

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

Interim Report 2012



Stock Code : 1127

Corporate Information

Board of Directors

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Company Secretary

Ms. Tan Lai Ming CPA, FCCA

Compliance Officer

Mr. Lau Chuk Kin

Authorised Representatives

Mr. Lau Chuk Kin
Ms. Tan Lai Ming

Bermuda Resident Representative

Codan Services Limited

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Auditor

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

Legal Adviser

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

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited

Share Registrars and Transfer Offices

PRINCIPAL REGISTRAR

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

HONG KONG BRANCH REGISTRAR

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

Registered Office

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

Head Office and Principal Place of Business

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

Website

www.1010printing.com

Stock Code

1127



Acting Out of the Box

The book printing industry faces a bleak future and only the fittest survives. 1010 Printing has done well in the past but the low hanging fruits have been picked. To thrive, we need to think and act out of the box and be one step ahead of our competitors. We constantly review our relationship with key stakeholders to identify areas where 1010 Printing can add value and increase “stickiness”.

Key Performance

Sales turnover

HK\$311.8M

Total comprehensive income attributable to owners

HK\$30.3M



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Exporter of Books to the US Market Ranking

No.4



The increase in income tax expenses from approximately HK\$4.6 million to HK\$7.0 million was mainly attributable to the increase in the tax provision rate in this period, compared to the 50% concessionary tax rate under the old processing arrangement.

The Group's total comprehensive income attributable to owners of the Company amounted to approximately HK\$30.3 million (2011: HK\$30.8 million).

BUSINESS REVIEW

Much has been talked about the difficult of the business environment for the manufacturing industry in the Pearl River Delta: 30% plus annual increase in labour costs since 2009, more onerous rules on working conditions and the difficulty of hiring and keeping labour. The traditional provinces for exporting labour to Guangzhou: Hunan and Sichuan are going through modernization and employing more workers for factories that have recently been established there. Added to these is the reluctance of workers in China to work in the manufacturing industry where prospects are regarded as dim, conditions harsh and working hours long. Against this back drop is the weak demand from Europe. The book publishing industry in Australia, one of the Group's key markets, is running into strong head wind as retail prices of books have collapsed due to the popularity of internet book retailers like Amazon and Book Depository.

Our industry is facing unique challenges ushered in by the internet. Conventional printers for novels are facing a bleak time as tablet computers and dedicated ebook readers continue to gain traction in this area. Educational text books, which account for approximately 15% of the revenue of 1010, are forecast to be the next category to be widely adopted on electronic format. Book publishers are facing tough challenges with several medium sized publishers up for sale.

Despite the sea of red ink suffered recently by most book printers, 1010 has performed well in the first half of 2012. Our sales turnover during the period increased by 10% against the same period in 2011. Our net profit, however declined by 5%. There are two major reasons for this: 1) Credit problems, with an increasing number of publishers experiencing cash flow difficulties. Management has taken the conservative approach in making additional provisions for doubtful receivables; and 2) Pricing pressures, the book printing industry in China has far too many players to wield any pricing power.

In spite of the difficulties, management is proud that through strategic procurement of key raw materials, such as paper, ink and aluminum plates, we have been able to reap significant cost savings. Further, our proprietary ERP System, Mercury, has enabled us to optimize the utilization of our facilities whilst at the same time deliver books on time.

Our facilities utilization rate has consistently exceeded 95% throughout the first half.

PROSPECTS

Our order book for the third quarter is solid and will result in a satisfactory financial performance. While, it is too early to predict the sales revenue for the fourth quarter but we are cautiously optimistic of the prospects.

