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

Stock Code: 1127

Annual Report 2014

Contents

Chairman's Statement

2014 was another year of solid performance of the group with sales turnover and net profit setting new records. Our throughput of HK$1.32 billion and 100 million copies of books has firmly established 1010 as a leading global supplier of printed books. The Group's proven record in supply chain management and close business ties with strategic customers have paved the foundation of a sustainable future.

In May 2014, our former controlling shareholder, the Hong Kong listed Cinderella Media Group Limited distributed its 60.2% stake in the Group to its existing shareholders. As a result, City Apex Limited, with its 33.5% stake, became the group's major shareholder. City Apex is majority owned and controlled by Mr. C.K. Lau, director and founder of 1010.

In November 2014, the Group completed the acquisition of OPUS Group, a AUD$110 million sales turnover company whose shares are traded on the Australia Stock Exchange ("ASX"). OPUS, with plants in Australia, Singapore and New Zealand is one of the premier print service providers in Australia serving corporate customers in the book publishing and government sectors. It has one of the largest installations of digital printing equipment in the Southern Hemisphere. Whilst OPUS does not fall into the asset-light criteria that 1010 prefers, its scale of operations, particularly in digital printing and the projected return on investment make it an attractive tactical acquisition for the Group. We expect OPUS to make a meaning contribution to our 2015 earnings.

The OPUS acquisition is the first major cross border deal for 1010 and for that matter, any Hong Kong/China based printer. It presents unique opportunities for the 1010 management team to learn from an overseas operation and transfer practices that have worked well at 1010. We are confident that our staff will rise up to the challenge.

To our new colleagues from OPUS, we extend a warm welcome and to our existing staff, a big thank you for the hard work and contributions that you have made in the past year.

Yeung Ka Sing
Chairman
Hong Kong, 27 February 2015

Management Discussion and Analysis

BUSINESS REVIEW

In China, the Group has stayed the course of its asset-light strategy and did not expand its in-house production capacity. However, it has made significant investment in the purchase of automated assembly line and improvement of production workflow. Our single site manufacturing facility in Yuanzhou, China has improved its operating efficiency, most noticeably in the binding section. We believe that Yuanzhou, with its annual output of over 70 million copies of books, ranks among one of the most efficient facilities in the book printing industry in the world. Going forward, the Group will continue that strategy with the aim of reducing its reliance on unskilled workers.

The Group faces daunting challenges. Some have been with us for a long time: margin erosion and escalating labor costs. Foreign exchange exposure, however, is becoming a critical and urgent issue for the Group since September 2014 when the US Dollar started its rapid appreciation against all major currencies. The Group's long standing policy of hedging its foreign currency exposure by selling forward its foreign currency denominated account receivables had successfully mitigated our potential loss. Management correctly read the trend of the Renminbi and did not fully hedge the currencies risk by entering into forward buying contracts in the Chinese currency which declined vs the Hong Kong dollar in 2014. This has translated into a saving of about HK$3 million to the Group. However, the strong US dollar has eroded the buying power of our Australian and European publishing customers. In recent months, we have seen some customers having to cancel their publishing projects because of the weakness of their local currencies. This will have a sizable impact on the sales turnover of the Group.

At OPUS, our ASX listed 62% owned subsidiary where 1010 management has been closely involved in the management since August, 2014, a major resetting of its cost base has resulted in the elimination of AUD$14 million annual expenses, mostly relating to staff, interest, corporate and procurement issues. The integration of OPUS IT and procurement functions into the 1010's Group system is making good progress and expected to be completed by the first half of 2015. The next phase is to increase OPUS' sales turnover to targeted corporate customers, partly leveraging on the existing relationships that 1010 has in the book publishing sector. The recent decline in the value of the Australian dollar is already attracting business from customers to bring back their print orders on-shore. The reduced cost base of OPUS has enabled its management to offer more aggressive pricing to customers. Initial response has been positive. Management is confident that OPUS will be a meaningful contributor to 1010's earnings in 2015.

PROSPECT

Whilst the 2014 financial results saw the Group scaling new heights, we are cautious of the prospects in 2015. A major player in the printing industry in Hong Kong has recently issued a warning of the drop in its profit results for 2014. Our industry faces tough challenges posted by margin erosion and double digit annual increase in labor costs. A key success factor for the book printing industry in China has been the access to quality paper supply at very competitive prices and short delivery lead time. Until now, it has been a buyer's market. The tipping point is fast approaching. Paper has been sold at price levels which do not allow the mills to make a meaningful return on their capital investment. Already, we have come across cases when mills had walked away from orders which previously they would have taken on. The expansion in production capacity in the paper industry is coming to an end and no new coated art paper mills are on the drawing board. We believe that the excess production capacity will eventually be absorbed by the growing domestic Chinese demand. Most industry experts forecast that 2018 will be the beginning of a seller's market for text paper in China, and for that matter, the world. By that time, global price for coated art and uncoated woodfree paper for the publishing industry will increase significantly and exert pressure on China based book printers.

Looking ahead, 2015 will see our long maintained 10% net profit on sales margin come under tremendous pressure as trading conditions remain challenging. Much will depend on the strength of the US dollar in 2015.

CK Lau
Executive Director
Hong Kong, 27 February 2015

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover for the year ended 31 December 2014 was approximately HK$1,316.2 million and represented an increase of 13% from the previous corresponding year (2013: HK$1,163.5 million). The increase in revenue was contributed from the subsidiary, OPUS Group Limited ("OPUS"), which was acquired on 3 November 2014. Gross profit margin for the year maintained at 27% which was same as last year.

The significantly increase in other income was caused by the non-recurring gains recorded in 2014. In September 2014, the Group recorded HK$4.1 million gain on disposal of subsidiary, Express Ocean Investment Limited ("EOIL"). EOIL is a property holding company. In July 2014, the Group purchased a debt amounted to AUD$51.4 million owed by OPUS from Commonwealth Bank of Australia at consideration of AUD$20.88 million (the "CBA Debt"). The Group converted the CBA Debt to equity of OPUS on 3 November 2014. Before converting the CBA Debt, OPUS had paid HK$5.9 million interest to the Group. There was a fair value gain of HK$ 26.4 million on the CBA Debt as at the date of debt conversion.

Selling and distribution costs increased by 2% to approximately HK$168.5 million (2013: HK$165.0 million). The increase was mainly caused by the inclusion of OPUS results starting from November 2014 and OPUS's selling and distribution costs to turnover ratio was lower when compared with other subsidiaries of the Company.

Administrative expenses increased significantly by approximately 103% to HK$60.3 million (2013: HK$29.7 million) were mainly attributable to the inclusion of additional overhead expenses in OPUS and increase in equity-settled share-based payments of HK$5.7 million.

Other expenses for the year represented provision for impairment on trade receivables. An increase of 71% in other expenses was a result of management conservative assessment on the debtor repayment performance in the year.

The Group's total comprehensive income attributable to owners of the Company amounted to approximately HK$140.5 million (2013: HK$125.7 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had net current assets of approximately HK$362.0 million (31 December 2013: HK$379.4 million) of which the cash and bank balances were approximately HK$158.3 million (31 December 2013: HK$145.4 million). The Group's current ratio was approximately 1.8 (31 December 2013: 2.5).

Total borrowings for the Group amounted to HK$128.5 million (31 December 2013: HK$65.1 million). Borrowings of the Group comprised of bank borrowings and finance lease liabilities. As at 31 December 2014, borrowings of HK$80.1 million, HK$23.3 million and HK$25.1 million are denominated in Hong Kong dollars, US dollars and Australian dollars respectively. All borrowings are at floating rates and repayable within five years. The Group's gearing ratio as at 31 December 2014 was 16.2% (31 December 2013: 9.8%), 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 monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

FOREIGN CURRENCY MANAGEMENT

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

CAPITAL EXPENDITURE

During the year, the Group had acquired property, plant and equipment at approximately HK$23.7 million. The purchase is financed by internal resources. The net book amount of property, plant and equipment includes net carrying amount of approximately HK$3.5 million (31 December 2013: HK$19.0 million) in respect of assets held under finance leases.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities.

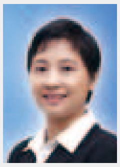
Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Yang Sze Chen, Peter, aged 76, 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 62, 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 OPUS Group Limited, a subsidiary of the Company whose shares are listed on the Australian Securities Exchange. He was formerly the managing director of an executive search consultancy in Hong Kong and also founded a main board listed printing company. Mr. Lau obtained a Bachelor of Arts degree from the University of Minnesota 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 57, 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.

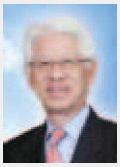


Ms. Lam Mei Lan, aged 48, was appointed as the executive Director on 9 January 2015. Ms. Lam holds a Doctor of Business Administration degree from The Hong Kong Polytechnic University. She is a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Lam has over 25 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organization in Hong Kong. Ms. Lam is an Executive Director of Cinderella Media Group Limited, a former substantial shareholder of the Company whose shares are listed on the Stock Exchange of Hong Kong Limited, and OPUS Group Limited, a subsidiary of the Company whose shares are listed on the Australian Securities Exchange. She is also a director of City Apex Limited, a substantial shareholder of the Company.

Mr. Lam Wing Yip, aged 41, 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 18 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.

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS



Mr. Yeung Ka Sing, *GBS, MBE, JP*, aged 73, 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 62, 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. 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., Synnex Corporation, a public company on NYSE in the U.S., Global Brands Group and Frontier Services Group, both of which public companies on HKSE in H.K., and Esquel Group.

Mr. Tsui King Chung, David, aged 68, 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 50, 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, Master of Professional Accounting degree from the Hong Kong Polytechnic University and Master of Science in Global Finance jointly offered by Leonard N. Stern School of Business of New York University and School of Business and Management from the Hong Kong University of Science of Technology.

Dr. Ng is currently an independent non-executive director of Goldin Properties Holdings Limited (stock code: 283), eSun Holdings Limited (stock code: 571) and Global International Credit Group Limited (stock code: 1669) all being companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Cheung Ning, aged 50, 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 64, 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 45, is the vice president of Business Development & System 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 15 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 58, is the printing superintendent of the production plant at Yuanzhou 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. Richard F. Celarc, aged 58, is the chairman and executive director of OPUS Group Limited, a subsidiary of the Company whose shares are listed on the Australian Securities Exchange. Mr. Celarc was one of the foundation shareholders of the OPUS Group. Mr Celarc acquired full ownership of Ligare Australia, a subsidiary of OPUS, in 1996 and grew the business into the largest specialist book printer in New South Wales. He currently leads the OPUS's best practice program, working with the OPUS businesses to further develop operating efficiencies and ensure industry leading practice. Mr Celarc has been a key driver of the OPUS cross-site production strategy, ensuring the best use of equipment across the OPUS to deliver optimal customer outcomes.

Having been a print business owner for over 35 years, Mr Celarc has a wealth of industry knowledge and operational experience. He is well respected in industry with a reputation of high integrity and good work ethics.

