The following is the text of a report, prepared for the purpose of inclusion in this document, received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.

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30 June 2011

The Directors
1010 Printing Group Limited
Investec Capital Asia Limited

Dear Sirs,

We set out below our report on the financial information relating to 1010 Printing Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods") prepared on the basis of preparation set forth in Section II below, for inclusion in the prospectus of the Company dated 30 June 2011 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board of the Stock Exchange").

The Company was incorporated in Bermuda on 9 March 2011 under the Bermuda Companies Act as an exempted limited liability company. The principal activity of the Company is investment holding. The Group is principally engaged in the provision of printing services. On 20 June 2011, the Company became the holding company of the subsidiaries now comprising the Group pursuant to a group reorganisation (the "Reorganisation") as set out in subsection headed "A. Further information about the Company – 4. Corporate reorganisation" in Appendix V to the Prospectus.

As at the date of this report, no audited financial statements have been prepared for the Company as the Company was newly incorporated and has not carried out any significant business transactions except for the Reorganisation as set out in note 1 of Section II below. All companies comprising the Group have adopted 31 December as their financial year end date.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong private company). The particulars of the subsidiaries are set out below:

Name of company	Date of incorporation	Place of incorporation and kind of legal entity	Class of shares	Issued and fully paid share capital	Percentage of issued capital held by the Company^	Principal activities and place of operations	*Notes*
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$81,000,000	100%	Investment holding, Hong Kong	(i)
1010 Printing International Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of printing services, Hong Kong	(i)
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of printing services, Hong Kong	(i)
1010 Printing (UK) Limited	2 January 2007	United Kingdom, limited liability company	Ordinary	GBP1,000	99%	Print agency, United Kingdom	(ii)
Anson Worldwide Limited	8 November 2002	British Virgin Islands ("BVI"), limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong	(iii)
1010 Printing (Australia) Pty Limited	10 October 2008	Australia, limited liability company	Ordinary	AUD2	100%	Provision of printing services, Australia	(iv)
1010 Printing Limited	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of printing services, Hong Kong	(v)

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

Notes:

(i) The statutory financial statements of these companies for each of the two years ended 31 December 2008 and 2009 were audited by Grant Thornton (now known as JBPB & Co.), Certified Public Accountants, Hong Kong and those for the year ended 31 December 2010 were audited by BDO Limited, Certified Public Accountants, Hong Kong in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accounts (the "HKICPA"). These statutory financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

(ii) The financial statements of this company for each of the three years ended 31 December 2008, 2009 and 2010 were audited by David Howard Chartered Accountants and Registered Auditors, certified public accountants registered in the United Kingdom. These financial statements were audited in accordance with International Standards on Auditing (UK and Ireland) and prepared in accordance with Financial Reporting Standard for Smaller Entities (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

(iii) This company was acquired by the Group in 2009. No audited financial statements have been prepared for this company as there are no statutory or local audit requirements in its jurisdiction of incorporation. We have, however, reviewed all relevant transactions undertaken by this company during the Relevant Periods and carried out such procedures as we considered necessary for inclusion of the financial information relating to this company in this report.

(iv) This company became a subsidiary of the Group in 2009. The statutory financial statements for the period from 10 October 2008 (date of its incorporation) to 31 December 2008 and those for each of the two years ended 31 December 2009 and 2010 were audited by Phil Davis & Company, certified public accountants registered in Australia. All these statutory financial statements were audited in accordance with Australian Auditing Standards and prepared in accordance with the relevant accounting principles and financial regulations applicable to Australia.

(v) The statutory financial statements of this company for the period from 5 February 2010 (date of its incorporation) to 31 December 2010 were audited by BDO Limited, Certified Public Accountants, Hong Kong in accordance with HKSA issued by the HKICPA. These statutory financial statements were prepared in accordance with HKFRSs issued by the HKICPA.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements"), based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods, and the combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010 together with the notes thereto (collectively the "Combined Financial Information") have been prepared based on the Underlying Financial Statements on the basis set out in note 1 of Section II below, for the purpose of preparing this report for inclusion in the Prospectus. No adjustments on the Underlying Financial Statements for the Relevant Periods are considered necessary for the purpose of preparing the Combined Financial Information. The Combined Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The directors of the Company are responsible for the preparation of the Combined Financial Information which give a true and fair view and the contents of the Prospectus in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Combined Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion on the Combined Financial Information, based on our audit, and to report our opinion to you.

For the purpose of this report, we have carried out an independent audit on the Combined Financial Information for the Relevant Periods in accordance with HKSA issued by the HKICPA and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, the Combined Financial Information, for the purpose of this report, prepared on the basis set out in note 1 of Section II below, gives a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and of the combined results and cash flows of the Group for the Relevant Periods.

I. COMBINED FINANCIAL INFORMATION

1. Combined Statements of Comprehensive Income

		Year ended 31 December		
		2008	2009	2010
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*5*	331,240	447,343	521,989
Direct operating costs		(264,339)	(336,125)	(419,538)
Gross profit		66,901	111,218	102,451
Other income	*7*	15,022	16,918	29,504
Selling and distribution costs		(42,232)	(41,807)	(46,885)
Administrative expenses		(14,905)	(17,727)	(13,865)
Other expenses		(209)	(1,917)	(546)
Finance costs	*8*	(8,515)	(6,551)	(4,272)
Profit before income tax	*9*	16,062	60,134	66,387
Income tax expense	*12*	(1,126)	(5,230)	(4,731)
Profit for the year		14,936	54,904	61,656
Other comprehensive income, including reclassification adjustments				
Exchange loss on translation of financial statements of foreign operations		(443)	(294)	(182)
Other comprehensive income for the year, including reclassification adjustments and net of tax		(443)	(294)	(182)
Total comprehensive income for the year		14,493	54,610	61,474
Profit for the year attributable to:				
Owners of the Company		15,105	55,131	61,677
Non-controlling interests		(169)	(227)	(21)
		14,936	54,904	61,656
Total comprehensive income attributable to:				
Owners of the Company		14,777	54,858	61,495
Non-controlling interests		(284)	(248)	(21)
		14,493	54,610	61,474

2. Combined Statements of Financial Position

		As at 31 December		
		2008	2009	2010
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*15*	135,230	166,113	199,517
Current assets				
Inventories	*16*	51,304	41,477	59,905
Trade and other receivables	*17*	117,777	168,134	211,336
Financial assets at fair value through profit or loss	*18*	570	–	–
Amounts due from fellow subsidiaries	*24*	830	648	688
Cash and cash equivalents	*19*	36,451	38,558	16,134
		206,932	248,817	288,063
Current liabilities				
Trade and other payables	*20*	33,630	71,492	66,865
Financial liabilities at fair value through profit or loss	*18*	–	2,360	5,174
Bank borrowings	*21*	49,500	54,328	83,316
Finance lease liabilities	*22*	4,365	4,358	7,003
Amounts due to intermediate holding company	*23*	179,231	150,859	1,509
Amounts due to fellow subsidiaries	*24*	–	720	940
Provision for taxation		220	84	1,744
		266,946	284,201	166,551
Net current assets/(liabilities)		(60,014)	(35,384)	121,512
Total assets less current liabilities		75,216	130,729	321,029
Non-current liabilities				
Finance lease liabilities	*22*	5,513	1,103	12,814
Deferred tax liabilities	*25*	2,400	7,628	10,747
		7,913	8,731	23,561
Net assets		67,303	121,998	297,468