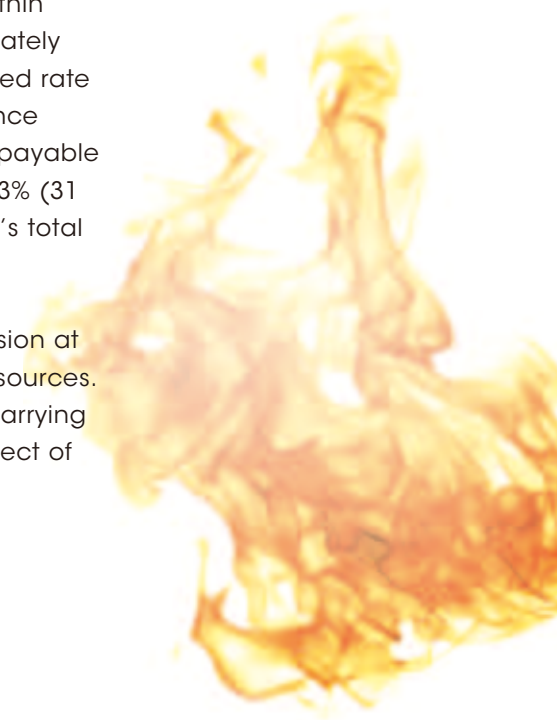
The financial difficulties faced by medium sized book printers will force many owners to consider their futures. Many operations are family businesses and are likely to experience succession issues as the second generation of the founders are typically reluctant to take over such businesses. Furthermore, in an effort to upgrade its economy, the Guangdong government is offering incentives to factory owners to purchase land currently occupied by low value added industries, such as printing, and replace them with higher value added industries. Our forecast is that many medium sized book printers owned by Hong Kong-based individuals, who represent the lion's share of the book printers which export to overseas markets from the PRC, will exit the factory and/or sell their factories and the land. As much as HKD1 billion or 15% of the total output capacity for the export market will likely be eliminated by 2015. Hopefully, by then, pricing power will revert to the book printers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2012, the Group had net current assets of approximately HK\$195.9 million (31 December 2011: HK\$196.5 million) of which the cash and bank deposits were approximately HK\$81.6 million (31 December 2011: HK\$77.3 million). The Group's current ratio was approximately 2.1 (31 December 2011: 1.9).

Total bank borrowings and finance lease liabilities were HK\$94.6 million (31 December 2011: HK\$124.1 million). All the borrowings as at 30 June 2012 are denominated in Hong Kong dollars, at floating rates and repayable within five years. For the bank borrowings as at 31 December 2011, approximately HK\$24.4 million of bank borrowing is denominated in Renminbi, at a fixed rate and repayable within one year and the rest of the borrowing and finance leases are denominated in Hong Kong dollars, at floating rates and repayable within five years. The Group's gearing ratio as at 30 June 2012 was 22.3% (31 December 2011: 30.3%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest.

During the period, the Group had acquired machinery for printing division at approximately HK\$14.9 million. The purchase is financed by internal resources. The net book amount of property, plant and equipment includes net carrying amount of HK\$20.6 million (31 December 2011: HK\$21.5 million) in respect of assets held under finance leases.



The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

FOREIGN CURRENCY MANAGEMENT

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITY

As at 30 June 2012, the Group had committed to acquire machinery of approximately HK\$1.3 million. The acquisition will be financed by bank borrowings and the Group's internal resources.

The Group had no significant contingent liability as at 30 June 2012.



The Board of Directors (the "Board") of 1010 Printing Group Limited (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	(Unaudited) Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Turnover	3	311,797	284,627
Direct operating costs		(242,890)	(232,533)
Gross profit		68,907	52,094
Other income		14,715	25,514
Selling and distribution costs		(31,549)	(24,087)
Administrative expenses		(9,845)	(11,778)
Other expenses		(4,534)	(4,959)
Finance costs	4	(1,284)	(1,148)
Profit before income tax	5	36,410	35,636
Income tax expense	6	(7,015)	(4,598)
Profit for the period		29,395	31,038
Other comprehensive income			
Exchange gain/(loss) on translation of financial statements of foreign operations		70	(311)
Other comprehensive income for the period, net of tax		70	(311)
Total comprehensive income for the period		29,465	30,727
Profit for the period attributable to:			
Owners of the Company		30,226	31,058
Non-controlling interests		(831)	(20)
		29,395	31,038
Total comprehensive income attributable to:			
Owners of the Company		30,295	30,751
Non-controlling interests		(830)	(24)
		29,465	30,727
Earnings per share for profit attributable to owners of the Company during the period	7		
- Basic		HK6.05 cents	HK8.28 cents
- Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	(Unaudited) At 30 June 2012 HK\$'000	(Audited) At 31 December 2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	224,600	223,127
Goodwill		9,614	9,614
		234,214	232,741
Current assets			
Inventories		88,513	63,874
Trade and other receivables	9	208,417	266,013
Financial assets at fair value through profit or loss		-	1,023
Cash and cash equivalents		81,585	77,339
		378,515	408,249
Current liabilities			
Trade and other payables	10	68,686	85,531
Financial liabilities at fair value through profit or loss		35	-
Bank borrowings	11	84,836	111,251
Finance lease liabilities	12	6,142	6,060
Provision for taxation		22,919	8,912
		182,618	211,754
Net current assets		195,897	196,495
Total assets less current liabilities		430,111	429,236
Non-current liabilities			
Finance lease liabilities	12	3,660	6,750
Deferred tax liabilities		2,954	13,454
		6,614	20,204
Net assets		423,497	409,032
EQUITY			
Share capital	13	5,000	5,000
Reserves		418,381	403,086
Equity attributable to owners of the Company		423,381	408,086
Non-controlling interests		116	946
Total equity		423,497	409,032