Mr. Su Leigang, aged 38, is the deputy general manager of the Group and joined Cinderella Media Group Limited in 2005. He obtained a Master's degree in information system from the University of Southampton, United Kingdom and a bachelor's degree in industrial automation (computer control) from China Textile University (currently known as Donghua University), Shanghai, the PRC. Mr. Su has 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 37, 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 has been 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.

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 2014

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 42 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 24.

The directors have declared an interim dividend of HK$0.025 (2013: HK$0.02) per share, totaling HK$19,250,000 which was paid on 11 September 2014.

The Directors recommended a final dividend of HK$0.045 (2013: HK$0.04) per share (the "Final Dividend") for the year ended 31 December 2014 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 5 May 2015. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend will be payable on 15 May 2015.

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 page 27 and note 34 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 91 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 16 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 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. Li Hoi, David
Mr. Lam Wing Yip
Ms. Lam Mei Lan (appointed on 9 January 2015)

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, Ms. Lam Mei Lan, Mr. Lau Chuk Kin, Mr. Yeung Ka Sing and Dr. Ng Lai Man, Carmen will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICES CONTRACT

Each of the non-executive directors in 2014 has entered into a service contract with the Company for a term commencing from 25 July 2014 to 31 December 2016 and is subject to termination by either party giving not less than three months' prior written notice to 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 2014, 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) 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)	35,371,906	Nil	267,111,627	302,483,533	39.28
Mr. Yang Sze Chen, Peter	556,000	Nil	Nil	556,000	0.07
Mr. Li Hoi David	6,160,000	Nil	Nil	6,160,000	0.80
Ms. Lam Mei Lan	3,408,688	Nil	Nil	3,408,688	0.44
Mr. Lam Wing Yip	1,060,048	Nil	Nil	1,060,048	0.14

(b) Shares awarded during the year

Name of Director	Number of shares				
	Outstanding at 1.1.2014	Granted during the year	Vested during the year	Cancelled/lapsed during the year	Outstanding at 31.12.2014
Mr. Yang Sze Chen, Peter (Note 2)	556,000	–	(556,000)	–	–
Mr. Lam Wing Yip (Note 2)	416,000	–	(416,000)	–	–

Notes:

1. Of 267,111,627 shares, 678,910 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by Cinderella Media Group Limited ("Cinderella Media"), City Apex Limited and ER2 Holdings Limited ("ER2 Holdings") respectively. As at 31 December 2014, Cinderella Media was owned as to 53.34% by City Apex Ltd and as to 1.70% by ER2 Holdings. ER2 Holdings was the ultimate holding company of City Apex Limited of which Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

2. 556,000 and 416,000 shares awarded to Mr. Yang and Mr. Lam respectively are fully vested on 31 December 2014. The said shares have been included in note (a) above and will be transferred to Mr. Yang and Mr. Lam in 2015.

Directors' Report

Save as disclosed above, as at 31 December 2014, 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.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 33 to the financial statements.

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 2014, 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:

	Nature of interest			
Name of shareholder	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 1)	35,371,906	267,111,627	302,483,533	39.28
ER2 Holdings Limited (Note 1)	8,297,391	258,814,236	267,111,627	34.69
City Apex Limited (Note 1)	258,135,326	678,910	258,814,236	33.61
JobStreet Corporation Berhad	54,112,030	Nil	54,112,030	7.03
Mr. Webb David Michael (Note 2)	16,433,168	37,691,808	54,124,976	7.02
Mr. Chen Huang Zhi	52,299,804	Nil	52,299,804	6.79

Note:

Note 1: Of 267,111,627 shares, 678,910 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by Cinderella Media, City Apex Limited and ER2 Holdings respectively. As at 31 December 2014, Cinderella Media was owned as to 53.34% by City Apex Ltd and as to 1.70% by ER2 Holdings. ER2 Holdings was the ultimate holding company of City Apex Limited of which Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Note 2: Of 54,124,976 shares, 37,691,808 shares are beneficially owned by Preferable Situation Assets Limited. As at 31 December 2014, Preferable Situation Assets Limited is 100% directly owned by Mr. Webb David Michael and therefore Mr. Webb is deemed to be interested in the said shares held by Preferable Situation Assets Limited.

Directors' Report

Save as disclosed above, as at 31 December 2014, 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 30% and 14% of the Group's total purchases for the year ended 31 December 2014 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 32% and 14% of the Group's total sales for the year ended 31 December 2014 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 2014, 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the transactions regarded as connected transactions for the year are set out in note 41 to the Financial Statements. 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 Chapter 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 2014, 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 16 to 21 of the annual report.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2014, the Group had around 1,465 employees (2013: 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, 27 February 2015

Corporate Governance Report

The Group has adopted practices which meet the Corporate Governance Code and Corporate Governance Report during the year (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 2014.

BOARD OF DIRECTORS

The Board comprises eight Directors, of whom four are executive Directors 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 non-executive Directors in 2014 has entered into a service contract with the Company for a term commencing from 25 July 2014 to 31 December 2016 and is subject to termination by either party giving not less than three months' prior written notice to 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 2014 were:

Chairman
Mr. Yeung Ka Sing

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
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.

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

Corporate Governance Report

The Board held 5 Board meetings and one annual general meeting ("AGM") in 2014. Details of the attendance of the Board are as follows:

	Attended/Held	
Directors	Board meeting	AGM
Mr. Yang Sze Chen, Peter	5/5	1/1
Mr. Lau Chuk Kin	5/5	1/1
Mr. Li Hoi David	3/5	0/1
Mr. Lam Wing Yip	5/5	1/1
Mr. Yeung Ka Sing	5/5	1/1
Prof. Lee Hau Leung	4/5	0/1
Mr. Tsui King Chung, David	5/5	1/1
Dr. Ng Lai Man, Carmen	5/5	1/1

ACCOUNTABILITY AND AUDIT

The Directors acknowledge responsibility for overseeing the preparation of the financial statements for the year ended 31 December 2014.

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/she 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 Report

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 2014.

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.

Corporate Governance Report

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 2014 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	3
HK$1,000,001 – HK$1,500,000	3
HK$4,000,001 – HK$4,500,000	1

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.

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 2014. 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	3/3
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.

Corporate Governance Report

The Group's 2014 interim report and 2013 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 2013 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 Audit 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 2014 amounted to HK$850,000 (2013: HK$730,000), and those in relation to non-audit services amounted to HK$200,000 (2013:HK$100,000).

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 Chairman of the Board attended the AGM held in 2013 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.

Corporate Governance Report

(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

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

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 24 to 90, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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.

Independent Auditor's Report

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 2014, 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
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 27 February 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014	2013
		HK$'000	HK$'000
Turnover	5	1,316,216	1,163,542
Direct operating costs		(963,582)	(851,271)
Gross profit		352,634	312,271
Other income	7	65,989	37,200
Selling and distribution costs		(168,490)	(164,952)
Administrative expenses		(60,310)	(29,698)
Other expenses		(9,362)	(5,483)
Finance costs	8	(3,174)	(2,395)
Profit before income tax	9	177,287	146,943
Income tax expense	12	(27,177)	(25,522)
Profit for the year		150,110	121,421
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		(9,101)	4,199
Other comprehensive income for the year, net of tax		(9,101)	4,199
Total comprehensive income for the year		141,009	125,620
Profit for the year attributable to:			
Owners of the Company	13	146,446	121,466
Non-controlling interests		3,664	(45)
		150,110	121,421
Total comprehensive income attributable to:			
Owners of the Company		140,479	125,667
Non-controlling interests		530	(47)
		141,009	125,620
Earnings per share for profit attributable to owners of the Company during the year	15		
Basic		HK19.02 cents	HK16.66 cents
Diluted		N/A	N/A

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014	2013
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	249,186	196,070
Investment properties	17	–	10,192
Intangible assets	19	175,836	66,117
Other non-current assets	21	6,370	–
Deferred tax assets	30	9,696	10,614
		441,088	282,993
Current assets			
Interest in associate	20	2,079	–
Inventories	22	111,345	79,802
Trade and other receivables and deposits	23	529,963	399,445
Financial assets at fair value through profit or loss	24	2,697	694
Pledged cash and bank balances	26	–	33,365
Cash and bank balances	26	158,348	112,035
		804,432	625,341
Current liabilities			
Trade and other payables	27	277,006	177,692
Bank borrowings	28	115,263	64,612
Finance lease liabilities	29	7,116	526
Provisions	31	31,794	–
Provision for taxation		11,267	3,064
		442,446	245,894
Net current assets		361,986	379,447
Total assets less current liabilities		803,074	662,440
Non-current liabilities			
Provisions	31	3,837	–
Finance lease liabilities	29	6,120	–
Deferred tax liabilities	30	222	967
		10,179	967
Net assets		792,895	661,473
EQUITY			
Share capital	32	7,700	7,700
Reserves	34	746,437	653,298
Equity attributable to owners of the Company		754,137	660,998
Non-controlling interests		38,758	475
Total equity		792,895	661,473

Director *Director*

Statement of Financial Position

As at 31 December 2014

	Notes	2014	2013
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	313,876	313,876
Current assets			
Other receivables		750	183
Amounts due from subsidiaries	25	221,257	214,290
Cash and bank balances	26	853	1,005
		222,860	215,478
Current liabilities			
Other payables		229	163
Net current assets		222,631	215,315
Net assets		536,507	529,191
EQUITY			
Share capital	32	7,700	7,700
Reserves	34	528,807	521,491
Total equity		536,507	529,191