		As at 31 December		
		2008	2009	2010
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
EQUITY				
Share capital	*26*	33,000	33,000	81,000
Reserves	*28*	34,154	89,012	216,503
Equity attributable to owners of the Company		67,154	122,012	297,503
Non-controlling interests		149	(14)	(35)
Total equity		67,303	121,998	297,468

3. Combined Statements of Changes in Equity

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Retained profit	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	33,000	–	(7)	23,674	56,667	433	57,100
Dividend paid *(note 13)*	–	–	–	(4,290)	(4,290)	–	(4,290)
Transactions with owners	–	–	–	(4,290)	(4,290)	–	(4,290)
Profit for the year	–	–	–	15,105	15,105	(169)	14,936
Other comprehensive income							
Currency translation loss	–	–	(328)	–	(328)	(115)	(443)
Total comprehensive income for the year	–	–	(328)	15,105	14,777	(284)	14,493
At 31 December 2008 and 1 January 2009	33,000	–	(335)	34,489	67,154	149	67,303
Acquisition of non-controlling interest	–	–	–	–	–	85	85
Transactions with owners	–	–	–	–	–	85	85
Profit for the year	–	–	–	55,131	55,131	(227)	54,904

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital	**Share premium**	**Exchange reserve**	**Retained profit**	**Total**		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other comprehensive income							
Currency translation loss	–	–	(273)	–	(273)	(21)	(294)
Total comprehensive income for the year	–	–	(273)	55,131	54,858	(248)	54,610
At 31 December 2009 and 1 January 2010	33,000	–	(608)	89,620	122,012	(14)	121,998
Increase in share capital *(note 26)*	48,000	96,000	–	–	144,000	–	144,000
Dividend paid *(note 13)*	–	–	–	(30,004)	(30,004)	–	(30,004)
Transactions with owners	48,000	96,000	–	(30,004)	113,996	–	113,996
Profit for the year	–	–	–	61,677	61,677	(21)	61,656
Other comprehensive income							
Currency translation loss	–	–	(182)	–	(182)	–	(182)
Total comprehensive income for the year	–	–	(182)	61,677	61,495	(21)	61,474
At 31 December 2010	81,000	96,000	(790)	121,293	297,503	(35)	297,468

4. Combined Statements of Cash Flows

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before income tax	16,062	60,134	66,387
Adjustments for:			
Impairment of trade receivables	209	1,917	546
Impairment of trade receivables written back	(518)	(45)	(1,421)
Depreciation	13,448	18,629	24,364
(Gain)/Loss on financial assets/liabilities at fair value through profit or loss	(458)	7,330	1,220
Interest income	(178)	(24)	(89)
Interest element of finance lease payments	526	183	584
Interest expenses	7,989	6,368	3,688
Loss/(Gain) on disposals of property, plant and equipment	318	(77)	(155)
Provision for inventories (written back)/made	(463)	(99)	3,000
Operating profit before working capital changes	36,935	94,316	98,124
(Increase)/Decrease in inventories	(18,741)	9,926	(21,428)
Increase in trade and other receivables	(35,006)	(52,480)	(42,512)
(Increase)/Decrease in amounts due from fellow subsidiaries	(830)	182	(40)
(Decrease)/Increase in trade and other payables	(1,958)	37,862	(4,627)
(Decrease)/Increase in financial liabilities at fair value through profit or loss	–	(4,400)	1,594
Increase in amounts due to fellow subsidiaries	–	720	220
Cash (used in)/generated from operations	(19,600)	86,126	31,331
Income taxes (paid)/refunded	(402)	(138)	48
Net cash (used in)/from operating activities	(20,002)	85,988	31,379
Cash flows from investing activities			
Interest received	178	24	89
Proceeds on disposals of property, plant and equipment	1,000	1,312	198
Purchases of property, plant and equipment	(71,586)	(50,705)	(33,808)
Net cash used in investing activities	(70,408)	(49,369)	(33,521)

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from financing activities			
Increase/(Decrease) in amounts due to intermediate holding company	82,329	(33,735)	(29,826)
Dividend paid	(4,290)	–	(30,004)
Proceeds of bank borrowings	51,700	10,000	39,100
Proceeds from issuance of share capital	–	–	21,818
Repayments of bank borrowings	(2,200)	(5,172)	(10,112)
Interest on bank borrowings paid	(790)	(1,005)	(1,030)
Capital element of finance lease liabilities paid	(4,242)	(4,417)	(9,644)
Interest element of finance lease payments	(526)	(183)	(584)
Net cash from/(used in) financing activities	121,981	(34,512)	(20,282)
Net increase/(decrease) in cash and cash equivalents	31,571	2,107	(22,424)
Cash and cash equivalents at beginning of the year	4,880	36,451	38,558
Cash and cash equivalents at end of the year	36,451	38,558	16,134

II. NOTES TO THE COMBINED FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in Bermuda on 9 March 2011 under the Bermuda Companies Act as an exempted limited liability company. The Company is an investment holding company. Particulars of the subsidiaries (together with the Company are collectively referred to the Group) have been set out in the foregoing section. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

Pursuant to the Reorganisation as detailed in the subsection headed "A. Further information about the Company – 4. Corporate reorganisation" in Appendix V to the Prospectus, in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 20 June 2011. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group is regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, for the purpose of this report, the Combined Financial Information has been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5, "Merger Accounting for Common Control Combination" issued by the HKICPA.

The Combined Financial Information has been presented as if the current group structure had been in existence throughout the Relevant Periods or from the respective dates of incorporation of the companies comprising the Group, where there is a shorter period.

As a part of Reorganisation, all assets and liabilities of Mega Form Inc. Limited and 1010 Printing (USA) Inc. (the "Excluded Companies") have been transferred out of the Group to a fellow subsidiary. For the purpose of this report, the Combined Financial Information has been prepared as if the transfer had taken place on 1 January 2008 (i.e. at the beginning of the Relevant Periods). Accordingly, the results of Excluded Companies during the Relevant Periods and all assets and liabilities directly related to the Excluded Companies have been carved out and excluded in the Combined Financial Information during the Relevant Periods as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	79	1,400	–
Loss for the year	(600)	(45)	(20)
Total assets	230	42	28
Total liabilities	(830)	(687)	(693)
Net liabilities	(600)	(645)	(665)

All significant intra-group transactions and balances have been eliminated on combination.