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	(Unaudited)	
	For the Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash generated from operating activities	66,078	31,122
Investing activities		
Purchases of property, plant and equipment	(16,196)	(5,406)
Interest received	71	51
Proceeds from disposals of property, plant and equipment	-	131
Net cash used in investing activities	(16,125)	(5,224)
Financing activities		
Decrease in amount due to intermediate holding company	-	(1,704)
Bank borrowings raised	46,529	27,048
Repayment of bank borrowings	(72,944)	(20,812)
Interest on bank borrowings paid	(1,126)	(722)
Capital element of finance lease liabilities paid	(3,008)	(4,035)
Interest element of finance lease payments	(158)	(231)
Dividends paid	(15,000)	(20,000)
Net cash used in financing activities	(45,707)	(20,456)
Net increase in cash and cash equivalents	4,246	5,442
Cash and cash equivalents at the beginning of the period	77,339	16,134
Cash and cash equivalents at the end of the period	81,585	21,576
Analysis of balances of cash and cash equivalents		
Bank balances and cash	81,585	21,576

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the Company						Total	Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Merger reserve	Proposed final dividend	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Balance at 1 January 2012 (Audited)	5,000	387,108	(747)	(136,875)	15,000	138,600	408,086	946	409,032
Dividend paid	-	-	-	-	(15,000)	-	(15,000)	-	(15,000)
Transactions with owners	-	-	-	-	(15,000)	-	(15,000)	-	(15,000)
Profit for the period	-	-	-	-	-	30,226	30,226	(831)	29,395
Other comprehensive income									
Currency translation	-	-	69	-	-	-	69	1	70
Total comprehensive income for the period	-	-	69	-	-	30,226	30,295	(830)	29,465
Balance at 30 June 2012 (Unaudited)	5,000	387,108	(678)	(136,875)	-	168,826	423,381	116	423,497
Balance at 1 January 2011 (Audited)	81,000	96,000	(790)	-	-	121,293	297,503	(35)	297,468
Share swap pursuant to group reorganisation	(77,250)	214,126	-	(136,876)	-	-	-	-	-
Dividend paid	-	-	-	-	-	(20,000)	(20,000)	-	(20,000)
Transactions with owners	(77,250)	214,126	-	(136,876)	-	(20,000)	(20,000)	-	(20,000)
Profit for the period	-	-	-	-	-	31,058	31,058	(20)	31,038
Other comprehensive income									
Currency translation	-	-	(307)	-	-	-	(307)	(4)	(311)
Total comprehensive income for the period	-	-	(307)	-	-	31,058	30,751	(24)	30,727
Balance at 30 June 2011 (Unaudited)	3,750	310,126	(1,097)	(136,876)	-	132,351	308,254	(59)	308,195

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

1. General information

The Company was incorporated in Bermuda on 9 March 2011 under the Bermuda Companies Act as an exempted limited liability company. The Company and its subsidiaries (the "Group") is principally engaged in the provision of printing services. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 July 2011.

2. Basis of preparation

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim financial statements are unaudited but have been reviewed by the Company's audit committee.

The accounting policies used in preparing the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011 except for the adoption of the new and revised 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 as disclosed below in this note.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values. In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations issued by the HKICPA:

HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets

HKFRS 7 (Amendments) Financial Instruments: Disclosures – Transfers of financial assets

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated interim financial statements and/or disclosures set out in these condensed consolidated interim financial statements.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's results of operations and financial position.