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Other reserve	Employee compensation reserve	Shares held under share award scheme	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	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2013	5,000	76,983	(970)	(136,875)	310,125	–	–	–	–	196,898	451,161	796	451,957
2013 interim dividend paid (Note 14(b))	–	–	–	–	–	–	–	–	–	(15,400)	(15,400)	–	(15,400)
Rights issue of shares (Note 32(a))	2,000	98,000	–	–	–	–	–	–	–	–	100,000	–	100,000
Bonus issue of shares (Note 32(b))	700	(700)	–	–	–	–	–	–	–	–	–	–	–
Share issue expenses	–	(1,205)	–	–	–	–	–	–	–	–	(1,205)	–	(1,205)
Acquisition of non-controlling interests (Note 40)	–	–	–	–	–	(201)	–	–	–	–	(201)	(274)	(475)
Recognition of equity-settled share-based payment expenses (Note 33)	–	–	–	–	–	–	976	–	–	–	976	–	976
Transactions with owners	2,700	96,095	–	–	–	(201)	976	–	–	(15,400)	84,170	(274)	83,896
Profit for the year	–	–	–	–	–	–	–	–	–	121,466	121,466	(45)	121,421
Other comprehensive income													
Currency translation	–	–	4,201	–	–	–	–	–	–	–	4,201	(2)	4,199
Total comprehensive income for the year	–	–	4,201	–	–	–	–	–	–	121,466	125,667	(47)	125,620
2013 proposed final dividend (Note 14(a))	–	–	–	–	–	–	–	–	30,800	(30,800)	–	–	–
Balance at 31 December 2013 and 1 January 2014	7,700	173,078	3,231	(136,875)	310,125	(201)	976	–	30,800	272,164	660,998	475	661,473
2013 final dividend paid (Note 14(b))	–	–	–	–	–	–	–	–	(30,800)	–	(30,800)	–	(30,800)
2014 interim dividend paid (Note 14(b))	–	–	–	–	–	–	–	–	–	(19,250)	(19,250)	–	(19,250)
Acquisition of non-controlling interests (Note 40)	–	–	–	–	–	(272)	–	–	–	–	(272)	272	–
Recognition of equity-settled share-based payment expenses (Note 33)	–	–	–	–	–	–	6,641	–	–	–	6,641	–	6,641
Shares vested under share award scheme (Note 33)	–	–	–	–	–	–	(2,796)	–	–	(242)	(3,038)	–	(3,038)
Purchase of shares under share award scheme (Note 33)	–	–	–	–	–	–	–	(621)	–	–	(621)	–	(621)
Lapse of recognised equity-settled share-based payment expenses (Note 33)	–	–	–	–	–	–	(167)	–	–	167	–	–	–
Non-controlling interest derecognised through disposal of subsidiary (Note 38)	–	–	–	–	–	–	–	–	–	–	–	(377)	(377)
Non-controlling interests recognised through business combination (Note 39(a))	–	–	–	–	–	–	–	–	–	–	–	37,858	37,858
Transactions with owners	–	–	–	–	–	(272)	3,678	(621)	(30,800)	(19,325)	(47,340)	37,753	(9,587)
Profit for the year	–	–	–	–	–	–	–	–	–	146,446	146,446	3,664	150,110
Other comprehensive income													
Currency translation	–	–	(5,967)	–	–	–	–	–	–	–	(5,967)	(3,134)	(9,101)
Total comprehensive income for the year	–	–	(5,967)	–	–	–	–	–	–	146,446	140,479	530	141,009
2014 proposed final dividend (Note 14(a))	–	–	–	–	–	–	–	–	34,650	(34,650)	–	–	–
Balance at 31 December 2014	7,700	173,078	(2,736)	(136,875)	310,125	(473)	4,654	(621)	34,650	364,635	754,137	38,758	792,895

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014	2013
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		177,287	146,943
Adjustments for:			
Depreciation	9	36,067	30,732
Amortisation of intangible assets	9	371	370
Amortisation of other non-current assets	9	149	–
Interest income	7	(6,323)	(173)
Gain on early settlement of payables to the vendors for the acquisition of a subsidiary	7	–	(1,760)
Impairment of trade receivables	9	9,201	5,413
Bad debts written off	9	160	70
Impairment of trade receivables write back	7	(5,050)	(5,784)
Bad debts recovered	7	–	(175)
Interest element of finance lease payments	8	165	108
Interest expenses	8	3,009	2,287
Fair value gain on the loan receivables	7	(26,389)	–
Gain on financial assets/liabilities at fair value through profit or loss	7	(3,840)	(5,544)
Losses on disposals of property, plant and equipment	9	264	2,316
Gain on disposal of a subsidiary	7	(4,091)	–
Reversal of write-down of inventories	9	(9,995)	(78)
Write-down of inventories	9	4,308	5,071
Equity-settled share-based payment expenses	11	6,641	976
Operating profit before working capital changes		181,934	180,772
Decrease/(Increase) in inventories		8,150	(11,272)
Decrease in trade and other receivables and deposits		8,440	769
(Decrease)/Increase in trade and other payables		(18,107)	16,257
Increase in provisions		(6,337)	–
Decrease in financial assets at fair value through profit or loss		1,837	4,132
Cash generated from operations		175,917	190,658
Income taxes paid		(30,612)	(61,922)
Net cash generated from operating activities		145,305	128,736
Cash flows from investing activities			
Payment to acquire the loan receivables	39(a)	(153,468)	–
Acquisition of a subsidiary, net of cash acquired	39(a)	68,213	–
Borrowings advanced to OPUS Group Limited before acquisition		(32,400)	–
Disposals of a subsidiary, net of cash disposed	38	13,667	–
Interest received		6,323	173
Dividend received from associate	20	938	–
Proceeds on disposals of property, plant and equipment		1,987	5,463
Purchases of property, plant and equipment		(23,739)	(27,562)
Final payments of acquisition of subsidiaries	39(b)	–	(58,240)
Decrease/(increase) in pledged bank deposits		33,365	(26,068)
Net cash used in investing activities		(85,114)	(106,234)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014	2013
		HK$'000	HK$'000
Cash flows from financing activities			
Purchases of non-controlling interests	40	–	(475)
Repayments to former intermediate holding company		–	(33,500)
Proceeds of bank borrowings		131,914	–
Repayments of bank borrowings		(84,988)	(47,655)
Interest paid to former intermediate holding company		–	(255)
Interest on bank borrowings paid		(3,009)	(2,032)
Proceeds of issue of shares		–	100,000
Payment of share issue expenses		–	(1,205)
Capital element of finance lease liabilities paid		(2,875)	(6,227)
Interest element of finance lease liabilities paid		(165)	(108)
Dividends paid	14(b)	(50,050)	(15,400)
Purchase of shares under shares award scheme	33	(621)	–
Payments to employees under shares award scheme	33	(3,038)	–
Net cash used in financing activities		(12,832)	(6,857)
Net increase in cash and cash equivalents		47,359	15,645
Effect of exchange rate fluctuations, net		(1,046)	197
Cash and cash equivalents at 1 January		112,035	96,193
Cash and cash equivalents at 31 December		158,348	112,035
Analysis of cash and cash equivalents			
Cash and bank balances		158,348	112,035

Notes to the Financial Statements

For the year ended 31 December 2014

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.

The Company acts as an investment holding company. Details of the activities of its principal subsidiaries are set out in Note 42 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter.

As described in Note 39(a), on 3 November 2014, the Group acquired 61.88% equity interests in OPUS Group Limited ("OPUS", together with its subsidiaries referred to as the "OPUS Group"), a company incorporated in Australia, whose shares are listed on the Australian Securities Exchange, which is principally engaged in the distribution of published content. Details of the acquisition have been set out in the Company's circular dated 24 October 2014.

As described in Note 38, on 1 September 2014, the Group completed the disposals of its entire 80% equity interest in Express Ocean Investment Limited ("Express Ocean") which is principally engaged in the property investment. Details of the disposals have been set out in the Company's announcement dated 1 September 2014.

Other than the above, there were no significant changes in the Group's operations during the year.

The financial statements for the year ended 31 December 2014 were approved for issue by the board of directors of the Company (the "Directors") on 27 February 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 24 to 90 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 ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants 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. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 3.

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 4.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 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 acquired or disposed of during the year are included in the consolidated statement of profit or loss and other 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 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.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in 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.

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2.5 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.

Notes to the Financial Statements
For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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 any 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.

Freehold land in Australia is not depreciated. Depreciation on other 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 and freehold buildings	7 to 50 years or over the lease terms, whichever is shorter
Furniture and fixtures	10% – 50%
Office equipment	10% – 50%
Leasehold improvements	4% – 50% or over the lease terms, whichever is shorter
Computer equipment and systems	20% – 100%
Motor vehicles	12.5% – 33.33%
Machinery	5% – 50%

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.

2.7 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful live using straight-line method. The estimated useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Transfer from property, plant and equipment to investment property shall be made when, and only when, there is a change in use, evidenced by the end of owner-occupation. Transfer from investment property to property, plant and equipment shall be made when, and only when, there is a change in use, evidenced by the commencement of owner-occupation. The transfers between owned-occupied property and investment property which are measured at cost less accumulated depreciation and impairment losses, if any do not change the carrying amount of the property transferred and the cost of that property on transfer.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 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 any impairment losses. Amortisation is calculated using straight-line method over the expected useful lives of two years. The amortisation 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 2.17).

2.9 Financial assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(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 2.16 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:

Notes to the Financial Statements
For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

IMPAIRMENT OF 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.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using weighted average cost 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.

2.11 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 bank balances comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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.

(IV) ASSETS LEASED OUT UNDER OPERATING LEASES AS THE LESSOR

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on straight-line method over the lease term.

2.13 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.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial liabilities

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

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 2.19).

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 2.12).

BORROWINGS

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

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

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the 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

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

2.15 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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, publication sales and sale of scrapped paper and by-products 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.

– Rental income under operating leases is recognised on straight-line method over the term of relevant lease.

2.17 Impairment of other assets

Intangible assets, property, plant and equipment, investment properties and interests in subsidiaries and associate 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.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

(I) RETIREMENT BENEFIT SCHEMES

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

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

(II) SHARE-BASED EMPLOYEE COMPENSATION

The Group operates two equity-settled share-based compensation plans, including share option scheme and share award scheme to remunerate its employees, Directors and sale agents.

For share options granted by its former intermediate holding company, Cinderella Media Group Limited ("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 profit or loss and other comprehensive income with a corresponding credit to the amount due to intermediate holding company. This share option scheme has been discontinued since the Group was ceased to be the subsidiary of Cinderella Media in May 2014.

For share options granted by the Group, the share-based compensation is recognised as an expense in the Group's statement of profit or loss and other comprehensive income with a corresponding credit to the employee compensation reserve.

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.

For the share award scheme, when the trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held under share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares. When the trustee transfers the Company's shares to the grantees upon vesting, the related costs of the granted shares vested are transferred to share held under share award scheme. Accordingly, the related expense of the granted shares vested is transferred from employee compensation reserve. The difference arising from such transfer is debited or credited to retained earnings. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the employee compensation reserve.

(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.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits (Continued)

(IV) SHORT-TERM EMPLOYEE BENEFITS

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

(V) OTHER LONG-TERM EMPLOYEE BENEFITS

The liability for long service leave and annual leave in Australia which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

2.19 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.

2.20 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.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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.

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.

2.22 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Related parties (Continued)

(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.

Notes to the Financial Statements
For the year ended 31 December 2014

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

AMENDMENTS TO HKAS 32 – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

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.

HKFRS 9 – FINANCIAL INSTRUMENTS

This standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the 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.

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

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

HKFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

This standard is effective for accounting periods beginning on or after 1 January 2017. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the consolidated financial statements requires management to make judgement, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. 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.

Notes to the Financial Statements
For the year ended 31 December 2014

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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, the timing of the related tax and whether deferred tax assets are recognised on the statement of financial position.

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.

Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods are based on forecasted taxable income.

(vi) Fair value measurement
A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures financial assets at fair value through profit or loss at fair value. For more detailed information in relation to the fair value measurement of the items above, please refer to Note 44.

(vii) Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

5. TURNOVER

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

Notes to the Financial Statements

For the year ended 31 December 2014

6. 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 (excluding deferred tax assets)	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	–	–	175,011	189,069
United States of America ("USA")	461,204	458,720	131	189
United Kingdom	241,795	217,615	5	6
Australia	289,772	161,041	182,456	34
Spain	95,539	83,179	–	–
Brazil	45,954	52,647	–	–
Mexico	45,582	33,723	–	–
New Zealand	29,451	28,848	1,912	–
Germany	23,225	26,293	–	–
Chile	18,853	21,651	–	–
Hong Kong (domicile)	14,689	19,367	60,863	83,081
Bolivia	6,931	7,656	–	–
Italy	5,694	1,866	–	–
Singapore	5,345	246	11,014	–
Peru	1,204	12,967	–	–
Others	30,978	37,723	–	–
	1,316,216	1,163,542	431,392	272,379

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).