No statement of financial position of the Company was presented as the Company has not yet in existence during each of the Relevant Periods.

The Combined Financial Information incorporates the financial statements of the Company and its subsidiaries made up to 31 December each year.

The Combined Financial Information is presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

In the opinion of the directors, the ultimate holding company and intermediate holding company of the Company is ER2 Holdings Limited and Recruit Holdings Limited ("Recruit Holdings") respectively. Recruit Holdings is a listed company on the Main Board of the Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Combined Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC) – Int") issued by the HKICPA. The Combined Financial Information also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

The significant accounting policies that have been used in the preparation of the Combined Financial Information are summarised below. These policies have been consistently applied throughout the Relevant Periods unless otherwise stated.

The Combined Financial Information has been prepared under historical cost convention except for financial assets and liabilities at fair value through profit or loss, which are stated at fair values. 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 Combined Financial Information. 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 Combined Financial Information, are disclosed in note 4.

2.2 Carve out policy

The Combined Financial Information excludes the assets, liabilities, revenue and expenses of the Excluded Companies.

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

2.3 Subsidiaries

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

All significant intra-group transactions, balances, income and expenses, and unrealised gains on transactions have been eliminated on combination. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Non-controlling interests represent equity in a subsidiary not attributable, directly or indirectly to the Company.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from the equity attributable to owners of the Company. Profit or loss and total comprehensive income attributable to non-controlling interests are presented separately in the combined statement of comprehensive income as an allocation of the Group's financial performance.

2.4 Foreign currency translation

In the individual financial statements of the combining 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 end of each reporting period, 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 retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the combined 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 end of reporting period. 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 are recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% – 50% or over the lease term, whichever is shorter
Computer equipment and systems	33%
Motor vehicles	20%
Machinery	6.6% – 20%

The assets' depreciation methods, estimated useful lives and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

2.6 Financial assets

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 the end of each reporting period.

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.

(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.

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 2.13 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 the end of each reporting period, 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, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

The amount of the 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 the loss is recognised in profit or loss of the period 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 period 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 receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against 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.

2.7 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work-in-progress and finished goods, 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.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

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

(iii) Operating lease charges as the lessee

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

2.10 Financial liabilities

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

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.16).

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 2.9).

Borrowings

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

Financial liabilities at fair value through profit or loss

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

Trade and other payables and amounts due to group companies

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

2.11 Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

2.12 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.

2.13 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 revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Printing income is 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 payment is established.

2.14 Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. All 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 cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment loss is charged pro rata to the 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 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.

2.15 Employee benefits

Retirement benefit schemes

The Group contributes to the defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' relevant income. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the schemes.

The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Share-based employee compensation

The Group's intermediate holding company, Recruit Holdings operates equity-settled share-based compensation plans to remunerate its employees and directors.

For the share options granted by Recruit Holdings to the directors and employees of the Group, the share-based compensation is recharged as an expense in the Group's statement of comprehensive income with a corresponding credit to amount due to intermediate holding company.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.16 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.

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

Deferred tax 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 differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

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

   (i) the same taxable entity; or

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

2.18 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 resource 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 directors are determined following the Group's major products and service lines.

During the Relevant Periods, the Group has identified only 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 markets.

2.19 Related parties

For the purposes of the Combined Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW OR AMENDED HKFRSs

At the date of this report, HKICPA issued a number of new and amended HKFRSs that are not yet effective. The Group has not early adopted them.

The directors of the Company are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the directors of the Company have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the Combined Financial Information. 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

(i) Financial assets

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

(ii) Financial liabilities

Most of the requirements in HKAS 39 for the classification and measurement of financial liabilities, and de-recognition of financial assets and financial liabilities have been carried forward unchanged to HKFRS 9. However changes have been made where an entity chooses to measure its own debts at fair value. HKFRS 9 now requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income. The only exception to this new requirement is where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss. Under HKAS 39 there is no requirement to identify change in fair value due to change in the entity's own credit risk.

The other key change is the elimination of the exception from fair value measurement of derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument. HKFRS 9 requires them to be measured at fair value. HKAS 39 allows those derivatives the fair value of which cannot be reliably measured to be stated at cost.

(iii) Derecognition of financial assets and financial liabilities

The requirements relating to de-recognition of financial assets and financial liabilities have been brought forward from HKAS 39.

HKFRS 9 published to date is first mandatory for annual accounting periods beginning on or after 1 January 2013. Entities are required to apply the standard retrospectively in accordance with HKAS 8, changes in accounting estimates and errors together with the specific transition provisions in the standard on the Group's results and financial position in the first year of application.

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 Combined Financial Information 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) 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 end of reporting period.

(ii) 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.

(iii) 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.

(iv) Current taxation and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final outcome of the tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE

Revenue, which is also the Group's turnover, represents printing income earned during the Relevant Periods.

6. SEGMENT INFORMATION

The directors have identified that, during the Relevant Periods, the Group has only one reportable segment, which is the provision of printing services. The analysis of Group's revenue and non-current assets by geographical location is as follows:

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

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
United States	101,172	150,758	149,169
Australia	92,977	122,699	127,211
United Kingdom	81,577	95,240	122,886
Hong Kong (domicile)	18,672	10,788	19,082
Germany	15,894	25,669	39,238
New Zealand	9,212	11,685	22,771
Netherlands	8,207	8,630	13,201
Belgium	–	6,328	10,202
France	1,907	5,545	2,125
Others	1,622	10,001	16,104
	331,240	447,343	521,989

Non-current assets – based on the assets' physical location, are analysed as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Mainland China	133,373	160,257	195,887
Hong Kong (domicile)	1,491	5,678	3,478
United Kingdom	366	98	71
Australia	–	80	81
	135,230	166,113	199,517

7. OTHER INCOME

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Net foreign exchange gain	–	9,683	9,619
Gain from sales of scrapped paper and by-products	11,466	7,068	17,724
Compensation from suppliers	1,800	–	–
Gain on financial assets at fair value through profit or loss	458	–	–
Impairment of trade receivables written back	518	45	1,421
Interest income	178	24	89
Gain on disposals of property, plant and equipment	–	77	155
Others	602	21	496
	15,022	16,918	29,504

Compensation from suppliers was the amount compensated to the Group as the goods delivered by the suppliers was of unsatisfactory standards and the related deliveries were also delayed.

