effective (Continued)

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.

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 and non competition covenants

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.6 and tests whenever there are indications that the carrying amount of non competition covenants may not be recoverable as disclosed in Note 3.16. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
People's Republic of China ("PRC")	**–**	–	**194,720**	204,044
United States	**289,390**	233,504	**92**	111
United Kingdom	**160,140**	141,295	**13**	15
Australia	**135,951**	160,198	**42**	48
Hong Kong (domicile)	**22,260**	15,554	**88,805**	28,523
Germany	**36,328**	29,820	**–**	–
New Zealand	**19,227**	18,393	**–**	–
Netherlands	**5,375**	10,639	**–**	–
Belgium	**4,402**	8,309	**–**	–
France	**2,878**	3,321	**–**	–
Others	**24,114**	19,069	**–**	–
	700,065	640,102	**283,672**	232,741

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) the physical location of the assets (for property, plant and equipment) and (2) location of operations (for intangible assets).

No customer attributed more than 10% of the Group's total revenue (2011: 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:

	2012	2011
	HK$'000	HK$'000
Reportable segment profit	**84,095**	75,641
Equity-settled share-based payments	**–**	(352)
Finance costs	**(2,263)**	(2,288)
Profit before income tax	**81,832**	73,001
Reportable segment liabilities	**294,563**	107,253
Deferred tax liabilities	**1,576**	13,454
Borrowings	**112,327**	111,251
Group liabilities	**408,466**	231,958

8. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Sales of scrapped paper and by-products	**19,424**	23,846
Net foreign exchange gain	**4,769**	4,414
Gain on financial assets at fair value through profit or loss	**–**	1,370
Impairment of trade receivables written back	**294**	497
Interest income	**110**	116
Gain on disposals of property, plant and equipment	**77**	–
Sundry income	**1,880**	948
	26,554	31,191

9. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	**1,977**	1,667
Interest charges on other bank borrowings, wholly repayable within five years	**–**	4
Interest expenses payable to intermediate holding company	**10**	195
Finance lease charges	**276**	422
	2,263	2,288

10. PROFIT BEFORE INCOME TAX

	2012	2011
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**740**	536
Impairment of receivables	**7,620**	1,267
Cost of inventories recognised as expense	**377,615**	338,742
Write-down of inventories	**4,896**	–
Reversal of write-down of inventories	**(2,900)**	–
Depreciation (Note 17)		
– Owned	**29,839**	25,175
– Held under finance leases	**644**	2,564
Net foreign exchange gain	**(4,769)**	(4,414)
(Gain)/Loss on disposals of property, plant and equipment	**(77)**	436
Loss/(Gain) on financial assets/liabilities at fair value through profit or loss	**1,682**	(1,370)
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	**9,017**	8,777
Staff costs (Note 12)	**100,970**	32,121

Notes:

Auditor's remuneration for other services paid during the year is HK$100,000 (2011: HK$542,000).

Depreciation charges of HK$27,974,000 (2011: HK$25,524,000) and HK$2,509,000 (2011: HK$2,215,000) have been included in direct operating costs and administrative expenses respectively.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(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
2012						
Executive directors						
Mr. Yang Sze Chen, Peter	–	**1,800**	–	–	–	**1,800**
Mr. Lau Chuk Kin	–	**900**	–	–	–	**900**
Ms. Choi Ching Kam, Dora	–	**771**	–	**14**	–	**785**
Mr. Lam Wing Yip (appointed on 7 September 2012)	–	**360**	–	**5**	–	**365**
Independent non-executive directors						
Mr. Yeung Ka Sing	**180**	–	–	–	–	**180**
Prof. Lee Hau Leung	**120**	–	–	–	–	**120**
Mr. Tsui King Chung, David	**180**	–	–	–	–	**180**
Dr. Ng Lai Man, Carmen	**180**	–	–	–	–	**180**
	660	**3,831**	–	**19**	–	**4,510**
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

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 2012 and 2011, 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' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS
(Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including two* (2011: one) Director(s) whose emoluments are reflected in Note 11(a) are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and other benefits	**6,926**	6,429
Retirement benefit scheme contributions	**149**	23
Equity-settled share-based payments	**–**	193
	7,075	6,645

* Mr. Lam Wing Yip, being one of five highest paid individuals, was appointed as the Company's director on 7 September 2012 and his emoluments after appointment as the Company's directors were included in Note 11(a). His emoluments from 1 January 2012 to 6 September 2012 were included in Note 11 (b),

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
Nil – HK$1,000,000	**2**	–
HK$1,000,001 – HK$3,000,000	**3**	5

During each of the two years ended 31 December 2012 and 2011, 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)