Revenue from the major customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	2014	2013
	HK$'000	HK$'000
Customer A	186,882	191,647
Customer B	141,247	–
	328,129	191,647

Revenue from these customers included the sales to entities which are known to the Group to be under common control with these customers.

Notes to the Financial Statements

For the year ended 31 December 2014

6. 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:

	2014	2013
	HK$'000	HK$'000
Reportable segment profit	187,102	150,314
Equity-settled share-based payments	(6,641)	(976)
Finance costs	(3,174)	(2,395)
Profit before income tax	177,287	146,943
Reportable segment liabilities	337,140	181,282
Deferred tax liabilities	222	967
Borrowings	115,263	64,612
Group liabilities	452,625	246,861

7. OTHER INCOME

	2014	2013
	HK$'000	HK$'000
Sales of scrapped paper and by-products	16,379	18,681
Net foreign exchange gains	–	3,332
Gain on financial assets at fair value through profit or loss	3,840	5,544
Impairment of trade receivables write back (Note 23)	5,050	5,784
Bad debts recovered	–	175
Interest income	6,323	173
Rental income	346	215
Gain on early settlement of payables to the vendors for the acquisition of a subsidiary (Note 39(b))	–	1,760
Fair value gain on loan receivables (Note 39(a))	26,389	–
Gain on disposal of a subsidiary (Note 38)	4,091	–
Write back of accruals	2,700	–
Sundry income	871	1,536
	65,989	37,200

Notes to the Financial Statements

For the year ended 31 December 2014

8. FINANCE COSTS

	2014	2013
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause,		
– wholly repayable within five years	2,870	1,799
– not wholly repayable within five years	139	233
Interest expenses to former intermediate holding company	–	255
Finance lease charges	165	108
	3,174	2,395

9. PROFIT BEFORE INCOME TAX

	2014	2013
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration (Note (i) below)	1,312	880
Impairment of receivables (Note 23)	9,201	5,413
Bad debts written off	160	70
Cost of inventories recognised as expense	463,562	431,069
Write-down of inventories (Note 22)	4,308	5,071
Reversal of write-down of inventories (Note 22)	(9,995)	(78)
Depreciation of property, plant and equipment (Note 16 and Note (ii) below)		
– Owned	35,545	28,690
– Held under finance leases	349	1,864
Depreciation of investment properties (Note 17)	173	178
Amortisation of intangible assets (Note 19)	371	370
Amortisation of other non-current assets (Note 21)	149	–
Loss on disposals of property, plant and equipment	264	2,316
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	12,788	9,923
Net foreign exchange loss	7,733	–
Direct operating expenses arising from investment properties that generated rental income	49	45
Staff costs (Note 11 and Note (iii) below)	185,891	158,702

Notes:

(i) Auditor's remuneration for other services paid during the year was HK$200,000 (2013: HK$100,000).

(ii) Depreciation charges of HK$33,532,000 (2013: HK$29,348,000) and HK$2,535,000 (2013: HK$1,206,000) have been included in direct operating costs and administrative expenses respectively.

(iii) Staff cost of HK$119,628,000 (2013: HK$99,055,000), HK$48,083,000 (2013: HK$52,200,000) and HK$18,180,000 (2013: HK$7,447,000) have been included in direct operating costs, selling and distribution costs and administrative expenses respectively.

Notes to the Financial Statements

For the year ended 31 December 2014

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fee	Salaries and allowances	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2014					
Executive directors					
Mr. Yang Sze Chen, Peter	–	2,454	–	472	2,926
Mr. Lau Chuk Kin	–	1,200	–	–	1,200
Mr. Lam Wing Yip	–	1,146	17	383	1,546
Mr. Li Hoi, David	–	1,716	–	–	1,716
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	6,516	17	855	8,048
2013					
Executive directors					
Mr. Yang Sze Chen, Peter	–	2,830	–	40	2,870
Mr. Lau Chuk Kin	–	900	–	–	900
Mr. Lam Wing Yip	–	1,200	15	29	1,244
Mr. Li Hoi, David (appointed on 1 February 2013)	–	1,233	–	–	1,233
Ms. Choi Ching Kam, Dora (resigned on 1 January 2013)	–	–	–	–	–
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	6,163	15	69	6,907

Particulars of the share award granted to the Directors under the share award scheme are set out in Note 33 to the financial statements.

During each of the two years ended 31 December 2014 and 2013, 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.

Notes to the Financial Statements
For the year ended 31 December 2014

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2013: one) director(s) whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining three (2013: four) individuals during the year are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and other benefits	6,720	8,787
Retirement benefit scheme contributions	289	298
Equity-settled share-based payments	789	526
	7,798	9,611

Their emoluments fell within the following bands:

	Number of individuals 2014	2013
Emolument bands		
HK$1,500,001 – HK$2,000,000	1	3
HK$2,000,001 – HK$2,500,000	1	–
HK$4,000,001 – HK$4,500,000	1	1
	3	4

During each of the two years ended 31 December 2014 and 2013, 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.

The emoluments paid or payable to members of senior management were within the following bands:

	Number of individuals 2014	2013
Emolument bands		
Nil – HK$1,000,000	3	3
HK$1,000,001 – HK$1,500,000	3	2
HK$4,000,001 – HK$4,500,000	1	1

Notes to the Financial Statements

For the year ended 31 December 2014

11. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2014	2013
	HK$'000	HK$'000
Directors' fee	660	660
Wages, salaries and other benefits	173,465	151,533
Equity-settled share-based payments (Note 33)	6,641	976
Retirement benefit scheme contributions	5,125	5,533
	185,891	158,702

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014	2013
	HK$'000	HK$'000
Current tax – Hong Kong profits tax		
Tax for the year	23,913	30,500
Under/(Over)-provision in prior years	62	(149)
	23,975	30,351
Current tax – overseas		
Tax for the year	5,472	2,478
Under-provision in prior years	50	–
	5,522	2,478
Deferred tax (Note 30)		
Current year	(2,320)	(7,307)
	27,177	25,522

Notes to the Financial Statements

For the year ended 31 December 2014

12. INCOME TAX EXPENSE (Continued)

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

	2014	2013
	HK$'000	HK$'000
Profit before income tax	177,287	146,943
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	31,277	22,131
Tax effect of non-taxable revenue	(6,674)	(24)
Tax effect of non-deductible expenses	4,734	3,598
Tax effect of temporary differences not recognised	(9,649)	–
Tax effect of tax losses not recognised	7,460	55
Utilisation of tax losses previously not recognised	(83)	(89)
Under/(Over)-provision in prior years	112	(149)
Income tax expense	27,177	25,522

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$146,446,000 (2013: HK$121,466,000), profit of HK$54,384,000 (2013: HK$48,340,000) has been dealt with in the financial statements of the Company.

14. DIVIDENDS

(a) Dividends attributable to the year:

	2014	2013
	HK$'000	HK$'000
Interim dividend of HK$0.025 (2013: HK$0.02) per share	19,250	15,400
Proposed final dividend of HK$0.045 (2013: HK$0.04) per share	34,650	30,800
	53,900	46,200

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 2014.

(b) Dividends approved and paid during the year:

	2014	2013
	HK$'000	HK$'000
Interim dividend of HK$0.025 (2013: HK$0.02) per share	19,250	15,400
Final dividend of HK$0.04 (2013: Nil) per share	30,800	–
	50,050	15,400

Notes to the Financial Statements

For the year ended 31 December 2014

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$146,446,000 (2013: HK$121,466,000) and on the number of 770,000,000 (2013: weighted average number of 729,037,000) 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 (2013: Nil).

16. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Freehold land and buildings	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	HK$'000
At 1 January 2013									
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
Year ended 31 December 2013									
Opening net book amount	–	16,042	1,335	1,659	16,842	857	474	176,173	213,382
Exchange differences	–	–	(3)	18	–	4	14	3,796	3,829
Additions	–	–	248	642	8,347	673	2,024	15,628	27,562
Disposals	–	–	(4)	(56)	(678)	(2)	(254)	(6,785)	(7,779)
Transfer to investment properties (Note 17)	–	(10,370)	–	–	–	–	–	–	(10,370)
Depreciation (Note 9)	–	(328)	(629)	(683)	(4,741)	(610)	(390)	(23,173)	(30,554)
Closing net book amount	–	5,344	947	1,580	19,770	922	1,868	165,639	196,070
At 31 December 2013									
Cost	–	5,790	4,550	4,962	48,991	10,505	2,476	278,258	355,532
Accumulated depreciation	–	(446)	(3,603)	(3,382)	(29,221)	(9,583)	(608)	(112,619)	(159,462)
Net book amount	–	5,344	947	1,580	19,770	922	1,868	165,639	196,070
Year ended 31 December 2014									
Opening net book amount	–	5,344	947	1,580	19,770	922	1,868	165,639	196,070
Exchange differences	(1,497)	–	(1)	(75)	(281)	(267)	(65)	(6,934)	(9,120)
Additions	–	–	614	992	4,970	1,128	273	15,762	23,739
Acquired through business combination (Note 39(a))	14,039	–	–	735	2,375	2,741	867	60,999	81,756
Disposals	–	–	–	–	(3)	–	(228)	(2,020)	(2,251)
Disposed through disposals of a subsidiary (Note 38)	–	(11,100)	–	–	–	–	–	–	(11,100)
Transfer from investment properties (Note 17)	–	5,986	–	–	–	–	–	–	5,986
Depreciation (Note 9)	(190)	(230)	(587)	(722)	(5,493)	(1,029)	(575)	(27,068)	(35,894)
Closing net book amount	12,352	–	973	2,510	21,338	3,495	2,140	206,378	249,186
At 31 December 2014									
Cost	12,536	–	5,116	6,727	55,373	14,286	2,950	347,831	444,819
Accumulated depreciation	(184)	–	(4,143)	(4,217)	(34,035)	(10,791)	(810)	(141,453)	(195,633)
Net book amount	12,352	–	973	2,510	21,338	3,495	2,140	206,378	249,186

16. PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

As at 31 December 2014, the Group's freehold land and buildings were situated in Australia.

As at 31 December 2013, the Group's leasehold land and buildings were situated in Hong Kong and were held under medium-term leases.

Net book amount of property, plant and equipment as at 31 December 2014 includes the net carrying amount of HK$3,509,000 (2013: HK$19,012,000) held under finance leases (Note 29).

As at 31 December 2014, none of the Group's leasehold land and buildings was pledged to secure bank borrowings granted to the Group (Note 28) (2013: HK$5,344,000).

As at 31 December 2014, none of the Group's property, plant and equipment was collateralised against the banking facilities granted to the Group (2013: HK$442,000).