8. FINANCE COSTS

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	790	1,005	1,030
Interest expenses payable to intermediate holding company	7,199	5,363	2,658
Finance lease charges	526	183	584
	8,515	6,551	4,272

9. PROFIT BEFORE INCOME TAX

	Year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):			
Auditors' remuneration	187	285	402
Impairment of trade receivables	209	1,917	546
Cost of inventories recognised as expense	161,982	227,438	263,280
Including provision of inventories (written back)/made	(463)	(99)	3,000
Depreciation of property, plant and equipment *(Note)*	13,448	18,629	24,364
Exchange loss/(gain)	7,224	(9,683)	(9,619)
Loss/(Gain) on disposals of property, plant and equipment	318	(77)	(155)
(Gain)/Loss on financial assets/liabilities at fair value through profit or loss	(458)	7,330	1,220
Minimum lease payments paid under operating leases in respect of rented properties and production facilities	4,544	6,871	8,606
Staff costs *(note 11)*	15,966	15,129	16,070

Note:

Depreciation expenses of HK$22,081,000 (2009: HK$16,984,000; 2008: HK$11,923,000) and HK$2,283,000 (2009: HK$1,645,000; 2008: HK$1,525,000) have been included in direct operating costs and administrative expenses respectively.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid or payable to the directors of the Company by the companies now comprising the Group for each of the Relevant Periods are as follows:

	Fee	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contribution	Equity-settled share-based payment expense	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010						
Executive directors:						
Mr. Yang Sze Chen, Peter	–	500	250	–	180	930
Mr. Lau Chuk Kin	–	–	–	–	–	–
Ms. Choi Ching Kam, Dora	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Yeung Ka Sing	–	–	–	–	–	–
Prof. Lee Hau Leung	–	–	–	–	–	–
Mr. Tsui King Chung, David	–	–	–	–	–	–
Dr. Ng Lai Man, Carmen	–	–	–	–	–	–
	–	500	250	–	180	930
Year ended 31 December 2009						
Executive directors:						
Mr. Yang Sze Chen, Peter	–	500	250	–	–	750
Mr. Lau Chuk Kin	–	–	–	–	–	–
Ms. Choi Ching Kam, Dora	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Yeung Ka Sing	–	–	–	–	–	–
Prof. Lee Hau Leung	–	–	–	–	–	–
Mr. Tsui King Chung, David	–	–	–	–	–	–
Dr. Ng Lai Man, Carmen	–	–	–	–	–	–
	–	500	250	–	–	750

	Fee	Salaries and allowances	Discretionary bonuses	Retirement benefit scheme contribution	Equity-settled share-based payment expense	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008						
Executive directors:						
Mr. Yang Sze Chen, Peter	–	–	–	–	–	–
Mr. Lau Chuk Kin	–	–	–	–	–	–
Ms. Choi Ching Kam, Dora	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Yeung Ka Sing	–	–	–	–	–	–
Prof. Lee Hau Leung	–	–	–	–	–	–
Mr. Tsui King Chung, David	–	–	–	–	–	–
Dr. Ng Lai Man, Carmen	–	–	–	–	–	–
	–	–	–	–	–	–

Equity-settled share-based payment expenses are measured according to the accounting policies as set out in note 2.15 to the Combined Financial Information. Particulars of the share options granted to the directors of the Company under the share option schemes of Recruit Holdings, the intermediate holding company, are set out in note 27 to the Combined Financial Information.

During the Relevant Periods, none of the directors of the Company waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the directors of the Company as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included one director for the year ended 31 December 2010 whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining four, five and five individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits	4,537	3,218	3,406
Discretionary bonuses	713	725	755
Retirement benefit scheme contributions	36	84	36
Equity-settled share-based payments	132	132	216
	5,418	4,159	4,413

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December		
	2008	2009	2010
Emolument bands			
Nil – HK$1,000,000	3	5	1
HK$1,000,001 – HK$3,000,000	2	–	3

During the Relevant Periods, 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.

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Wages, salaries and other benefits	14,895	14,237	14,892
Equity-settled share-based payments	197	326	626
Retirement benefit scheme contributions	874	566	552
	15,966	15,129	16,070

12. INCOME TAX EXPENSE

Hong Kong profits tax had been provided at 16.5% on the estimated assessable profits for each of the Relevant Periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the Relevant Periods at the rates of taxation prevailing in the countries in which the Group operates. Pursuant to the rules and regulations of Bermuda and the BVI, the Company and Anson Worldwide Limited are not subject to any income tax in Bermuda and the BVI respectively.

	Year ended 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong profits tax			
Current year	226	90	1,811
Under provision in prior years	1	–	–
	227	90	1,811
Overseas profits tax			
Current year	14	–	3
Over provision in prior years	(7)	(88)	(202)
	7	(88)	(199)
Deferred tax *(note 25)*			
Current year	978	5,228	3,119
Attributable to reduction in tax rate	(86)	–	–
	892	5,228	3,119
	1,126	5,230	4,731

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

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	16,062	60,134	66,387
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	2,634	9,892	10,906
Tax effect of non-taxable revenue	(1,493)	(240)	(2,249)
Tax effect of non-deductible expenses	1,055	894	476
Tax effect of profit not subject to tax under 50:50 arrangement	(978)	(5,228)	(4,200)
Effect on opening deferred tax balances arising from a reduction in tax rate	(86)	–	–
Over provision in prior years	(6)	(88)	(202)
Income tax expense	1,126	5,230	4,731

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax liabilities have been calculated using the new tax rate of 16.5% for the years ended 31 December 2008, 2009 and 2010. Movements of deferred tax liabilities during the Relevant Periods are set out in note 25 to the Combined Financial Information.

13. DIVIDENDS

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interim dividends	4,290	–	30,004

The dividends during the Relevant Periods represented those declared by 1010 Group Limited prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for this report.

14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as described in note 1 above.

15. PROPERTY, PLANT AND EQUIPMENT

	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*
At 1 January 2008							
Cost	1,494	881	14,405	2,661	1,256	78,909	99,606
Accumulated depreciation	(511)	(222)	(6,236)	(747)	(520)	(12,808)	(21,044)
Net book amount	983	659	8,169	1,914	736	66,101	78,562
Year ended 31 December 2008							
Opening net book amount	983	659	8,169	1,914	736	66,101	78,562
Exchange differences	(28)	–	–	(9)	(115)	–	(152)
Additions	591	859	14,654	1,316	129	54,037	71,586
Disposals	(45)	–	(213)	–	–	(1,060)	(1,318)
Depreciation	(358)	(276)	(4,043)	(1,164)	(325)	(7,282)	(13,448)
Closing net book amount	1,143	1,242	18,567	2,057	425	111,796	135,230
At 31 December 2008							
Cost	1,975	1,740	28,408	3,958	1,211	131,517	168,809
Accumulated depreciation	(832)	(498)	(9,841)	(1,901)	(786)	(19,721)	(33,579)
Net book amount	1,143	1,242	18,567	2,057	425	111,796	135,230
Year ended 31 December 2009							
Opening net book amount	1,143	1,242	18,567	2,057	425	111,796	135,230
Exchange differences	15	–	4	9	14	–	42
Additions	208	765	6,775	3,901	601	38,455	50,705
Disposals	(5)	(5)	–	(2)	(237)	(986)	(1,235)
Depreciation	(426)	(437)	(3,176)	(1,415)	(134)	(13,041)	(18,629)
Closing net book amount	935	1,565	22,170	4,550	669	136,224	166,113