	2012	2011
	HK$'000	HK$'000
Directors' fee	**660**	330
Wages, salaries and other benefits	**96,171**	30,529
Equity-settled share-based payments (Note 33)	**–**	352
Retirement benefit scheme contributions	**4,139**	910
	100,970	32,121

13. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	HK$'000	HK$'000
Hong Kong profits tax		
Current year	**28,155**	8,218
(Over)/Under-provision in prior years	**(230)**	201
	27,925	8,419
Overseas tax		
Current year	**753**	53
(Over)/Under-provision in prior years	**(79)**	102
	674	155
Deferred tax (Note 29)		
Current year	**(14,917)**	2,073
	13,682	10,647

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

	2012	2011
	HK$'000	HK$'000
Profit before income tax	**81,832**	73,001
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	**12,501**	11,719
Tax effect of non-taxable revenue	**(22)**	(629)
Tax effect of non-deductible expenses	**1,011**	3,342
Tax effect of profit not subject to tax under 50:50 arrangement	**–**	(4,729)
Tax effect of tax losses not recognised	**501**	641
(Over)/Under-provision in prior years	**(309)**	303
Income tax expense	**13,682**	10,647

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$68,298,000 (2011: HK$62,307,000), profit of HK$9,342,000 (2011: HK$30,030,000) has been dealt with in the financial statements of the Company.

15. DIVIDENDS

(a) Dividends attributable to the year:

	2012	2011
	HK$'000	HK$'000
Interim dividends (Note)	**–**	20,000
Interim dividend of HK$0.02 (2011: HK$0.02) per share	**10,000**	10,000
Proposed final dividend of Nil (2011: HK$0.03) per share	**–**	15,000
	10,000	45,000

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

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:

	2012	2011
	HK$'000	HK$'000
Interim dividends (Note)	**–**	20,000
Interim dividend of HK$0.02 (2011: HK$0.02) per share	**10,000**	10,000
Final dividend of HK$0.03 (2011: Nil) per share in respect of the previous financial year	**15,000**	–
	25,000	30,000

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.

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$68,298,000 (2011: HK$62,307,000) and on the weighted average number of 500,000,000 (2011: 429,794,521 as adjusted to reflect ordinary shares issued for the Group Reorganisation (Note 31(c)) ordinary shares in issue during the year.

No diluted earnings per share are presented as the Group has no dilutive potential ordinary shares during the year (2011: 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 2011								
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 (Note 38)	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
Year ended 31 December 2012								
Opening net book amount	**16,489**	**1,639**	**1,726**	**20,646**	**1,889**	**719**	**180,019**	**223,127**
Exchange differences	**–**	**1**	**4**	**–**	**2**	**(1)**	**63**	**69**
Additions	**–**	**288**	**629**	**859**	**616**	**–**	**19,540**	**21,932**
Acquisition of subsidiaries (Note 38)	**–**	**56**	**18**	**1**	**97**	**14**	**–**	**186**
Disposals	**–**	**–**	**(10)**	**–**	**–**	**–**	**(1,439)**	**(1,449)**
Depreciation	**(447)**	**(649)**	**(708)**	**(4,664)**	**(1,747)**	**(258)**	**(22,010)**	**(30,483)**
Closing net book amount	**16,042**	**1,335**	**1,659**	**16,842**	**857**	**474**	**176,173**	**213,382**
At 31 December 2012								
Cost	**16,590**	**4,365**	**4,494**	**43,126**	**9,835**	**1,554**	**266,950**	**346,914**
Accumulated depreciation	**(548)**	**(3,030)**	**(2,835)**	**(26,284)**	**(8,978)**	**(1,080)**	**(90,777)**	**(133,532)**
Net book amount	**16,042**	**1,335**	**1,659**	**16,842**	**857**	**474**	**176,173**	**213,382**

Net book amount of property, plant and equipment as at 31 December 2012 includes the net carrying amount of HK$20,876,000 (2011: HK$21,520,000) held under finance leases.

As at 31 December 2012, the Group's leasehold land and buildings were situated on medium-term leasehold land in Hong Kong.

As at 31 December 2012, the Group's leasehold land and buildings with net book amount of HK$16,042,000 (2011: Nil) were pledged to secure general bank facilities granted to the Group and certain of the Group's property, plant and equipment with net book amount of HK$186,000 (2011: Nil) were collateralised against the banking facilities granted to the Group. Details are set out in Note 26.

18. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**313,876**	313,876

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

19. INTANGIBLE ASSETS – GROUP

	Goodwill	Non competition covenants	Total
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2011	–	–	–
Acquired through business combination (Note 38(a))	9,614	–	–
Carrying amount at 31 December 2011 and 1 January 2012	9,614	–	9,614
Acquired through business combination (Note 38(b))	56,132	741	56,873
Carrying amount at 31 December 2012	65,746	741	66,487

Goodwill is allocated to the Group's CGU. A summary of goodwill allocation is presented below:

	2012	2011
	HK$'000	HK$'000
Express Ocean Investment Limited and O.G. Printing Productions Limited	**9,614**	9,614
Asia Pacific Offset Limited ("APOL")	**56,132**	–
	65,746	9,614

The recoverable amount for the CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the printing business in which the CGU operates. The discount rates used for value in use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

19. INTANGIBLE ASSETS – GROUP (Continued)

The key assumptions used for value in use calculations are as follows:

	Express Ocean Investment Limited and O.G. Printing Productions Limited		APOL	
	2012	2011	**2012**	2011
Growth rate	**7%**	7%	**0%**	–
Pre-tax discount rate	**12%**	12%	**25%**	–

Apart from the considerations described above in determining the value in use of the CGU, management is not aware of any other probable changes that would necessitate changes in the key assumptions. Management determines that the CGU containing goodwill does not suffer any impairment.

The non competition covenants arose from the acquisition of APOL on 28 December 2012. In accordance with HKFRS 3 "Business Combination", the Group recognised the APOL's assets, liabilities and contingent liabilities which include intangible assets at the acquisition date. The fair value of non competition covenants on the completion date of the acquisition was determined based on a valuation performed by an independent professional valuer, Ascent Partners Valuation Service Limited. The valuation is determined based on a cash flow projection to be generated from APOL with or without the non competition covenants on the acquisition.

The non competition covenants have definite useful lives and are amortised on straight-line method over their expected useful lives of two years.

20. INVENTORIES – GROUP

	2012	2011
	HK$'000	HK$'000
Raw materials	**55,209**	46,265
Work-in-progress	**23,002**	20,256
Finished goods	**1,290**	1,335
	79,501	67,856
Less: Provision for net realisable value	**(5,978)**	(3,982)
	73,523	63,874

During the year, the Group made a provision for inventories of HK$4,896,000 (2011: Nil) and reversed a write-down of inventories of HK$2,900,000 (2011: Nil) as a result of an increase in the estimated net realisable value of the inventories. These amounts are included in "direct operating costs" in profit or loss.

As at 31 December 2012, the Group's inventories of HK$11,529,000 (2011: Nil) were collateralised against the banking facilities granted to the Group as set out in note 26.

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS – GROUP

	2012	2011
	HK$'000	HK$'000
Trade receivables	**399,150**	257,473
Less: Provision for impairment of trade receivables	**(8,239)**	(1,794)
Trade receivables – net	**390,911**	255,679
Other receivables and deposits	**8,827**	10,334
	399,738	266,013

As at 31 December 2012, the Group's trade and other receivables of HK$151,383,000 (2011: Nil) were collateralised against the banking facilities granted to the Group as set out in note 26.

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

	2012	2011
	HK$'000	HK$'000
Balance at the beginning of the year	**1,794**	1,131
Amounts written off during the year	**(901)**	(51)
Impairment losses recognised during the year	**7,620**	1,267
Impairment losses recovered during the year	**(294)**	(497)
Exchange difference	**20**	(56)
Balance at the end of the year	**8,239**	1,794

The Group recognised provision for impairment of trade receivables on individual assessment based on the accounting policy stated in Note 3.7.

Ageing analysis of trade receivables, net of provision as at 31 December 2012, based on the invoice date, is as follows:

	2012	2011
	HK$'000	HK$'000
0 – 30 days	**85,956**	60,262
31 – 60 days	**82,351**	44,427
61 – 90 days	**71,619**	31,924
91 – 120 days	**63,214**	45,024
121 – 150 days	**57,525**	36,295
Over 150 days	**30,246**	37,747
Total trade receivables	**390,911**	255,679

The Group allows a credit period from 45 to 180 days (2011: 45 to 180 days) to its 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.

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS – GROUP (Continued)

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 2012, the Group determined trade receivables of HK$8,239,000 (2011: HK$1,794,000) as impaired respectively and as a result, impairment loss of HK$7,620,000 (2011: HK$1,267,000) has been recognised. The impaired trade receivables are due from the customers experiencing financial difficulties that have the possibility of default or delinquency of payments.