During the year, certain of the investment properties (Note 17) were transferred to leasehold land and buildings as those properties were owner-occupied, rather than leased to the independent third parties to earn rental income or held for capital appreciation.

17. INVESTMENT PROPERTIES – GROUP

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes were measured using the cost model and were classified and accounted for as investment properties.

Changes to the carrying amounts presented in the statement of financial position can be summarised as follows:

	2014	2013
	HK$'000	HK$'000
Opening net book amount	10,192	–
Transfer from leasehold land and buildings (Note 16)	–	10,370
Transfer to leasehold land and buildings (Note 16)	(5,986)	–
Depreciation (Note 9)	(173)	(178)
Disposal through disposal of a subsidiary (Note 38)	(4,033)	–
Closing net book amount	–	10,192
At 31 December		
Cost	–	10,370
Accumulated depreciation	–	(178)
Net book amount	–	10,192

As at 31 December 2013, the Group's investment properties were situated in Hong Kong, held under medium-term leases and pledged to secure bank borrowings granted to the Group (Note 28).

Notes to the Financial Statements

For the year ended 31 December 2014

17. INVESTMENT PROPERTIES – GROUP (Continued)

As at 31 December 2013, the fair value of the investment properties was approximately HK$17,900,000 which was a level 3 recurring fair value measurement and was based on the valuation performed by an independent professional valuer. For the investment properties which were subject to tenancy, the fair value was estimated using investment approach by taking into account the current passing rent of these properties being held under existing tenancy and the revisionary potential of the tenancy if they have been or would be let to tenant. For the investment properties which were not subject to tenancy but held for capital appreciation, the fair value was estimated using comparison approach assuming sale in its existing state with the benefit of vacant possession by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments had been made to account for the differences between the properties and the comparables in terms of other relevant factors. The fair value measurement was based on the above properties' highest and best use, which did not differ from their actual use.

18. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	313,876	313,876

Details of principal subsidiaries are set out in Note 42 to the financial statements.

19. INTANGIBLE ASSETS – GROUP

	Goodwill	Non competition covenants	Total
	HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2013	65,746	741	66,487
Amortisation	–	(370)	(370)
Carrying amount at 31 December 2013 and 1 January 2014	65,746	371	66,117
Amortisation	–	(371)	(371)
Derecognised on disposal of a subsidiary (Note 38)	(8,320)	–	(8,320)
Acquired through business combination (Note 39(a))	118,410	–	118,410
Carrying amount at 31 December 2014	175,836	–	175,836

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

	2014	2013
	HK$'000	HK$'000
O.G. Printing Productions Limited	1,294	1,294
Express Ocean	–	8,320
Asia Pacific Offset Limited ("APOL")	56,132	56,132
OPUS	118,410	–
	175,836	65,746

19. INTANGIBLE ASSETS – GROUP (Continued)

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.

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

	O.G. Printing Productions Limited		APOL		OPUS	
	2014	2013	2014	2013	2014	2013
Growth rate	0%	0%	0%	0%	0%	–
Pre-tax discount rate	12%	12%	17%	18%	17%	–

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 included 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 was determined based on a cash flow projection to be generated from APOL with or without the non competition covenants on the acquisition. Having been fully amortised during the year, the non competition covenants had definite useful lives and were amortised on straight-line method over their expected useful lives of two years.

20. INTEREST IN ASSOCIATE – GROUP

	2014	2013
	HK$'000	HK$'000
Acquired through business combination (Note 39(a))	3,379	–
Dividend received	(938)	–
Exchange differences	(362)	–
Carrying amount at 31 December	2,079	–

Details of the associate are as follows:

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of ownership interests/ voting rights/ profit share
Denward Court Pty Limited ("Denward")	Corporation	Australia	Trade print finishing in Australia	33.33

Notes to the Financial Statements
For the year ended 31 December 2014

20. INTEREST IN ASSOCIATE – GROUP (Continued)

The primary business of Denward is the trade print finishing. This is in alignment with the Group's provision of printing services.

	2014	2013
	HK$'000	HK$'000
Profit for the period	–	–
Other comprehensive income	–	–
Total comprehensive income	–	–

In a general meeting of Denward held on 22 January 2015, it was resolved that Denward would be wound up and Denward appointed a liquidator.

21. OTHER NON-CURRENT ASSETS – GROUP

The prepayment for the lease related to the lease of the operational facility building in Singapore for 10 years, starting from 2013. The unamortised cost of HK$6,370,000 is recorded as a non-current asset on the statement of financial position as at 31 December 2014. Amortisation of HK$149,000 has been recognised to profit or loss during the year.

22. INVENTORIES – GROUP

	2014	2013
	HK$'000	HK$'000
Raw materials	75,270	56,788
Work-in-progress	32,111	22,737
Finished goods	3,964	277
	111,345	79,802

During the year, the Group made a provision for inventories of HK$4,308,000 (2013: HK$5,071,000) and write-down of inventories of HK$9,995,000 was reversed (2013: HK$78,000) as these inventories were sold at prices higher than their carrying amounts as a result of a change of consumer preferences on the quality of papers. These amounts are included in "direct operating costs" in profit or loss.

As at 31 December 2014, none of the Group's inventories (2013: HK$17,317,000) was collateralised against the banking facilities granted to the Group as set out in Note 28.

Notes to the Financial Statements

For the year ended 31 December 2014

23. TRADE AND OTHER RECEIVABLES AND DEPOSITS – GROUP

	2014	2013
	HK$'000	HK$'000
Trade receivables	515,465	393,000
Less: Provision for impairment of trade receivables	(12,054)	(7,169)
Trade receivables – net	503,411	385,831
Other receivables and deposits	26,552	13,614
	529,963	399,445

As at 31 December 2014, none of the Group's trade and other receivables was collateralised against the banking facilities granted to the Group as set out in Note 28 (2013: HK$139,365,000).

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

	2014	2013
	HK$'000	HK$'000
Balance at the beginning of the year	7,169	8,239
Amount written off during the year	(699)	(699)
Impairment losses recognised during the year (Note 9)	9,201	5,413
Impairment losses recovered during the year (Note 7)	(5,050)	(5,784)
Acquired through business combination	1,544	–
Exchange difference	(111)	–
Balance at the end of the year	12,054	7,169

The Group recognised provision for impairment of trade receivables based on the accounting policy stated in Note 2.9.

Ageing analysis of trade receivables, net of provision as at 31 December 2014, based on the invoice date, is as follows:

	2014	2013
	HK$'000	HK$'000
0 – 30 days	136,528	84,793
31 – 60 days	92,175	68,167
61 – 90 days	86,939	65,442
91 – 120 days	70,058	92,354
121 – 150 days	76,204	42,438
Over 150 days	41,507	32,637
Total trade receivables	503,411	385,831

Notes to the Financial Statements

For the year ended 31 December 2014

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

In general, the Group allows a credit period from 30 to 150 days (2013: 45 to 150 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.

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 2014, the Group determined trade receivables of HK$12,054,000 (2013: HK$7,169,000) as impaired and as a result, impairment loss of HK$9,201,000 (2013: HK$5,413,000) 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 2014 and 2013, 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:

	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	308,714	270,266
1 – 30 days past due	117,890	65,432
31 – 90 days past due	70,375	47,130
Over 90 days past due but less than one year	6,432	3,003
	194,697	115,565
	503,411	385,831

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.

24. FINANCIAL ASSETS 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 44.

Notes to the Financial Statements
For the year ended 31 December 2014

25. AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

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

26. PLEDGED CASH AND BANK BALANCES AND CASH AND BANK BALANCES

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

As at 31 December 2014, included in cash and bank balances of the Group was HK$307,000 (2013: HK$13,917,000) 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 2014, none of the Group’s cash at banks and in hand were collateralised against the banking facilities as set out in Note 28 (2013: HK$33,365,000).

27. TRADE AND OTHER PAYABLES – GROUP

	2014	2013
	HK$’000	HK$’000
Trade payables	143,595	74,180
Other payables and accruals	133,411	103,512
	277,006	177,692

As at 31 December 2014, ageing analysis of trade payables based on invoice date is as follows:

	2014	2013
	HK$’000	HK$’000
0 – 30 days	78,626	43,508
31 – 60 days	42,717	17,309
61 – 90 days	17,621	10,187
91 – 120 days	2,582	1,127
Over 120 days	2,049	2,049
	143,595	74,180

Credit terms granted by the suppliers are generally 0 – 90 days (2013: 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.

Notes to the Financial Statements

For the year ended 31 December 2014

28. BANK BORROWINGS – GROUP

	2014	2013
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	77,461	23,139
– Bank loans due for repayment after one year which contain a repayment on demand clause	37,802	41,473
Total bank borrowings	115,263	64,612

The current portion includes bank borrowings of HK$37,802,000 (2013: HK$41,473,000) 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 from repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

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:

	2014	2013
	HK$'000	HK$'000
Within one year	77,461	23,139
In the second year	21,136	21,859
In the third to fifth year	16,666	16,598
Wholly repayable within 5 years	115,263	61,596
After five years	–	3,016
	115,263	64,612

Bank borrowings as at 31 December 2014 included (1) bank loans of HK$103,388,000, which are secured by the corporate guarantee from the Company, or/and guarantee from the Government of the Hong Kong Special Administrative Region; and (2) unsecured promissory note of HK$11,875,000 from the bank.

Bank borrowings as at 31 December 2013, included (1) bank loans of HK$55,776,000, which were secured by the corporate guarantee from the Company, or/and guarantee from the Government of the Hong Kong Special Administrative Region; and (2) another bank loan of HK$8,836,000 was secured by the leasehold land and buildings (Note 16) and investment properties (Note 17), the corporate guarantee from the Company and a personal guarantee by one of the executive directors of the Company.

Effective interest rate of the bank borrowings ranged from 0.28% to 6.00% (2013: 1.44% to 2.54%) per annum for the year.

Notes to the Financial Statements

For the year ended 31 December 2014

29. FINANCE LEASE LIABILITIES – GROUP

	2014	2013
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	7,872	527
Due in the second to fifth years	6,404	–
	14,276	527
Future finance charges on finance leases	(1,040)	(1)
Present value of finance lease liabilities	13,236	526

	2014	2013
	HK$'000	HK$'000
Present value of minimum lease payments:		
Due within one year	7,116	526
Due in the second to fifth years	6,120	–
	13,236	526
Less: Portion due within one year included under current liabilities	(7,116)	(526)
Non-current portion included under non-current liabilities	6,120	–

The Group entered into finance lease for various items of machineries. The lease runs for an initial period of five years (2013: four 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.