	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*
At 31 December 2009							
Cost	2,181	2,496	35,187	7,862	1,090	168,703	217,519
Accumulated depreciation	(1,246)	(931)	(13,017)	(3,312)	(421)	(32,479)	(51,406)
Net book amount	935	1,565	22,170	4,550	669	136,224	166,113
Year ended 31 December 2010							
Opening net book amount	935	1,565	22,170	4,550	669	136,224	166,113
Exchange differences	3	–	1	2	(3)	–	3
Additions	1,268	702	5,454	657	545	49,182	57,808
Disposals	–	(5)	–	–	(3)	(35)	(43)
Depreciation	(558)	(570)	(4,127)	(2,076)	(218)	(16,815)	(24,364)
Closing net book amount	1,648	1,692	23,498	3,133	990	168,556	199,517
At 31 December 2010							
Cost	3,452	3,191	40,643	8,522	1,521	217,832	275,161
Accumulated depreciation	(1,804)	(1,499)	(17,145)	(5,389)	(531)	(49,276)	(75,644)
Net book amount	1,648	1,692	23,498	3,133	990	168,556	199,517

Net book amounts of property, plant and equipment include the net carrying amounts of HK$17,309,000, HK$15,654,000 and HK$37,615,000 as at 31 December 2008, 2009 and 2010 respectively, held under finance leases.

16. INVENTORIES

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	40,266	30,373	44,259
Work-in-progress	11,243	11,514	19,422
Finished goods	876	572	206
	52,385	42,459	63,887
Less: Provision for inventories write-down	(1,081)	(982)	(3,982)
	51,304	41,477	59,905

For the years ended 31 December 2008 and 2009, the Group reversed a provision of HK$463,000 and HK$99,000 respectively, which had been made in the previous periods. These provisions were released as the related inventories were sold above the cost. For the year ended 31 December 2010, the Group made the provision for inventories of HK$3,000,000. These amounts were included in "direct operating costs" in the statement of comprehensive income.

17. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	93,326	163,000	189,678
Less: provision for impairment of receivables	(215)	(2,006)	(1,131)
	93,111	160,994	188,547
Other receivables and deposits	24,666	7,140	22,789
	117,777	168,134	211,336

As at 31 December 2009, trade receivables of AUD1,467,000, equivalent to HK$9,536,000, were pledged to a bank to secure the bank borrowings.

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

The movement in the provision of trade receivables is as follows:

	For the year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	539	215	2,006
Amount written off during the year	(15)	(81)	–
Impairment loss recognised	209	1,917	546
Impairment loss written back	(518)	(45)	(1,421)
Balance at the end of the year	215	2,006	1,131

All trade receivables are subject to credit risk exposure. At the end of each reporting period, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2008, 2009 and 2010, the Group determined trade receivables of HK$215,000, HK$2,006,000 and HK$1,131,000 as impaired respectively and as a result, impairment loss of HK$209,000, HK$1,917,000 and HK$546,000 has been recognised as at 31 December 2008, 2009 and 2010 respectively. The impaired trade receivables are due from customers experiencing financial difficulties that have been in default or delinquency of payments.

Ageing analysis of trade receivables, net of provisions as at the end of each reporting period, based on the invoice date, is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	29,445	48,503	49,773
31 – 60 days	17,300	27,875	33,653
61 – 90 days	11,984	22,299	23,376
91 – 120 days	14,071	23,840	27,191
121 – 150 days	17,507	27,594	31,826
151 – 180 days	1,962	10,883	19,334
181 – 210 days	230	–	3,238
Over 210 days but less than 1 year	539	–	156
Over 1 year	73	–	–
Total trade receivables	93,111	160,994	188,547

The Group allows a credit period from 45 to 180 days to its customers for the Relevant Periods.

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 end of each reporting period. Ageing analysis of trade receivables past due but not impaired is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	58,862	130,470	133,036
1 – 30 days past due	14,426	15,400	39,366
31 – 90 days past due	19,128	14,766	15,571
Over 90 days past due but less than one year	695	358	574
	34,249	30,524	55,511
	93,111	160,994	188,547

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

Trade receivables that were past due but not impaired related to a large number of diversified customer 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.

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

This relates to the forward foreign exchange contracts which are intended to be held for trading in nature. Its fair value has been measured as described in note 33(f) to the Combined Financial Information.

19. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Bank and cash balances	36,451	38,558	16,134

Cash at bank earns interest at floating rates based on the daily bank deposit rates during the Relevant Periods.

20. TRADE AND OTHER PAYABLES

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	16,878	52,874	39,560
Other payables and accruals	16,752	18,618	27,305
	33,630	71,492	66,865

As at the end of each reporting period, ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	7,195	23,212	24,601
31 – 60 days	4,513	17,454	9,701
61 – 90 days	4,535	7,180	3,079
91 – 120 days	–	4,042	836
Over 120 days	635	986	1,343
	16,878	52,874	39,560

Credit terms granted by the suppliers are generally 0-90 days. All amounts are short term and hence the carrying values of trade payables approximate their fair values.

21. BANK BORROWINGS

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing borrowings	49,500	54,328	83,316

The interest-bearing bank borrowings include term loans that contain clauses which give the lenders the unconditional right to call the loans at any time at their discretion. None of the portion of term 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.

Based on the agreed scheduled repayment set out in the loan agreements, the Group's bank borrowings are due for repayment, at the end of each reporting period, as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	5,172	18,846	31,624
In the second year	8,846	13,790	21,624
In the third to fifth year	35,482	21,692	30,068
Wholly repayable within 5 years	49,500	54,328	83,316

Original principal amount of the bank borrowings as at 31 December 2008 was HK$51.7 million. These borrowings were repayable in 5 years through monthly instalments and secured by the corporate guarantees from Recruit Holdings, the intermediate holding company and minority shareholders of 1010 Group Limited, a subsidiary of the Company.

Bank borrowings as at 31 December 2009 included (1) the outstanding bank loans brought forward from 2008 (see above); and (2) bank factoring loan with principal amounts of HK$10 million which are secured by the underlying factoring trade receivables of AUD1,467,000 (2008: Nil) with recourse and is repayable within one year.

Bank borrowings as at 31 December 2010 included (1) the outstanding bank loans brought forward from 2008 (see above); (2) short term revolving credit facility of HK$10 million which is repayable within one year and (3) several bank loans with total principal amounts of HK$39.1 million which include bank borrowings of HK$12 million under the loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region. These bank loans were repayable in 5 years through monthly instalments. All bank borrowings are secured by the corporate guarantees from Recruit Holdings, the intermediate holding company and minority shareholders of 1010 Group Limited, a subsidiary of the Company. These corporate guarantees will be released after Listing.