As at 31 December 2012 and 2011, 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:

	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**309,274**	154,354
1 – 30 days past due	**50,616**	51,832
31 – 90 days past due	**26,957**	42,642
Over 90 days past due but less than one year	**4,064**	6,851
	81,637	101,325
	390,911	255,679

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 – GROUP

This relates to the forward foreign exchange contracts which are considered by management as 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 SUBSIDIARIES – COMPANY

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

24. PLEDGED CASH AND BANK BALANCES AND 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$10,599,000 (2011: HK$18,713,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC'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.

As at 31 December 2012, the Group's cash at banks and in hand of HK$7,297,000 (2011: Nil) were collateralised against the banking facilities as set out in Note 26.

25. TRADE AND OTHER PAYABLES – GROUP

	2012	2011
	HK$'000	HK$'000
Trade payables	**85,888**	47,871
Other payables and accruals	**103,547**	37,660
	189,435	85,531

As at 31 December 2012, ageing analysis of trade payables based on invoice date is as follows:

	2012	2011
	HK$'000	HK$'000
0 – 30 days	**39,250**	30,482
31 – 60 days	**24,100**	12,177
61 – 90 days	**17,752**	4,654
91 – 120 days	**1,444**	208
Over 120 days	**3,342**	350
	85,888	47,871

Credit terms granted by the suppliers are generally 0 – 90 days (2011: 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 to their fair values.

26. BANK BORROWINGS – GROUP

	2012	2011
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	**24,636**	47,824
– Bank loans due for repayment after one year which contain a repayment on demand clause	**87,691**	63,427
Total bank borrowings	**112,327**	111,251

The current portion includes bank borrowings of HK$87,691,000 (2011: HK$63,427,000) 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 for 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.

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:

	2012	2011
	HK$'000	HK$'000
Within one year	**47,760**	72,004
In the second year	**23,124**	18,256
In the third to fifth year	**37,263**	20,991
Wholly repayable within 5 years	**108,147**	111,251
After five years	**4,180**	–
	112,327	111,251

Bank borrowings as at 31 December 2012, included (1) bank loans brought forward from 2011 with original principal amounts of HK$103.6 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, and a new borrowings of HK$56.3 million obtained during the year. These bank borrowings are repayable in 1 to 7 years through monthly instalments and (2) trade finance facilities of HK$16.7 million which is repayable within one year. All bank borrowings except for HK$12,000 are secured by the corporate guarantees from the Company and bank borrowings of HK$10 million are further secured by personal guarantee from the non-controlling shareholder of the Company and the Group's leasehold land and buildings of HK$16,042,000 (Note 17).

As at 31 December 2012, bank borrowings of HK$12,000 of one of the Group's subsidiaries are secured by a charge over proceeds from documentary credit and an all monies debenture over the assets (Notes 17, 20, 21 and 24) and an undertaking of the subsidiary. The subsidiary's bank borrowings are subject to the fulfilment of covenants relating to the subsidiary's net asset position. Should this subsidiary breach the covenants, the drawn down facilities will become payable on demand. At the end of each reporting period, none of the covenants relating to drawn down facilities had been breached.

26. BANK BORROWINGS – GROUP (Continued)

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 a new borrowings 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) bank borrowings of HK$12.0 million under the loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region and (4) short-term bank borrowings of RMB20.0 million, equivalent to HK$24.4 million, which were repayable within 2 months from the date of borrowing and were 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.

Effective interest rate of the bank borrowings ranged from 1.56% to 5.17% (2011: 2.15% to 5.49%) per annum for the year.

27. FINANCE LEASE LIABILITIES – GROUP

	2012	2011
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	**6,335**	6,326
Due in the second to fifth years	**527**	6,854
	6,862	13,180
Future finance charges on finance leases	**(109)**	(370)
Present value of finance lease liabilities	**6,753**	12,810

	2012	2011
	HK$'000	HK$'000
Present value of minimum lease payments:		
Due within one year	**6,227**	6,060
Due in the second to fifth years	**526**	6,750
	6,753	12,810
Less: Portion due within one year included under current liabilities	**(6,227)**	(6,060)
Non-current portion included under non-current liabilities	**526**	6,750

The Group entered into finance lease for various items of machineries. The lease runs for an initial period of four years (2011: three to five years) and does 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.

At as 31 December 2012 and 2011, all finance lease liabilities are secured by the corporate guarantees from the Company.

28. LOAN FROM INTERMEDIATE HOLDING COMPANY

This loan is unsecured, interest bearing at 3 months' HIBOR rate plus 2.25% (2011: Nil) per annum and repayable on demand.