Notes to the Financial Statements

For the year ended 31 December 2014

30. DEFERRED TAX ASSETS/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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	(228)	(837)	(617)	(617)	857	857	2,700	1,495	7,057	1,451	(122)	(122)	9,647	2,227
Acquired through business combination (Note 39(a))	(3,296)	–	–	–	–	–	–	–	40	–	–	–	(3,256)	–
Credited/(Debited) to profit or loss (Note 12)	3,085	568	–	–	–	–	(1,339)	1,168	452	5,571	122	–	2,320	7,307
Exchange differences	217	41	–	–	–	–	(21)	37	(50)	35	–	–	146	113
Derecognised through disposals of a subsidiary (Note 38)	–	–	617	–	–	–	–	–	–	–	–	–	617	–
At 31 December	(222)	(228)	–	(617)	857	857	1,340	2,700	7,499	7,057	–	(122)	9,474	9,647

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:

	2014	2013
	HK$'000	HK$'000
Deferred tax assets	9,696	10,614
Deferred tax liabilities	(222)	(967)
	9,474	9,647

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 2014, deferred tax liabilities of HK$1,366,000 (2013: HK$774,000) 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.

Company

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

Notes to the Financial Statements
For the year ended 31 December 2014

30. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Group and Company
At the reporting date, the amount of the deferred tax assets not recognised is as follows:

	Group		Company	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Tax effect of unutilised tax losses	7,487	467	–	–

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.

31. PROVISIONS – GROUP

	2014	2013
	HK$'000	HK$'000
Employee benefit liabilities for annual leave and time in lieu – current	14,773	–
Employee benefit liabilities for long service leave – current	12,657	–
Deferred payment for acquisition of assets – current	4,364	–
Total current liabilities	31,794	–
Employee benefit liabilities for long service leave – non-current	3,837	–
Total non-current liabilities	3,837	–

For long service leave in Australia, it covers all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. The amount is classified as current, since the Group does not have an unconditional right to defer settlement. Based on the past experience, the Group does not expect all employees to take the full amount of leave or require payment within 12 months. As at 31 December 2014, management estimates that approximately HK$10,156,000 (2013: Nil) of the above employee entitlement provision will not be taken within 12 months.

The deferred payment is contingent on revenues generated from the specific customers using a contractual formula to assess the contribution of customers. Settlement of the consideration for the acquisition will occur on a deferred basis over a two year period, based on the actual revenue contribution with minimum thresholds in place.

Notes to the Financial Statements

For the year ended 31 December 2014

32. SHARE CAPITAL

	Notes	Number of shares	Amount
			HK$'000
Ordinary shares of HK$0.01 each			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014		1,000,000,000	10,000
Issued and fully paid:			
At 1 January 2013		500,000,000	5,000
Rights issue of shares	(a)	200,000,000	2,000
Bonus issue of shares	(b)	70,000,000	700
At 31 December 2013, 1 January 2014 and 31 December 2014		770,000,000	7,700

Notes:

(a) On 10 April 2013, the Company allotted and issued 200,000,000 shares by way of rights issue at a subscription price of HK$0.50 per rights share on the basis of two new shares for every five existing shares held by shareholders on 14 March 2013.

(b) On 8 May 2013, the Company allotted and issued 70,000,000 bonus shares by way of one bonus share for every ten existing shares held by shareholders on 2 May 2013. The bonus shares had been debited as fully paid by an amount of HK$700,000 in the share premium account of the Company.

33. SHARE-BASED EMPLOYEE COMPENSATION

Share option scheme of its former intermediate holding company, Cinderella Media

The share option scheme of its former intermediate holding company, Cinderella Media, (the "Cinderella Share Option Scheme") was adopted pursuant to its resolution passed on 13 July 2007. The purpose of the Cinderella Share Option Scheme was to reward participants who had 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 might, 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 was 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 was 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 were 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 should not expire later than 10 years from the date of grant.

The share-based employee compensation was to be 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.

Notes to the Financial Statements

For the year ended 31 December 2014

33. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share option scheme of its former intermediate holding company, Cinderella Media (Continued)

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

Share option type	Date of grant	Vesting period	Exercisable period	Exercise price per share
				HK$
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 Cinderella Share Option Scheme:

			Number of share options		
Grantees	Share option type	Exercisable period	Outstanding at 1 January 2014	Exercised during the year	Outstanding at 31 December 2014
Directors	2010	23.6.2012 to 22.6.2015	450,000	(450,000)	–
			450,000	(450,000)	–
Employees	2010	11.6.2011 to 10.6.2015	1,000	(1,000)	–
	2010	11.6.2012 to 10.6.2015	75,000	(75,000)	–
	2010	23.6.2011 to 22.6.2015	300,000	(300,000)	–
			376,000	(376,000)	–
Total			826,000	(826,000)	–
Weighted average exercise price			HK$1.633	HK$1.633	–

			Number of share options		
Grantees	Share option type	Exercisable period	Outstanding at 1 January 2013	Exercised during the year	Outstanding at 31 December 2013
Directors	2010	23.6.2011 to 22.6.2015	600,000	(600,000)	–
	2010	23.6.2012 to 22.6.2015	1,050,000	(600,000)	450,000
			1,650,000	(1,200,000)	450,000
Employees	2010	11.6.2011 to 10.6.2015	1,000	–	1,000
	2010	11.6.2012 to 10.6.2015	75,000	–	75,000
	2010	23.6.2011 to 22.6.2015	450,000	(150,000)	300,000
	2010	23.6.2012 to 22.6.2015	600,000	(600,000)	–
			1,126,000	(750,000)	376,000
Total			2,776,000	(1,950,000)	826,000
Weighted average exercise price			HK$1.635	HK$1.636	HK$1.633

Notes to the Financial Statements

For the year ended 31 December 2014

33. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share option scheme of its former intermediate holding company, Cinderella Media (Continued)

Notes:

(i) As at 31 December 2013, 826,000 share options were exercisable and the weighted average exercise price of these share options was HK$1.633.

(ii) As at 31 December 2013, the weighted average remaining contractual life for the outstanding share options was 537 days.

(iii) The weighted average share price at the date of exercise was HK$2.90 for the year ended 31 December 2014 (2013: HK$2.81).

Cinderella Share Option Scheme was discontinued since the Group was ceased to be the subsidiary of Cinderella Media in May 2014. All the outstanding share options have been exercised before May 2014.

Share option scheme of the Company

A share option scheme (the "1010 Share Option Scheme") was adopted by the Group, pursuant to its resolution passed on 22 April 2013 and effective for a period of ten years commencing from the adoption date. The purpose of the 1010 Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Group and its shares for the benefit of the Company and its shareholders as a whole. The Directors may, at its discretion, offer to directors, employees of any member of the Group, any advisors and service providers of any member of the Group, options to subscribe for the shares in the Company at a price not less than the highest of: (i) the closing price of the shares of the Company 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 a 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 Group or any advisor and service provider of any member of the 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 directors of the Company 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 is to be settled by the issue of the ordinary shares of the Company. The Group has no legal or constructive obligation to repurchase or settle the options other than in the ordinary shares of the Company. During the year, there was no share option issued under the 1010 Share Option Scheme (2013: Nil).

33. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Share award scheme of the Company

A share award scheme (the "1010 Share Award Scheme") was adopted by the Company. The purpose of the 1010 Share Award Scheme is to recognise and motivate the contribution of participants and to incentivise them to further the operation and development of the Group and to attract suitable personnel for the Group. The 1010 Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date. During the year, none of share awards were granted to employees (2013: 10,360,000 shares granted to 21 employees). For the year ended 31 December 2013, the market price of the share awards on the grant date represented the fair value of those shares, amounted to HK$9,531,000. Equity-settled share-based payment expenses of HK$6,641,000 (2013: HK$976,000) have been recognised in profit or loss for the year.

Date of approval by Board	Date of award	Awarded sum	Number of shares purchased	Number of awarded shares	Average fair value per share	Number of awarded shares vested during the year	Number of awarded shares lapsed during the year	Vesting period
		HK$'000			HK$			
30.12.2013	28.1.2014	920	N/A	1,000,000	0.97	1,000,000	–	2 months
30.12.2013	31.12.2014	3,873	N/A	4,210,000	0.97	3,925,000	285,000	13 months
30.12.2013	28.1.2015	920	N/A	1,000,000	0.97	–	–	14 months
30.12.2013	28.12.2015	3,680	N/A	4,000,000	0.97	–	–	25 months
30.12.2013	31.12.2015	138	N/A	150,000	0.97	–	–	25 months

During the year, 4,925,000 shares (2013: Nil) have been vested. As the purchased shares held by the Company were not sufficient to transfer to the grantees on the vesting date, some grantees and the Company agreed to settle the share award by cash. As a result, 2,953,000 share awards were settled by cash of HK$3,038,000 (2013: Nil) and the remaining 1,972,000 shares were vested to be transferred in shares (2013: Nil). The difference of HK$242,000 (2013: Nil) between the share price at vesting date and the price of awarded shares at the grant date has been debited to retained earnings and the related expense of the granted shares vested of HK$2,796,000 has been transferred from employee compensation reserve.

During the year, 285,000 awarded shares (2013: Nil) have been lapsed and as a result, an amount of HK$167,000 (2013: Nil) has been credited to retained earnings.

During the year, the Group purchased 568,000 shares under the 1010 Share Award Scheme. As a result, an amount of HK$621,000 (2013: Nil) has been debited to shares held under share award scheme and deducted from total equity directly.

Notes to the Financial Statements

For the year ended 31 December 2014

34. 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 27. 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 2.5.

(C) MERGER RESERVE

This represented the difference between the par value of the shares of the Company issued in exchange for the entire share capital of 1010 Group Limited pursuant to the group reorganisation on 20 June 2011.

(D) CONTRIBUTED SURPLUS

The contributed surplus represents the difference between the costs of investment in 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.

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:

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

(ii) 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.

(E) OTHER RESERVE

Other reserve represents the difference between the proportionate share of the carrying amount of its subsidiaries' net assets and the consideration paid for the additional interests when the Group acquired non-controlling interests.

34. RESERVES (Continued)

Company

Movements in the Company's reserves are as follows:

	Company						
	Share premium	Contributed surplus	Proposed final dividend	Employee compensation reserve	Shares held under share award scheme	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance as at 1 January 2013	76,983	310,125	–	–	–	4,372	391,480
Rights issue of shares	98,000	–	–	–	–	–	98,000
Bonus issue of shares	(700)	–	–	–	–	–	(700)
Share issue expenses	(1,205)	–	–	–	–	–	(1,205)
Recognition of equity-settled share-based payment expenses	–	–	–	976	–	–	976
Profit for the year	–	–	–	–	–	48,340	48,340
2013 interim dividend paid	–	–	–	–	–	(15,400)	(15,400)
2013 proposed final dividend	–	–	30,800	–	–	(30,800)	–
Balance as at 31 December 2013 and 1 January 2014	173,078	310,125	30,800	976	–	6,512	521,491
Recognition of equity-settled share-based payment expenses	–	–	–	6,641	–	–	6,641
Shares vested under share award scheme	–	–	–	(2,796)	–	(242)	(3,038)
Purchase of shares under share award scheme	–	–	–	–	(621)	–	(621)
Lapse of recognised equity-settled share-based payment expenses	–	–	–	(167)	–	167	–
Profit for the year	–	–	–	–	–	54,384	54,384
2013 final dividend paid	–	–	(30,800)	–	–	–	(30,800)
2014 interim dividend paid	–	–	–	–	–	(19,250)	(19,250)
2014 proposed final dividend	–	–	34,650	–	–	(34,650)	–
Balance as at 31 December 2014	173,078	310,125	34,650	4,654	(621)	6,921	528,807

Notes to the Financial Statements

For the year ended 31 December 2014

35. OPERATING LEASE COMMITMENTS

Group

AS LESSOR

As at 31 December 2014, there was no balance as investment properties have all been disposed during the year. Total future minimum lease receivables of the Group under non-cancellable operating leases in respect of rented office premises are receivable as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	–	234
In the second to fifth years, inclusive	–	121
	–	355

As at 31 December 2013, the Group leased out its investment properties under operating lease arrangements with the terms ranging from one to two years. None of the leases included contingent rentals.