Effective interest rate of the bank borrowings ranged from 2.78% to 6.34% per annum, 2.05% to 2.35% per annum and 2.15% to 2.24% per annum each of the years ended 31 December 2008, 2009 and 2010 respectively.

22. FINANCE LEASE LIABILITIES

Analysis of the obligations under finance lease is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Due within one year	4,555	4,434	7,434
Due in the second to fifth years	5,597	1,102	13,190
	10,152	5,536	20,624
Future finance charges on finance lease	(274)	(75)	(807)
Present value of finance lease liabilities	9,878	5,461	19,817

The present value of finance lease liabilities is as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Due within one year	4,365	4,358	7,003
Due in the second to fifth years	5,513	1,103	12,814
	9,878	5,461	19,817
Less: Portion due within one year included under current liabilities	(4,365)	(4,358)	(7,003)
Non-current portion included under non-current liabilities	5,513	1,103	12,814

The Group entered into finance lease for various items of machineries and motor vehicles. These leases run for initial period of three to five years. These leases do not have option 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.

23. AMOUNTS DUE TO INTERMEDIATE HOLDING COMPANY

The balances are unsecured, interest bearing at 3% (2009: 3%; 2008: 5%) per annum, except for the amount of HK$9,000 as at 31 December 2009, which is interest-free, and are repayable on demand.

24. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES

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

25. DEFERRED TAX LIABILITIES

Movements of major deferred tax liabilities/(assets) recognised in the statement of financial position during the Relevant Periods are as follows:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2008	4,016	(2,508)	1,508
Charged/(Credited) to profit or loss	2,666	(1,774)	892
At 31 December 2008 and 1 January 2009	6,682	(4,282)	2,400
Charged to profit or loss	3,734	1,494	5,228
At 31 December 2009 and 1 January 2010	10,416	(2,788)	7,628
Charged to profit or loss	331	2,788	3,119
At 31 December 2010	10,747	–	10,747

Accelerated tax depreciation represented the temporary difference between the carrying amounts of property, plant and equipment and their respective tax bases at the end of each reporting period. The decrease in the change of accelerated tax depreciation charged to profit or loss from approximately HK$3.7 million in 2009 to approximately HK$0.3 million in 2010 was due to smaller tax depreciation allowances claimed during the year ended 31 December 2010.

26. SHARE CAPITAL

The Company was incorporated in Bermuda on 9 March 2011 with an authorised share capital of HK$100,000 dividend into 10,000,000 ordinary shares of HK$0.01 each. 1 ordinary share was allotted and issued to the subscriber on 16 March 2011. Further details on the Company's share capital are set out in the section headed "Share capital" in the Prospectus.

For the purpose of this report, share capital of the Group as at 31 December 2008, 2009 and 2010 represented the issued share capital of 1010 Group Limited, the holding company of other companies comprising the Group, at the end of each reporting period as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Authorised:			
2,000,000,000 ordinary shares of HK$0.1 each (2009: 500,000,000 ordinary shares of HK$0.1 each; 2008: 50,000,000 ordinary shares of HK$1 each)	50,000	50,000	200,000
Issued and fully paid:			
810,000,000 ordinary shares of HK$0.1 each (2009: 330,000,000 ordinary shares of HK$0.1 each; 2008: 33,000,000 ordinary shares of HK$1 each)	33,000	33,000	81,000

Pursuant to the extraordinary resolution dated 21 December 2009, the authorised share capital of 1010 Group Limited of 50,000,000 ordinary shares of HK$1 each was subdivided into 500,000,000 ordinary shares of HK$0.1 each. Accordingly, its issued share capital of 33,000,000 ordinary shares of HK$1 each was subdivided into 330,000,000 ordinary shares of HK$0.1 each.

Pursuant to the extraordinary resolution dated 1 March 2010, the authorised share capital of 1010 Group Limited was increased from HK$50,000,000 to HK$200,000,000 by the creation of 1,500,000,000 ordinary shares of HK$0.1 each. On 7 April 2010, 480,000,000 ordinary shares of HK$0.1 each were issued at HK$0.3 per share to two existing shareholders. 407,273,000 ordinary shares were subscribed by Recruit (BVI) Limited, the immediate holding company of 1010 Group Limited and the proceeds of HK$122,182,000 were settled through its current accounts with Recruit Holdings Limited. The remaining 72,727,000 ordinary shares were subscribed by Mr. Chen Huang Zhi, one of the minority shareholders of 1010 Group Limited, and the proceeds of HK$21,818,000 were settled by cash. These ordinary shares ranked pari passu with the then existing shares in all respect.

27. SHARE-BASED EMPLOYEE COMPENSATION

The share option scheme of Recruit Holdings (the "Share Option Scheme") was adopted pursuant to a resolution passed on 13 July 2007 and will expire on 12 July 2017. The purpose of the Share Option Scheme is to reward participants who have contributed to Recruit Holdings and its subsidiaries (collectively referred to as the "Recruit Group") and to encourage participants to work towards enhancing the value of the Recruit Group and its shares for the benefit of the Recruit Group and its shareholders as a whole. The board of directors of Recruit Holdings may, at its discretion, offer to directors, employees of any member of the Recruit Group, any advisors and service providers of any member of the Recruit Group, options to subscribe for shares in Recruit Holdings at a price not less than the highest of: (i) the closing price of the shares of Recruit Holdings on the Stock Exchange on the date of offer of the option; (ii) the average of the closing prices of the shares on the Stock Exchange 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 Recruit Group or any advisor and service provider of any member of the Recruit Group from the date of options grant to the commencement date of the exercisable period of the options. The options are exercisable at any time during the period to be determined and notified by the board of directors of Recruit Holdings to the grantee at the time of making an offer in respect of any particular option which shall not expire later than 10 years from the date of grant.