3. Segment information

The executive directors have identified that the Group has only one reportable segment, which is the provision of printing services. The analysis of the Group's revenue by geographical location is as follows:

Revenue – based on the country in which the customer is located, are analysed as follows:

	30.6.2012	30.6.2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
United States	135,188	85,424
Australia	62,640	71,048
United Kingdom	56,974	54,972
Hong Kong (domicile)	16,000	24,200
Germany	14,925	20,159
Netherlands	4,624	7,687
Belgium	3,945	6,965
New Zealand	5,493	5,824
Sweden	3,390	5,006
Canada	3,773	1,637
Others	4,845	1,705
	311,797	284,627

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reportable segment profit	37,694	37,136
Share-based payment	-	(352)
Finance costs	(1,284)	(1,148)
Profit before income tax	36,410	35,636

4. Finance costs

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	1,126	722
Interest expenses payable to intermediate holding company	-	195
Finance lease charges	158	231
	1,284	1,148

5. Profit before income tax

Profit before income tax has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
	HK\$'000	HK\$'000
Depreciation	14,779	13,212
Employee benefit expenses	42,692	10,867
Loss on financial assets at fair value through profit or loss	994	6,010
Minimum lease payments paid under operating leases or leases in respect of rented premises and production facilities	4,437	4,354
Loss on disposals of property, plant and equipment	-	31
Net foreign exchange gain	(1,614)	(14,489)
Interest income	(71)	(51)

6. Income tax expense

The amount of income tax expense charged/(credited) to the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong profits tax		
- Current year	17,487	4,025
Overseas tax		
- Under provision in prior years	28	-
Deferred taxation - current year	(10,500)	573
	7,015	4,598

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. Earnings per share

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share for the period	30,226	31,058
	Number of shares ('000)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	500,000	375,000

No diluted earnings per share is presented as the Group has no dilutive potential shares during the six months ended 30 June 2012 and 2011.

8. Property, plant and equipment

	Leasehold land and buildings	Furniture and fixtures	Office equipment	Leasehold improve- ments	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012								
Cost	16,590	4,016	3,853	42,266	9,118	1,537	248,837	326,217
Accumulated depreciation	(101)	(2,377)	(2,127)	(21,620)	(7,229)	(818)	(68,818)	(103,090)
Net book amount	16,489	1,639	1,726	20,646	1,889	719	180,019	223,127
Period ended 30 June 2012								
Opening net book amount	16,489	1,639	1,726	20,646	1,889	719	180,019	223,127
Exchange differences	-	-	1	-	-	-	55	56
Additions	-	139	197	592	344	-	14,924	16,196
Disposals	-	-	-	-	-	-	-	-
Depreciation	(172)	(326)	(344)	(2,322)	(897)	(130)	(10,588)	(14,779)
Closing net book amount	16,317	1,452	1,580	18,916	1,336	589	184,410	224,600
At 30 June 2012								
Cost	16,590	4,155	4,052	42,858	9,462	1,537	263,818	342,472
Accumulated depreciation	(273)	(2,703)	(2,472)	(23,942)	(8,126)	(948)	(79,408)	(117,872)
Net book amount	16,317	1,452	1,580	18,916	1,336	589	184,410	224,600

The net book amount of property, plant and equipment includes the net carrying amount of HK\$20,588,000 (31 December 2011: HK\$21,520,000) in respect of assets held under finance leases.

9. Trade and other receivables

The Group allows a credit period from 45 to 180 days to its trade customers.

Aging analysis of trade receivables, as at 30 June 2012 based on sales invoice date and net of provisions at the reporting date, is as follows:

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	HK\$'000	HK\$'000
0 – 30 days	62,142	60,262
31 – 60 days	45,119	44,427
61 – 90 days	33,301	31,924
91 – 120 days	25,151	45,024
121 – 150 days	17,145	36,295
Over 150 days	18,077	37,747
Total trade receivables	200,935	255,679
Other receivables and deposits	7,482	10,334
	208,417	266,013

10. Trade and other payables

The following is the aging analysis of trade payables based on invoice date:

	At 30 June 2012 (Unaudited)	At 31 December 2011 (Audited)
	HK\$'000	HK\$'000
0 – 30 days	14,049	30,482
31 – 60 days	12,995	12,177
61 – 90 days	7,433	4,654
91 – 120 days	1,576	208
Over 120 days	406	350
Total trade payables	36,459	47,871
Other payables and accruals	32,227	37,660
	68,686	85,531

11. Bank borrowings

During the six months ended 30 June 2012, repayments of bank loans amounting to HK\$72,944,000 (2011: HK\$20,812,000) were made in line with the relevant repayment terms. New bank borrowings of HK\$46,529,000 were raised for the six months period ended 30 June 2012 (2011: HK\$27,048,000).