AS LESSEE

As at 31 December 2014, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	32,257	9,164
In the second to fifth years inclusive	83,509	32,589
After five years	25,153	13,781
	140,919	55,534

The Group leases a number of properties and production facilities under operating leases. The leases run for an initial period ranged from one to ten years (2013: one to seven 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 2013 and 2014, the Company had no commitments under non-cancellable operating leases.

36. CAPITAL COMMITMENTS

Group

	2014	2013
	HK$'000	HK$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	6,837	950

Company

As at 31 December 2013 and 2014, the Company did not have any significant capital commitments.

37. CORPORATE GUARANTEES

	Group		Company	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Corporate guarantees given and utilised	–	–	103,388	65,138

As at 31 December 2014, the Company provided corporate guarantees to its subsidiaries to the extent of HK$254,095,000 (2013: HK$246,734,000) in relation to the Group's bank borrowings and finance lease liabilities as set out in Notes 28 and 29 to the financial statements, HK$103,388,000 (2013: HK$65,138,000) 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.

Notes to the Financial Statements
For the year ended 31 December 2014

38. DISPOSAL OF A SUBSIDIARY

On 1 September 2014, the Group disposed of its entire 80% interest in a subsidiary, Express Ocean, which is engaged in the property investment, to a related company. The net assets of Express Ocean at the date of disposal were as follows:

	1 September 2014	
	HK$'000	HK$'000
Leasehold land and buildings (Note 16)	11,100	
Investment properties (Note 17)	4,033	
Other receivables	17	
Cash and bank balances	253	
Tax recoverable	16	
Attributable goodwill (Note 19)	8,320	
Bank borrowings	(8,060)	
Other payables	(2,801)	
Amount due to fellow subsidiary	(2,055)	
Deferred tax liabilities (Note 30)	(617)	
Non-controlling interests	(377)	
		9,829
Gain on disposal of a subsidiary included in profit for the year (Note 7)		4,091
Total consideration		13,920
Satisfied by:		
Cash		13,920
Net cash inflow arising on disposal:		
Cash consideration	13,920	
Cash and bank balances disposed of	(253)	
		13,667

39. BUSINESS COMBINATION

2014
(a) OPUS

On 25 July 2014, Commonwealth Bank of Australia ("CBA") accepted in-principle the offer letters issued by Bookbuilders BVI Limited (the "Bookbuilders"), an indirectly wholly owned subsidiary of the Company, pursuant to which the Bookbuilders would acquire the outstanding debt (including charges but excluding interest) (the "CBA Debt"), which owed by OPUS to CBA, by way of novation. The novation documentation had been signed by the Bookbuilders and CBA on 30 July 2014 to reflect the terms of offer letters and other conditions suggested by CBA when giving its acceptance in-principle. A cash consideration of Australian Dollars ("AUD$")20,880,000 was paid on 31 July 2014 by the Group to CBA.

On 4 September 2014, the Bookbuilders (as creditor) and OPUS (as debtor) entered into the recapitalisation deed (the "Recapitalisation Deed") which involves the conversion of the CBA Debt into the OPUS's shares. Pursuant to the Recapitalisation Deed, (i) Bookbuilders agreed to convert approximately AUD$20.88 million, representing the entire consideration paid by Bookbuilders to acquire the CBA Debt, to 59,657,143 OPUS's shares and forgave the balance of principal amount of the CBA Debt; (ii) OPUS issued to Bookbuilders of 20,000,000 options to subscribe for 20,000,000 shares in OPUS at an exercise price of AUD$0.35 per share, exercisable at any time up to and including 30 September 2017; (iii) there was placement of a total of 20,000,000 OPUS's shares to a director of OPUS and his related party, and professional and sophisticated investors at an issue price of AUD$0.35 per OPUS's shares (the "Placement"); and (iv) there was share purchase plan by issuing up to 3,000,000 OPUS's shares to eligible existing OPUS's shareholders at an issue price of AUD$0.35 per OPUS's shares (the "Share Purchase Plan"). Upon the expiration of the Share Purchase Plan, 1,642,824 OPUS's shares have been issued.

On 3 November 2014, the Group converted the CBA debt into 59,657,143 OPUS's shares which represents 61.88% of the entire issued share capital of OPUS, after taking into account of the Placement and Share Purchase Plan. The principal activity of OPUS is distribution of published content. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Notes to the Financial Statements

For the year ended 31 December 2014

39. BUSINESS COMBINATION (Continued)

2014 (Continued)

(a) OPUS (Continued)

After taking into account of the Placement and Share Purchase Plan, the fair value of identifiable assets and liabilities of the acquiree as at the date of acquisition were:

	HK$'000	HK$'000
Property, plant and equipment (Note 16)	81,756	
Interest in associate (Note 20)	3,379	
Other non-current assets	6,959	
Inventories	34,006	
Trade and other receivables	143,285	
Cash and bank balances	68,213	
Trade and other payables	(122,277)	
Amount due to fellow subsidiaries	(31,500)	
Bank loan	(13,300)	
Finance lease obligations	(15,586)	
Liabilities for staff benefits	(41,968)	
Tax liabilities	(10,406)	
Deferred tax liabilities (Note 30)	(3,256)	
Net assets	99,305	
Non-controlling interests (38.12%)	(37,858)	
Acquisition of 61.88%		61,447
Fair value of consideration transfer:		
Fair value of the loan receivables (note i)		(179,857)
Goodwill (Note 19)		118,410
Purchase consideration of the CBA Debt settled in cash		(153,468)
Cash and bank balances acquired on acquisition of subsidiaries		68,213

Note:

(i) As the Group acquired OPUS on 3 November 2014, the loan receivables from OPUS before acquisition was a pre-existing relationship between the Group and OPUS. The fair value of the loan receivables was valued as at 3 November 2014 on the discounted cashflow basis by an independent firm of valuers. The difference of HK$26,389,000 between the carrying amount of the loan and its fair value at the acquisition date has been recognised in other income (Note 7). The fair value gain on the loan from July 2014 to November 2014 was mainly attributable to the restructuring exercise which was performed by OPUS during August to October 2014. After the completion of the restructuring, the repayment period of the loan was expected to be shorter and therefore, the fair value of the loan increased.

Notes to the Financial Statements

For the year ended 31 December 2014

39. BUSINESS COMBINATION (Continued)

2014 (Continued)

(a) OPUS (Continued)

Goodwill of HK$118,410,000, which is not deductible for tax purposes, comprises the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

The Group has elected to measure the non-controlling interests in this acquisition at proportionate share of the acquiree's identifiable net assets.

The fair value of trade and other receivables amounted to HK$143,285,000 whilst their gross amount was HK$144,829,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, OPUS has contributed HK$121,020,000 and HK$10,579,000 to Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2014, Group revenue and loss would have been HK$771,265,000 and HK$140,942,000 respectively. 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 2014, nor is it intended to be a projection of future performance.

2013

(b) Asia Pacific Offset Limited ("APOL")

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 was transferred to the Group on 28 December 2013. According to the original 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. Amounts of HK$100 million and HK$28 million were paid in December 2012 and February 2013 respectively. According to the original share transfer agreement, the remaining consideration of HK$32 million shall be payable on 28 December 2014. On 27 December 2013, the Group, APOL and the Vendors entered into a supplemental agreement to the original share transfer agreement, pursuant to which:

(i) the remaining consideration of HK$32 million was lowered by 5.5% from HK$32,000,000 to HK$30,240,000; and

(ii) the due date of the remaining consideration was changed from 28 December 2014 to 28 December 2013.

An amount of HK$30,240,000 was settled in December 2013 accordingly. Gain on early settlement of payables to the Vendors for the acquisition of APOL amounted to HK$1,760,000 was recognised in other income (Note 7) for the year ended 31 December 2013.

Notes to the Financial Statements

For the year ended 31 December 2014

40. ACQUISITION OF NON-CONTROLLING INTERESTS

(a) On 19 October 2014, the Group acquired a further 40% equity interests in a subsidiary, Mega Form Inc. Limited ("Mega Form"), which is engaged in investment holding company, increasing its equity interests from 60% to 100%, by acquiring the interests at a cash consideration of HK$400. The difference of HK$272,000 between the proportionate share of the carrying amount of its net liabilities and the consideration paid for the additional interests have been debited to other reserve.

(b) On 22 January 2013, the Group acquired a further 20% of equity interests in a subsidiary, Oceanic Graphic International Inc., which is engaged in printing services, increasing its equity interests from 80% to 100%, by acquiring the interests at a cash consideration of HK$155,000. The difference of HK$37,000 between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interests have been debited to other reserve.

(c) On 25 January 2013, the Group acquired a further 20% of equity interests in a subsidiary, O.G. Printing Productions Limited, which is engaged in production of graphic design services, increasing its equity interests from 80% to 100%, by acquiring the interests at a cash consideration of HK$320,000. The difference of HK$1,000 between the proportionate share of the carrying amount of its net assets and the consideration paid for the additional interests have been debited to other reserve.

(d) On 18 November 2013, the Group acquired a further 1.5% of equity interests in a subsidiary, 1010 Printing (UK) Limited, which is engaged in printing agency, increasing its equity interests from 98.5% to 100%, by acquiring the interests at a cash consideration of HK$12. The difference of HK$163,000 between the proportionate share of the carrying amount of its net liabilities and the consideration paid for the additional interests have been debited to other reserve.

The transactions have been accounted for as equity transactions with the non-controlling interests as follows:

	2014	2013			
	Mega Form	Oceanic Graphic International Inc.	O.G. Printing Productions Limited	1010 Printing (UK) Limited	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Consideration paid for 40%/20%/20%/1.5% ownership interest	–	155	320	–	475
Net assets/(liabilities) attributable to 40%/20%/20%/1.5% ownership interest	(272)	118	319	(163)	274
Decrease in equity attributable to owners of the Company (included in other reserve)	272	37	1	163	201

Notes to the Financial Statements

For the year ended 31 December 2014

41. 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 Note 25 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	Note	2014	2013
			HK$'000	HK$'000
Related company				
Cinderella Media	Interest expense	(i)	–	255
Express Ocean	Rental expenses	(ii)	220	–
Recruit Human Resources Group Limited	Consideration for the disposal of a subsidiary	(iii)	13,920	–

Note:

(i) Interest expense was charged based on the outstanding loan balance charged at interest rate of 3 months' HIBOR rate plus 2.25% per annum for the year ended 31 December 2013, which was determined based on the cost of borrowing of the Cinderella Media, the former intermediate holding company of the Company. This transaction constitutes an exempt connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on the SEHK.