The share-based employee compensation was settled by the issue of Recruit Holdings' ordinary shares. The Recruit Group had no legal or constructive obligation to repurchase or settle the options other than in Recruit Holdings' ordinary shares. Details of the share options granted under the Share Option Scheme are as follows:

Share option type	**Date of grant**	**Vesting period**	**Exercisable period**	**Exercise price per share** *HK$*
2008 (a)	18 August 2008	18 August 2008 to 17 August 2009	18 August 2009 to 17 August 2013	0.93
2008 (b)	18 August 2008	18 August 2008 to 17 August 2010	18 August 2010 to 17 August 2013	0.93
2010 (a)	11 June 2010	11 June 2010 to 10 June 2011	11 June 2011 to 10 June 2015	1.60
2010 (b)	11 June 2010	11 June 2010 to 10 June 2012	11 June 2012 to 10 June 2015	1.60
2010 (c)	23 June 2010	23 June 2010 to 22 June 2011	23 June 2011 to 22 June 2015	1.636
2010 (d)	23 June 2010	23 June 2010 to 22 June 2012	23 June 2012 to 22 June 2015	1.636

Movements of the share options under the Share Option Scheme held by the directors of the Company and the Group's employees for each of the years ended 31 December 2008, 2009 and 2010 are as follows:

		Number of share options		
Grantees	**Share option type**	**Outstanding at 1 January 2008**	**Granted during the year**	**Outstanding at 31 December 2008**
Ms. Choi Ching Kam, Dora	2008 (a)	–	300,000	300,000
	2008 (b)	–	300,000	300,000
Employees	2008 (a)	–	2,100,000	2,100,000
	2008 (b)	–	2,100,000	2,100,000
Total		–	4,800,000	4,800,000

		Number of share options		
Grantees	**Share option type**	**Outstanding at 1 January 2009**	**Lapsed during the year**	**Outstanding at 31 December 2009**
Ms. Choi Ching Kam, Dora	2008 (a)	300,000	–	300,000
	2008 (b)	300,000	–	300,000
Employees	2008 (a)	2,100,000	(900,000)	1,200,000
	2008 (b)	2,100,000	(900,000)	1,200,000
Total		4,800,000	(1,800,000)	3,000,000

		Number of share options			
Grantees	**Share option type**	**Outstanding at 1 January 2010**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 December 2010**
Mr. Yang Sze Chen, Peter	2010 (c)	–	600,000	–	600,000
	2010 (d)	–	600,000	–	600,000
Ms. Choi Ching Kam, Dora	2008 (a)	300,000	–	–	300,000
	2008 (b)	300,000	–	–	300,000
	2010 (c)	–	300,000	–	300,000
	2010 (d)	–	300,000	–	300,000
Employees	2008 (a)	1,200,000	–	(300,000)	900,000
	2008 (b)	1,200,000	–	–	1,200,000
	2010 (a)	–	525,000	–	525,000
	2010 (b)	–	525,000	–	525,000
	2010 (c)	–	750,000	–	750,000
	2010 (d)	–	750,000	–	750,000
Total		3,000,000	4,350,000	(300,000)	7,050,000

Notes:

(i) The closing price of the shares of Recruit Holdings quoted on the Stock Exchange on 15 August 2008, 10 June 2010 and 22 June 2010, being the business date immediately before the date on which the share options were granted, was HK$0.88, HK$1.60 and HK$1.62 respectively.

(ii) The fair value of the options granted under the Share Option Scheme on 18 August 2008, 11 June 2010 and 23 June 2010, measured at the date of grant, was approximately HK$818,000, HK$399,000 and HK$1,032,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**18 August 2008**	**11 June 2010**	**23 June 2010**
Expected volatility (based on the annualised historical volatility of the closing price of the shares of Recruit Holdings from 1 September 2005 to the date of grant)	46.71%	43.64%	43.60%
Expected life (in years)	4	4	4
Risk-free interest rate (being the approximate yield of Exchange Fund on the grant date)	3.320%	1.298%	1.298%
Expected dividend yield	8.60%	5.00%	4.94%

Based on the fair values derived with the above pricing models, HK$197,000, HK$326,000 and HK$626,000 of share-based employee compensation expenses were charged to profit or loss for each of the years ended 31 December 2008, 2009 and 2010 respectively. For the share options granted by Recruit Holdings to the directors of the Company and the Group's employees, Recruit Holdings recharged the Group based on the fair value of share options granted and over the vesting periods under the respective schemes.

No on-going financial impacts on the Group are expected to arise from the share option scheme of Recruit as Recruit will not recharge the Group after the Listing.

28. RESERVES

Movements in the reserves of the Group for the Relevant Periods have been set out in the combined statement of changes in equity in this report.

29. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	5,027	6,758	7,788
In the second to fifth years inclusive	20,276	27,274	26,273
After five years	28,963	28,698	–
	54,266	62,730	34,061

The Group leases a number of properties and production facilities under operating leases. The leases run for an initial period ranged from one to ten years, 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.

30. CAPITAL COMMITMENTS

	As at 31 December		
	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Contracted but not provided for in respect of acquisition of property, plant and equipment	15,320	30,987	16,334

31. NOTE TO THE COMBINED STATEMENT OF CASH FLOWS

Major non-cash transactions

For each of the years ended 31 December 2008, 2009 and 2010 the Group paid interest expenses of HK$7,199,000, HK$5,363,000 and HK$2,658,000 respectively to its intermediate holding company through its current account and these amounts were credited to the amounts due to intermediate holding company.

For the year ended 31 December 2010, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$24,000,000 (2009 and 2008: Nil).

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

32. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on combination and are not disclosed in this note. In addition to those balances and transactions detailed in notes 23 and 24 to the Combined Financial Information or elsewhere in this report, details of significant transactions between the Group and other related parties during the Relevant Periods are disclosed as follows:

(a) Related party transactions

		Year ended 31 December		
Name of related parties	**Nature of transactions**	**2008**	**2009**	**2010**
		HK$'000	*HK$'000*	*HK$'000*
Intermediate holding company				
Recruit Holdings	Interest expense (i)	7,199	5,363	2,658
	Management fee paid (ii)	–	1,200	1,500
Fellow subsidiaries				
Recruit Information Technology Limited	Computer service fees paid (iii)	360	480	1,200
	Purchases of property, plant and equipment (v)	52	3,000	–
Recruit Management Services Limited	Computer service fees paid (iii)	60	60	35
	Administration service fees paid (iii)	360	1,200	1,800
1010 Printing (USA) Inc.	Commission paid (iv)	79	1,400	–
Recruit Advertising Limited	Printing income (v)	60	104	50
Central Publishing Limited	Printing income (v)	–	41	–

(i) Interest expense was charged based on the outstanding loan balance at 5-7%, 3% and 3% per annum for the years ended 31 December 2008, 2009 and 2010 respectively, which was determined based on the cost of borrowing of the Recruit Group.

(ii) Management fees paid to Recruit Holdings, representing mainly the staff costs and other general expenses incurred by Recruit Holdings, were primarily allocated on a cost reimbursement basis. Staff costs were allocated to the Group based on (i) the estimated time spent on managing the printing business by the directors of Recruit Holdings and (ii) the actual hourly rates of the directors of Recruit Holdings calculated on the basis of their actual remuneration. Other general expenses were allocated based on the percentage as represented by such directors' remuneration of Recruit Holdings allocated to the printing business over the total directors' remuneration of Recruit Holdings (2008: 5%, 2009: 25%, 2010: 30%). The sum of staff costs and other general expense was charged to the Group as management fee for the years 2009 and 2010. No management fees were charged to the Group for the year 2008 because of the immaterial amount involved.