29. 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

Details of the deferred tax assets/(liabilities) recognised and movement during the current and prior years are as follows:

	Accelerated tax depreciation		Fair value adjustments arising from acquisition of subsidiaries		Impairment of trade receivables		Write-down of inventories		Provision of staff benefit costs		Non competition covenants		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**(12,820)**	(10,747)	**(634)**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(13,454)**	(10,747)
Credited/(Charged) to profit or loss	**11,954**	(2,073)	**17**	–	**-**	–	**1,495**	–	**1,451**	–	**-**	–	**14,917**	(2,073)
Acquisition of subsidiaries (Note 38)	**29**	–	**-**	(634)	**857**	–	**-**	–	**-**	–	**(122)**	–	**764**	(634)
At 31 December	**(837)**	(12,820)	**(617)**	(634)	**857**	–	**1,495**	–	**1,451**	–	**(122)**	–	**2,227**	(13,454)

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012	2011
	HK$'000	HK$'000
Deferred tax assets	**3,803**	–
Deferred tax liabilities	**(1,576)**	(13,454)
	2,227	(13,454)

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investment enterprises established in the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate to the Group is 10%. The Group is liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2012, deferred tax liabilities of HK$176,000 (2011: Nil) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's subsidiary established in the PRC as the Company controls the dividend policy of the subsidiary and the Directors are of the opinion that profits will not probably be distributed in the foreseeable future.

29. DEFERRED TAX LIABILITIES (Continued)

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 is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of unutilised tax losses	**501**	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 brought forward from prior year have been used to set-off with assessable profits for the current year.

30. OTHER PAYABLE – GROUP

The balance represented the outstanding payable to the vendors for the acquisition of APOL by the Group and is repayable on 28 December 2014.

31. SHARE CAPITAL

	Notes	Number 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 January 2012 and 31 December 2012		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, 1 January 2012 and 31 December 2012		500,000,000	5,000

31. SHARE CAPITAL (Continued)

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.

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

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 2012	Reclassification (Note)	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2012
Directors	2008	18.8.2010 to 17.8.2013	300,000	–	(300,000)	–	–
	2010	23.6.2011 to 22.6.2015	900,000	450,000	(750,000)	–	600,000
	2010	23.6.2012 to 22.6.2015	900,000	450,000	(300,000)	–	1,050,000
			2,100,000	900,000	(1,350,000)	–	1,650,000
Employees	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	11.6.2011 to 10.6.2015	312,000	–	(274,000)	(37,000)	1,000
	2010	11.6.2012 to 10.6.2015	450,000	–	(300,000)	(75,000)	75,000
	2010	23.6.2011 to 22.6.2015	1,200,000	(450,000)	(300,000)	–	450,000
	2010	23.6.2012 to 22.6.2015	1,200,000	(450,000)	(150,000)	–	600,000
			3,762,000	(900,000)	(1,624,000)	(112,000)	1,126,000
Total			5,862,000	–	(2,974,000)	(112,000)	2,776,000
Weighted average exercise price			HK$1.523	–	HK$1.415	HK$1.600	HK$1.635

Note:

Mr Lam Wing Yip was appointed as director of the Company on 7 September 2012 and his share options previously granted in the capacity as the Group's employee were reclassified for the year ended 31 December 2012.

32. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Grantees	Share option type	Exercisable period	Number of share options: 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

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 nil (2011: HK$352,000) were charged to profit or loss for the year ended 31 December 2012. 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 for the year ended 31 December 2011.

(iii) As at 31 December 2012, 2,776,000 (2011: 3,312,000) share options are exercisable and the weighted average exercise price of these share options is HK$1.64 (2011: HK$1.46).

(iv) As at 31 December 2012, the weighted average remaining contractual life for the outstanding share options is 903 days (2011: 1,441 days).

(v) The weighted average share price at the date of exercise was HK$3.13 for the year ended 31 December 2012 (2011: HK$2.84).

33. RESERVES

Group

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 41. Nature and purpose of the reserves is as follows:

(a) Share premium

The application of the share premium account is governed by Section 40 of Bermuda Companies Act 1981 (as amended).

(b) Exchange reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong Dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in Note 3.4.

(c) Merger reserve

This represented the difference between the par value of the shares of 1010 Printing Group Limited issued in exchange for the entire share capital of 1010 Group Limited pursuant to the Group Reorganisation.

(d) Contributed surplus

The contributed surplus represents the difference between the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof.