12. Finance lease liabilities

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

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Total minimum lease payments:		
Due within one year	6,335	6,326
Due in the second to fifth years	3,694	6,854
	10,029	13,180
Future finance charges on finance lease	(227)	(370)
Present value of finance lease liabilities	9,802	12,810
Present value of minimum lease payments:		
Due within one year	6,142	6,060
Due in the second to fifth years	3,660	6,750
	9,802	12,810
Less: Portion due within one year included under current liabilities	(6,142)	(6,060)
Non-current portion included under non-current liabilities	3,660	6,750

13. Share capital

	No. of shares ('000)	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	1,000,000	10,000
Issued and fully paid:		
At 1 January 2012 and 30 June 2012	500,000	5,000

14. Capital commitments

As at 30 June 2012, the Group had capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$1,310,000 (31 December 2011: HK\$9,746,000).

15. Dividends

(a) Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the year ended 31 December 2011, approved and paid during the interim period, of HK\$0.03 per share	15,000	-

(b) Dividends attributable to the interim period

	Six months ended 30 June	
	2012 (Unaudited)	2011 (Unaudited)
	HK\$'000	HK\$'000
Interim dividends paid (note i)	-	20,000
Interim dividends declared - HK\$0.02 (2011: HK\$0.02) per share (note ii)	10,000	10,000

Notes:

- (i) The dividends paid represented those declared by 1010 Group Limited prior to the listing of the Company. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for this report.
- (ii) The amount of the interim dividend declared for the six months ended 30 June 2012, which will be payable in cash, has been calculated by reference to the 500,000,000 issued ordinary shares outstanding as at the date of this report. The interim dividend is not reflected as dividend payable in the condensed consolidated interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

16. Related party transactions

(a) Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties for the six months ended 30 June 2012 are disclosed as follows:

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Rental expenses paid to a related company	156	-
Administration service fee paid to a fellow subsidiary	-	50
Computer service fee paid to fellow subsidiaries	-	30
Interest expense paid to intermediate holding company	-	195

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 directors of the Company were considered to be key management personnel of the Group. The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short-term employee benefits	1,479	775
Post-employment benefit	6	5
	1,485	780

17. Contingent liabilities

As at 30 June 2012, the Group had no significant contingent liabilities (31 December 2011: Nil).

Other Disclosures

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of an interim dividend of HK\$0.02 per ordinary share for the six months ended 30 June 2012 (2011: HK\$0.02) to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 7 September 2012. The register of shareholders will be closed from 4 September 2012 to 7 September 2012, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited whose share registration public offices are located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 3 September 2012. The relevant dividend warrants will be despatched to shareholders on or around 14 September 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(i) Long Position in the shares and underlying shares of the Company

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

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

Name of Directors	Personal Interests (Shares)	Family Interests (Shares)	Corporate Interests (Shares)	Total Interests (Shares)	Percentage to the issued share capital of Cinderella Media (%)
Mr. Lau Chuk Kin (Note 2)	Nil	Nil	183,124,000	183,124,000	56.46
Ms. Choi Ching Kam, Dora	600,000	Nil	Nil	600,000	0.18

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Cont'd)

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

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

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

Name of Directors	Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
				Outstanding at 1.1.2012	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding at 30.6.2012
Mr. Yang Sze Chen, Peter	23.6.2010	23.6.2011 to 22.6.2015	1.636	600,000	-	-	-	600,000
	23.6.2010	23.6.2012 to 22.6.2015	1.636	600,000	-	-	-	600,000
Ms. Choi Ching Kam, Dora	18.8.2008	18.8.2010 to 17.8.2013	0.93	300,000	-	300,000	-	-
	23.6.2010	23.6.2011 to 22.6.2015	1.636	300,000	-	-	-	300,000
	23.6.2010	23.6.2012 to 22.6.2015	1.636	300,000	-	-	-	300,000