(ii) During the year, rental expenses were charged by a related company, Express Ocean, in which the intermediate holding company of Express Ocean is Cinderella Media, which Cinderella Media and the Group are controlled by Mr. Lau Chuk Kin, who is the executive director of both parties. The monthly rental was determined at the market rate at the date when the lease arrangement was entered into. This transaction constitutes an exempt connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on the SEHK.

(iii) On 1 September 2014, the Group disposed of its entire 80% interest in a subsidiary, Express Ocean to a related company, Recruit Human Resources Group Limited, which is a subsidiary of Cinderella Media. The cash consideration received is HK$13,920,000. Details of the disposals are set out in note 38. This transaction constitutes a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on the SEHK.

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.

(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 10(a) to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

42. 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$1	100%	Printing, Hong Kong
1010 Printing (UK) Limited*	2 January 2007	United Kingdom, limited liability company	Ordinary	British Pound 1,000	100%	Printing agency, United Kingdom
Anson Worldwide Limited	8 November 2002	British Virgin Islands ("BVI"), limited liability company	Ordinary	United States Dollars ("US$") 1	100%	Investment holding, Hong Kong
1010 Printing (Australia) Pty Limited*	10 October 2008	Australia, limited liability company	Ordinary	AUD$2	100%	Provision of printing services, Australia
1010 Printing Limited 匯星印刷有限公司	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
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	100%	Provision of graphic design, Hong Kong
Oceanic Graphic International Inc.	12 August 2011	USA, limited liability company	Ordinary	US$100,000	100%	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	100%	Provision of printing services, Hong Kong
OPUS Group Limited* ##	7 June 1983	Australia, limited liability company	Ordinary	AUD$85,959,959	61.88%	Investment holding, Australia
Cactus Imaging Pty Limited ##	29 January 1996	Australia, limited liability company	Ordinary	AUD$1,800,000	61.88%	Outdoor media printing, Australia
CanPrint Communications Pty Limited ##	4 September 1997	Australia, limited liability company	Ordinary	AUD$17,333	61.88%	Distribution of published content, Australia
Ligare Pty Limited ##	17 September 1979	Australia, limited liability company	Ordinary	AUD$4	61.88%	Distribution of published content, Australia
McPherson's Printing Pty Limited ##	1 November 1971	Australia, limited liability company	Ordinary	AUD$490,000	61.88%	Distribution of published content, Australia
C.O.S. Printers Pte Limited ##	19 July 1980	Singapore, limited liability company	Ordinary	Singapore Dollars 6,000,000	61.88%	Distribution of published content, Singapore
Mega Form Inc. Limited ## 大豐興業有限公司	2 July 2008	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Inactive, Hong Kong
Bookbuilders BVI Limited ##	25 May 1993	BVI, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong

Notes to the Financial Statements

For the year ended 31 December 2014

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

^ 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% has been 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 is a wholly owned subsidiary since 2012. Details are set out in Note 39(b).

These subsidiaries were newly acquired during the year.

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.

43. FINANCIAL RISK MANAGEMENT

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 Directors meet 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 44 below.

The Directors consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for less than 32% (2013: 35%) 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 23 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, the PRC and Australia.

Notes to the Financial Statements
For the year ended 31 December 2014

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Currency risk
Foreign currency 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 US$, AUD$, 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 and liabilities are as follows:

Group
2014

	US$'000	RMB'000	AUD$'000
Trade and other receivables	37,843	22	5,997
Cash and bank balances	1,758	251	10,470
Trade and other payables	(8,362)	(845)	(989)
Bank borrowings	(3,000)	–	–
	28,239	(572)	15,478
Notional amounts of forward foreign exchange contracts	(2,685)	34,564	–
	25,554	33,992	15,478

2013

	US$'000	RMB'000	AUD$'000
Trade and other receivables	36,440	3,432	4,129
Cash and bank balances	9,967	167	2,816
Trade and other payables	(2,871)	(1,999)	(37)
Bank borrowings	(4,500)	–	–
	39,036	1,600	6,908
Notional amounts of forward foreign exchange contracts	4,724	6,207	(5,000)
	43,760	7,807	1,908

Notes to the Financial Statements

For the year ended 31 December 2014

43. FINANCIAL RISK MANAGEMENT (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

	2014		2013	
	Increase/(Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/(Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK$'000		HK$'000
US$	0.3%	594	0.1%	338
	(0.3%)	(594)	(0.1%)	(338)
RMB	0.8%	340	2.4%	236
	(0.8%)	(340)	(2.4%)	(236)
AUD$	8.1%	7,836	13.9%	1,804
	(8.1%)	(7,836)	(13.9%)	(1,804)

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.

Notes to the Financial Statements

For the year ended 31 December 2014

43. FINANCIAL RISK MANAGEMENT (Continued)

(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 28 and 29 respectively.

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

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The Group has net current assets of HK$361,986,000 (2013: HK$379,447,000) and net assets of HK$792,895,000 (2013: HK$661,473,000) as at 31 December 2014. 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.

Notes to the Financial Statements

For the year ended 31 December 2014

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

Group

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	After 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2014					
Non-derivative financial liabilities					
Trade and other payables	277,006	277,006	277,006	–	–
Bank borrowings	115,263	118,027	79,133	38,894	–
Finance lease liabilities	13,236	14,276	7,872	6,404	–
	405,505	409,309	364,011	45,298	–

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	After 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2013					
Non-derivative financial liabilities					
Trade and other payables	177,692	177,692	177,692	–	–
Bank borrowings	64,612	64,612	64,612	–	–
Finance lease liabilities	526	527	527	–	–
	242,830	242,831	242,831	–	–

Notes to the Financial Statements
For the year ended 31 December 2014

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

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 1 year or on demand	More than 1 year but less than 5 years	After 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment on demand clause based on scheduled repayments:					
31 December 2014	103,388	105,795	66,901	38,894	–
31 December 2013	64,612	67,291	24,442	39,772	3,077

Company

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 5 years	After 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2014					
Non-derivative financial liabilities					
Current liabilities					
Other payables	229	229	229	–	–
Financial guarantees issued					
Maximum amount guaranteed	–	103,388	103,388	–	–
As at 31 December 2013					
Non-derivative financial liabilities					
Current liabilities					
Other payables	163	163	163	–	–
Financial guarantees issued					
Maximum amount guaranteed	–	65,138	65,138	–	–

Notes to the Financial Statements

For the year ended 31 December 2014

43. FINANCIAL RISK MANAGEMENT (Continued)

(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.

44. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	Group			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Current assets				
Financial assets at fair value through profit or loss				
– Held for trading	2,697	2,697	694	694
Loans and receivables:				
– Trade and other receivables	511,790	511,790	393,408	393,408
– Pledged cash and bank balances	–	–	33,365	33,365
– Cash and bank balances	158,348	158,348	112,035	112,035
	672,835	672,835	539,502	539,502
Financial liabilities				
Current liabilities				
Financial liabilities at fair value through profit or loss				
– Held for trading	–	–	–	–
Financial liabilities measured at amortised cost:				
– Trade and other payables	277,006	277,006	177,692	177,692
– Bank borrowings	115,263	115,263	64,612	64,612
– Finance lease liabilities	7,116	7,116	526	526
– Provision for deferred consideration	4,364	4,364	–	–
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Finance lease liabilities	6,120	6,120	–	–
	409,869	409,869	242,830	242,830
Financial guarantees issued	–	–	–	–

Notes to the Financial Statements
For the year ended 31 December 2014

44. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY
(Continued)

	Company			
	2014		2013	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Financial assets				
Current assets				
Loans and receivables:				
– Other receivables	379	379	–	–
– Amounts due from subsidiaries	221,257	221,257	214,290	214,290
– Cash and cash equivalents	853	853	1,005	1,005
	222,489	222,489	215,295	215,295
Financial liabilities				
Current liabilities				
Financial liabilities measured at amortised cost:				
– Other payables	229	229	163	163
Financial guarantees issued	103,388	103,388	65,138	65,138

(a) Financial instruments not measured at fair value
Financial instruments not measured at fair value include pledged cash and bank balances, cash and bank balances, trade and other receivables and deposits, trade and other payables, bank borrowings, finance lease liabilities and financial guarantees issued.

Due to their short term nature, the carrying value of pledged cash and bank balances, cash and bank balances, trade and other receivables and deposits, trade and other payables, bank borrowings and finance lease liabilities approximates fair value.

The fair value of financial guarantees issued for disclosure purposes has been determined using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the borrowers or the Company.

(b) Financial instruments measured at fair value
The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

44. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (Continued)

(b) Financial instruments measured at fair value (Continued)

INFORMATION ABOUT LEVEL 2 FAIR VALUE MEASUREMENTS

The fair value of forward exchange contracts is determined based on the forward exchange rate at the reporting date.

There were no changes in valuation techniques during the year.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

– 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 from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group

	2014			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	–	2,697	–	2,697
Net fair values	–	2,697	–	2,697

	2013			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	–	694	–	–
Net fair values	–	694	–	–

There were no transfers between levels during the year.

Notes to the Financial Statements

For the year ended 31 December 2014

45. 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 2014 amounted to approximately HK$792,895,000 (2013: HK$661,473,000), 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.

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				
	2010	2011	2012	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue and turnover	521,989	640,102	700,065	1,163,542	1,316,216
Profit before income tax	66,387	73,001	81,832	146,943	177,287
Income tax expense	(4,731)	(10,647)	(13,682)	(25,522)	(27,177)
Profit for the year	61,656	62,354	68,150	121,421	150,110
Attributable to:					
Owners of the Company	61,677	62,307	68,298	121,466	146,446
Non-controlling interests	(21)	47	(148)	(45)	3,664
Profit for the year	61,656	62,354	68,150	121,421	150,110

	As at 31 December				
	2010	2011	2012	2013	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	487,580	640,990	860,423	908,334	1,245,520
Total liabilities	(190,112)	(231,958)	(408,466)	(246,861)	(452,625)
Total equity	297,468	409,032	451,957	661,473	792,895

Corporate Information

Board of Directors

Executive Directors

Mr. Yang Sze Chen, Peter
Mr. Lau Chuk Kin
Mr. Li Hoi, David
Ms. Lam Mei Lan
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 *FCPA, 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

Auditor

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

Legal Adviser

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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
No. 1 Queen's Road Central
Hong Kong

Citibank, N.A.
39/F – 40/F, 43/F – 50/F
Citibank Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

Share Registrars And Transfer Offices

Principal Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Registrar

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Units 2&3, 5/F, Lemmi Centre
50 Hoi Yuen Road
Kwun Tong
Hong Kong

Website

www.1010printing.com

Stock Code

1127

1010 Printing Group Limited
匯星印刷集團有限公司
www.1010printing.com