Company

Movements in the Company's reserves are as follows:

	Company				
	Share premium	Contributed surplus	Proposed final dividend	Retained earnings	Total
	HK$'000	HK$'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
2011 interim dividend paid	–	–	–	(10,000)	(10,000)
Proposed final 2011 dividend (Note 15)	–	–	15,000	(15,000)	–
Balance as at 31 December 2011 as previously reported	387,108	–	15,000	5,030	407,138
Correction of prior period classifications (Note)	(310,125)	310,125	–	–	–
Balance as at 31 December 2011 as restated	76,983	310,125	15,000	5,030	407,138
Profit for the year	–	–	–	9,342	9,342
Final 2011 dividend paid	–	–	(15,000)	–	(15,000)
2012 interim dividend paid	–	–	–	(10,000)	(10,000)
Balance as at 31 December 2012	76,983	310,125	–	4,372	391,480

33. RESERVES (Continued)

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

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Note:

In 2011 financial statements, the difference between the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof of HK$310,125,000 was credited to share premium account. Pursuant to the directors' resolution dated 20 June 2011, this amount should be credited to the contributed surplus account of the Company. Accordingly, a correction of prior year classifications is made as at 1 January 2012. This correction do not have any impact to the Group's net profit for the years ended 31 December 2011 and 2012 and the Group's and the Company's net assets as at 31 December 2011 and 2012.

34. OPERATING LEASE COMMITMENTS

Group

As at 31 December 2012, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**9,718**	8,709
In the second to fifth years inclusive	**32,955**	19,459
After five years	**21,141**	–
	63,814	28,168

The Group leases a number of properties and production facilities under operating leases. The leases run for an initial period ranged from one to eight years (2011: 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 2011 and 2012, the Company had no commitments under non-cancellable operating leases.

35. CAPITAL COMMITMENTS

	Group	
	2012	2011
Contracted but not accounted for in respect of acquisition of property, plant and equipment	**902**	9,746

Company

As at 31 December 2011 and 2012, the Company did not have any significant capital commitments.

36. CORPORATE GUARANTEES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Corporate guarantees given and utilised	**–**	–	**117,068**	99,661

As at 31 December 2012, the Company provided corporate guarantees to its subsidiaries to the extent of HK$262,591,000 (2011: HK$187,591,000) in relation to the Group's bank borrowings and finance lease liabilities as set out in Note 26 and 27 to the financial statements respectively, HK$117,068,000 (2011: HK$99,661,000) 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 transaction

For the year ended 31 December 2012, there was no material non-cash transaction.

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

38. BUSINESS COMBINATION

(a) Acquisition of Express Ocean Investment Limited and O.G. Printing Productions Limited

On 16 September 2011, the Group acquired 80% equity interests in Express Ocean Investment Limited and O.G. Printing Productions Limited, both of which are limited liability companies incorporated in Hong Kong, for a cash consideration of HK12,731,000. These companies are engaged in the provision of graphic design. The acquisition of these companies allowed 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 were expensed and were included in administrative expenses for the year ended 31 December 2011.

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

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.

38. BUSINESS COMBINATION (Continued)

(a) Acquisition of Express Ocean Investment Limited and O.G. Printing Productions Limited (Continued)

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

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 was also the gross contractual amounts of these trade and other receivables acquired. None of the contractual cash flows of the above amount was 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.

38. BUSINESS COMBINATION (Continued)

(b) Acquisition of APOL

On 12 December 2012, the Group entered into the share transfer agreement with independent third parties to acquire the entire issued share capital of APOL at a consideration of HK$160 million. APOL is engaged in the business of printing, binding, colour separation and other printed and non-printed books, magazines and other printed material. The acquisition of this company allowed the Group to broaden its clientele base in the Europe and the United States of America.

The acquisition was completed on 28 December 2012. On 28 December 2012, the Group owned 93.33% equity interest in APOL whilst the remaining equity interest in APOL will be transferred to the Group on 28 December 2013. According to the share transfer agreement, the Group has already obtained all the rights for the entire equity interest of APOL (including the right to all dividends declared) since 28 December 2012. Goodwill of HK$56,132,000 arose on the acquisition of APOL, reflecting the benefits of revenue growth and future market development of APOL contributed to the Group's existing printing services. An amount of HK$100 million was paid during the year whilst the remaining considerations of HK$28 million and HK$32 million (Note 30) are payable on 28 February 2013 and 28 December 2014 respectively.

The acquisition-related costs of HK$710,000 have been expensed and are included in administrative expenses for the year ended 31 December 2012.

The acquired business contributed revenue of HK$1,191,000 and a profit after income tax of HK$67,000 to the Group for the period from 29 December 2012 to 31 December 2012.

Had the acquisition occurred on 1 January 2012, the Group's revenue and profit after income tax would have been HK$1,181,826,000 and HK$105,470,000 respectively for the year ended 31 December 2012. 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 2012, nor is it intended to be a projection of future results.