Note 1: Of 307,157,400 shares, 299,894,907 shares, 6,999,524 shares and 262,969 shares are beneficially owned by Recruit (BVI) Limited, a wholly owned subsidiary of Cinderella Media, City Apex Limited and ER2 Holdings respectively. As at 30 June 2012, Cinderella Media was owned as to 54.86% by City Apex Ltd and as to 1.59% 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 183,124,000 shares, 5,170,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings and City Apex Limited respectively. As at 30 June 2012, ER2 Holdings, which is the ultimate holding company of City Apex Limited, is beneficially owned as to 67% by Mr. Lau Chuk Kin. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Cont'd)

Saved as disclosed above, as at 30 June 2012, to the knowledge of the Company, none of the directors or chief executive of the Company and their respective associates had or was deemed to have any interests or 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the following persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Note:

Of 307,157,400 shares, 299,894,907 shares, 6,999,524 shares and 262,969 shares are beneficially owned by Recruit (BVI) Limited, a wholly owned subsidiary of Cinderella Media, City Apex Limited and ER2 Holdings respectively. As at 30 June 2012, Cinderella Media was owned as to 54.86% by City Apex Ltd, as to 1.59% by ER2 Holdings. ER2 Holdings was the ultimate holding company of City Apex Limited. Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Cinderella Media has adopted a share option scheme approved by a resolution passed by its shareholders on 13 July 2007, under which it may grant options to directors, employees, any advisors and service providers of any member of the Group to subscribe for its shares.

The following table discloses movements in the share options held by the directors of the Company and the Group's employees during the period:

	Number of share options			Outstanding at 30.6.2012
	Outstanding at 1.1.2012	Exercised during the period	Cancelled/lapsed during the period	
Directors	2,100,000	300,000	-	1,800,000
Employees	3,762,000	1,624,000	-	2,128,000
Total	5,862,000	1,924,000	-	3,938,000

Details of the share options granted to Directors and the Group's employees are as follows:

Date of grant	Number of options granted	Vesting period	Exercisable period	Exercise price per share (HK\$)
18.8.2008	2,400,000	18.8.2008 to 17.8.2009	18.8.2009 to 17.8.2013	0.93
18.8.2008	2,400,000	18.8.2008 to 17.8.2010	18.8.2010 to 17.8.2013	0.93
29.10.2009	300,000	29.10.2009 to 28.04.2010	29.04.2010 to 28.10.2014	0.902
29.10.2009	300,000	29.10.2009 to 28.10.2011	29.10.2011 to 28.10.2014	0.902
11.6.2010	675,000	11.6.2010 to 10.6.2011	11.6.2011 to 10.6.2015	1.60
11.6.2010	675,000	11.6.2010 to 10.6.2012	11.6.2012 to 10.6.2015	1.60
23.6.2010	2,100,000	23.6.2010 to 22.6.2011	23.6.2011 to 22.6.2015	1.636
23.6.2010	2,100,000	23.6.2010 to 22.6.2012	23.6.2012 to 22.6.2015	1.636

Note:

As at 30 June 2012, 3,938,000 share options are exercisable and the weighted average exercise price of these share options is HK\$1.63 (31 December 2011: HK\$1.46).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provision") contained in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2012 save as disclosed below:

The code provision E.1.2 of the Code stipulates that the chairman of the Board should attend the annual general meeting ("AGM") of the Company. The chairman of the Board did not attend the 2011 AGM due to other business engagement. An independent non-executive director had chaired the 2011 AGM and answered questions from shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry to all the Directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 June 2012.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2012, the Group had around 1010 full-time employees (30 June 2011: 36). 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 employee benefits include provident fund, insurance and medical cover. As at 30 June 2012, outstanding options to subscribe for an aggregate of 3,938,000 shares of Cinderella Media had been granted to certain full-time employees, including two executive directors of the Company, pursuant to the share option scheme of Cinderella Media. Exercise prices of which are ranged from HK\$1.600 to HK\$1.636.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely, Dr. Ng Lai Man, Carmen, Mr. Yeung Ka Sing and Mr. Tsui King Chung, David, with terms of reference in compliance with the Listing Rules. The audit committee review the Group's financial reporting, internal controls and make relevant recommendations to the Board.

The audit committee had met with the management to review the Company's interim report for the six months ended 30 June 2012 and had the opinion that such report was compiled with the applicable accounting standards and adequate disclosures had been made.

By Order of the Board
Yeung Ka Sing
Chairman

Hong Kong, 17 August 2012

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

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