38. BUSINESS COMBINATION (Continued)

(b) Acquisition of APOL (Continued)

Details of net assets acquired were as follows:

	HK$'000
Purchase consideration – cash paid	100,000
Other payables (included in trade and other payables under current liabilities)	28,000
Other payable (under non-current liabilities)	32,000
Fair value of net assets acquired (see below)	(103,868)
Goodwill (Note 19)	56,132
Purchase consideration settled in cash	(100,000)
Cash and cash equivalents acquired	4,298
Cash outflow on acquisition of subsidiaries	(95,702)

Assets and liabilities arising from this acquisition were as follows:

	Fair value	Acquiree's carrying amount
	HK$'000	HK$'000
Property, plant and equipment	186	186
Intangible assets – non competition covenants	741	–
Deferred tax assets	886	886
Inventories	11,444	11,444
Trade and other receivables	153,165	153,165
Cash and cash equivalents	4,298	4,298
Trade and other payables	(56,950)	(56,950)
Bank borrowings	(12)	(12)
Provision for taxation	(9,768)	(9,768)
Deferred tax liabilities	(122)	–
Net assets acquired	103,868	103,249

The fair value of trade and other receivables at the date of acquisition amounted to HK$153,165,000 which was also the gross contractual amounts of these trade and other receivables acquired. None of the contractual cash flows of the above amount was estimated to be uncollectible.

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 and 28 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	2012	2011
			HK$'000	HK$'000
Intermediate holding company				
Cinderella Media	Interest expense	(i)	**10**	195
Fellow subsidiaries				
Recruit Information Technology Limited ("RIT")	Computer service fees paid	(ii)	**–**	30
Recruit Management Services Limited ("RMS")	Administration service fees paid	(ii)	**–**	50
Related company				
OGP Management Corp.	Rental expenses	(iii)	**631**	351

Notes:

(i) Interest expense was charged based on the outstanding loan balance charged at interest rate of 3 months' HIBOR rate plus 2.25% (2011: 3%) per annum for the year, which was determined based on the cost of borrowing Cinderella Media.

(ii) RIT provided information technology services whereas RMS provided general administrative services for the year ended 31 December 2011. 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. 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.

(iii) Rental expenses were charged by a related company, OGP Management Corp., in which Mr. Li Hoi, David (appointed as the executive Director on 1 February 2013), the non-controlling interest has controlling interest, for leasing of office premises. The lease runs for a period of one year (2011: one year) 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 (i) and (iii) above, other transactions have been discontinued upon the listing of the Company's share on the SEHK.

The above related party transactions also constitute exempted connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities 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	PRC, sino-foreign equity enterprise	N/A	RMB150,000,000 (registered capital)	49%	Production and distribution of books and publications, PRC
Investor Vantage Limited	12 November 2012	BVI, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
Asia Pacific Offset Limited@	15 December 1978	Hong Kong, limited liability company	Ordinary	HK$150,000	93.33%	Provision of printing services, Hong Kong

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

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

\# The Group's interest in this company are 49% held directly by 1010 Printing International Limited, a subsidiary of the Company, and 51% held on trust by a third party on behalf of 1010 Printing International Limited. In the opinion of the Directors, 1010 Printing International Limited has full control on this company by way of contractual agreements entered into among 1010 Printing International Limited, the company and the registered shareholders. Accordingly, the company is a wholly owned subsidiary of 1010 Printing International Limited.

@ As at 31 December 2012, the Group owned 93.33% equity interest in this company. The remaining 6.67% will be acquired on 28 December 2013. As the Group has obtained full control and all the rights for the entire equity interest of this company, the company was deemed as a wholly owned subsidiary. Details are set out in Note 38(b).

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 23% (2011: 26%) 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.

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.

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

(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

2012

	US$'000	**RMB'000**	**AUD'000**
Trade and other receivables	**36,371**	**35**	**5,256**
Cash and cash equivalents	**7,647**	**311**	**543**
Trade and other payables	**(2,669)**	**(5,005)**	**(61)**
	41,349	**(4,659)**	**5,738**
Notional amounts of forward foreign exchange contracts	**(1,030)**	**–**	**2,000**
	40,319	**(4,659)**	**7,738**

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)

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

(b) Currency risk (Continued)

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.

Group

	2012		2011	
	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$	**0.6%**	**1,868**	0.3%	458
	(0.6%)	**(1,868)**	(0.3%)	(458)
RMB	**0.8%**	**(46)**	4.3%	(450)
	(0.8%)	**46**	(4.3%)	450
AUD	**1.3%**	**795**	6.8%	(25)
	(1.3%)	**(795)**	(6.8%)	25

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 26 and 27 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.

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

(d) Liquidity risk (Continued)

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$202,387,000 (2011: HK$196,495,000) and net assets of HK$451,957,000 (2011: HK$409,032,000) as at 31 December 2012. 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.

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 2012					
Non-derivative financial liabilities					
Current liabilities					
Trade and other payables	189,435	189,435	189,435	–	–
Bank borrowings	112,327	112,327	112,327	–	–
Finance lease liabilities	6,753	6,862	1,584	4,751	527
Loan from intermediate holding company	33,500	33,500	33,500	–	–
Non-current liabilities					
Other payable	32,000	32,000	–	–	32,000
	374,015	374,124	336,846	4,751	32,527
Derivative financial liabilities					
Net settled forward foreign exchange contracts					
– cash outflow/(inflow)	718	718	777	(59)	–

41. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

(Continued)

(d) Liquidity risk

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					
Current 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
	209,592	209,962	198,363	4,745	6,854

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.

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	After 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment on demand clause based on scheduled repayments:						
31 December 2012	**112,327**	**116,984**	**23,134**	**26,644**	**62,879**	**4,327**
31 December 2011	111,251	113,888	54,541	18,956	40,391	–

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

(d) Liquidity risk (Continued)

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 2012					
Non-derivative financial liabilities					
Current liabilities					
Other payables	**635**	**635**	**635**	**–**	**–**
Loan from intermediate holding company	**33,500**	**33,500**	**33,500**	**–**	**–**
	34,135	**34,135**	**34,135**	**–**	**–**
Financial guarantees issued					
Maximum amount guaranteed	**262,591**	**262,591**	**262,591**	**–**	**–**
As at 31 December 2011					
Non-derivative financial liabilities					
Current 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Current assets				
Financial assets at fair value through profit or loss				
– Held for trading	**–**	1,023	**–**	–
Loans and receivables:				
– Trade and other receivables	**392,881**	255,751	**194**	240
– Amounts due from subsidiaries	**–**	–	**116,235**	97,313
– Pledged cash and bank balances	**7,297**	–	**–**	–
– Cash and cash equivalents	**96,193**	77,339	**310**	829
	496,374	334,113	**116,739**	93,382
Financial liabilities				
Current liabilities				
Financial liabilities at fair value through profit or loss				
– Held for trading	**718**	–	**–**	–
Financial liabilities measured at amortised cost:				
– Trade and other payables	**189,435**	85,531	**635**	120
– Bank borrowings	**112,327**	111,251	**–**	–
– Finance lease liabilities	**6,227**	6,060	**–**	–
– Loan from intermediate holding company	**33,500**	–	**33,500**	–
Non-current liabilities				
Financial liabilities measured at amortised cost:				
Other payable	**32,000**	–	**–**	–
– Finance lease liabilities	**526**	6,750	**–**	–
	374,733	209,592	**34,135**	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:

	2012 – Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Liabilities				
Forward foreign exchange contracts (Note)	**–**	**(718)**	**–**	**(718)**
Net fair values	**–**	**(718)**	**–**	**(718)**

	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

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 2011 and 2012 amounted to approximately HK$409,032,000 and HK$451,957,000 respectively, which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

The Group's overall strategy in capital management remains unchanged during the year.

43. EVENT AFTER THE REPORTING PERIOD

On 22 and 25 January 2013, the Group acquired the remaining 20% equity interest in Oceanic Graphic International Inc. and O.G. Printing Productions Limited at a consideration of HK$154,000 and HK$320,000, respectively. These companies became the indirectly wholly-owned subsidiaries of the Company thereafter.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five 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	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue and turnover	331,240	447,343	521,989	640,102	**700,065**
Profit before income tax	16,062	60,134	66,387	73,001	**81,832**
Income tax expense	(1,126)	(5,230)	(4,731)	(10,647)	**(13,682)**
Profit for the year	14,936	54,904	61,656	62,354	**68,150**
Attributable to:					
Owners of the Company	15,105	55,131	61,677	62,307	**68,298**
Non-controlling interests	(169)	(227)	(21)	47	**(148)**
Profit for the year	14,936	54,904	61,656	62,354	**68,150**

	As at 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	342,162	414,930	487,580	640,990	**860,423**
Total liabilities	(274,859)	(292,932)	(190,112)	(231,958)	**(408,466)**
Total equity	67,303	121,998	297,468	409,032	**451,957**

Corporate Information

Board of Directors

EXECUTIVE DIRECTORS
Mr. Yang Sze Chen, Peter
Mr. Lau Chuk Kin
Mr. Li Hoi, David
Mr. Lam Wing Yip

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 *CPA, FCCA*

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

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Legal Adviser
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Central
Hong Kong

Principal Bankers
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Share Registrars and Transfer Offices

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Pembroke HM08, Bermuda

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