(iii) Recruit Information Technology Limited ("RIT") provided information technology services whereas Recruit Management Services Limited ("RMS") provided general administrative services during the Relevant Periods. The costs incurred by RIT and RMS were mainly staff salaries. Similar to the management fees, the relevant staff salaries of these two related companies were allocated to the Group based on a cost reimbursement basis. In particular, staff costs of RIT and RMS were allocated to the Group based on (i) the estimated time spent on providing the relevant services by the staff of RIT and RMS and (ii) the actual hourly rates of the staff of RIT and RMS calculated on the basis of their actual salaries. Other general expenses of RIT and RMS were allocated based on the percentage as represented by such staff costs of RIT and RMS allocated to the printing business over the total staff costs of RIT and RMS (2008: 10%, 2009: 25%, 2010: 35%). The total allocated staff costs and other general expenses were then split between RIT and RMS and charged to the Group as computer service fees and administration service fees respectively.

(iv) Commission paid to 1010 Printing (USA) Inc. was based on 10% of sales generated by 1010 Printing (USA) Inc.

(v) Printing income and purchase of property, plant and equipment were based on the prevailing market price.

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.

The directors of the Company are of the opinion that all the above transactions will be discontinued after the listing of the Company's share on the Stock Exchange.

(b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the Relevant Periods are set out in note 10(a) to the Combined Financial Information.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

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

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's financial assets are summarised in note 33(f) below.

The directors of the Company consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for less than 34% of total sales during the Relevant Periods. 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 the end of each reporting period 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 17 to the Combined Financial Information.

The Group has deposited all 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.

(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 United States Dollars ("US$"), Australian Dollars ("AUD") and HK$ and there are expenses and capital expenditures denominated in Renminbi ("RMB"), US$ 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 Relevant Periods, management of the Group had used foreign currency forward contracts to mitigate the exposure to foreign exchange risk.

Foreign currency denominated financial assets and liabilities are as follows:

2008	*US$'000*	*RMB'000*	*AUD'000*
Trade and other receivables	6,844	8,950	3,855
Cash and cash equivalents	3,718	2	116
Trade and other payables	(8)	(7,667)	–
	10,554	1,285	3,971
Notional amounts of forward foreign exchange contracts	1,245	–	(1,000)
	11,799	1,285	2,971

2009	*US$'000*	*RMB'000*	*AUD'000*
Trade and other receivables	11,153	500	7,533
Cash and cash equivalents	2,135	3	599
Trade and other payables	(662)	(2,879)	–
	12,626	(2,376)	8,132
Notional amounts of forward foreign exchange contracts	4,417	–	(4,500)
	17,043	(2,376)	3,632

2010	*US$'000*	*RMB'000*	*AUD'000*
Trade and other receivables	14,476	–	6,244
Cash and cash equivalents	1,123	3	203
Trade and other payables	(2,027)	(3,303)	(94)
	13,572	(3,300)	6,353
Notional amounts of forward foreign exchange contracts	992	–	(6,153)
	14,564	(3,300)	200

The following table illustrates the sensitivity of the Group's profit after income tax for the years and retained profit to the changes in the foreign exchange rates in the Group entities' functional currencies against the respective foreign currencies for each of the year ended 31 December 2008, 2009 and 2010. The percentage change in foreign exchange rates is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of reporting period was determined based on the assumed percentage changes in foreign exchange rates taking place at the beginning of the year and held constant throughout the year. Changes in foreign exchange rates have no impact on the Group's other components of equity.

	Year ended 31 December					
	2008		2009		2010	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profit	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profit	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained profit
		HK$'000		*HK$'000*		*HK$'000*
US$	1%	914	0.01%	13	0.2%	230
	(1%)	(914)	(0.01%)	(13)	(0.2%)	(230)
RMB	6%	85	0.3%	(8)	2.9%	(112)
	(6%)	(85)	(0.3%)	8	(2.9%)	112
AUD	24%	3,814	34%	8,027	10%	141
	(24%)	(3,814)	(34%)	(8,027)	(10%)	(141)

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

(c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates, or with fixed interest rates but measured at fair value except for deposits held in banks, certain bank borrowings, finance lease liabilities and amounts due to intermediate holding company. Cash at banks earn interest at floating rates based on the daily bank deposits rates during the Relevant Periods. 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, finance lease liabilities and amounts due to intermediate holding company are set out in notes 21, 22 and 23 to the Combined Financial Information respectively.

During the Relevant Periods, 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$121,512,000 (2009: net current liabilities of HK$35,384,000; 2008: net current liabilities of HK$60,014,000) and net assets of HK$297,468,000 (2009: HK$121,998,000; 2008: HK$67,303,000) as at 31 December 2010 respectively. In the opinion of the directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's 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 end of reporting period) 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.

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2010					
Non-derivative financial liabilities					
Trade and other payables	66,865	66,865	66,865	–	–
Term loans subject to repayment on demand clauses	83,316	83,316	83,316	–	–
Finance lease liabilities	19,817	20,624	2,686	4,748	13,190
Amounts due to intermediate holding company	1,509	1,509	1,509	–	–
Amounts due to fellow subsidiaries	940	940	940	–	–
	172,447	173,254	155,316	4,748	13,190
Derivative financial liabilities					
Gross settled forward foreign exchange contracts					
– cash outflow	(5,174)	(5,174)	(3,166)	(2,008)	–
	(5,174)	(5,174)	(3,166)	(2,008)	–
As at 31 December 2009					
Non-derivative financial liabilities					
Trade and other payables	71,492	71,492	71,492	–	–
Term loans subject to repayment on demand clauses	54,328	54,328	54,328	–	–
Finance lease liabilities	5,461	5,536	1,115	3,319	1,102
Amounts due to intermediate holding company	150,859	150,859	150,859	–	–
Amounts due to fellow subsidiaries	720	720	720	–	–
	282,860	282,935	278,514	3,319	1,102
Derivative financial liabilities					
Gross settled forward foreign exchange contracts					
– cash inflow	160	160	–	160	–
– cash outflow	(2,520)	(2,520)	(2,520)	–	–
	(2,360)	(2,360)	(2,520)	160	–

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 3 months or on demand *HK$'000*	More than 3 months but less than 1 year *HK$'000*	More than 1 year but less than 5 years *HK$'000*
As at 31 December 2008					
Non-derivative financial liabilities					
Trade and other payables	33,630	33,630	33,630	–	–
Term loans subject to repayment on demand clauses	49,500	49,500	49,500	–	–
Finance lease liabilities	9,878	10,152	1,139	3,416	5,597
Amounts due to intermediate holding company	179,231	179,231	179,231	–	–
	272,239	272,513	263,500	3,416	5,597

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 of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 3 months or on demand *HK$'000*	More than 3 months but less than 1 year *HK$'000*	More than 1 year but less than 5 years *HK$'000*
Term loans subject to repayment-on-demand clause based on scheduled repayments:					
31 December 2010	83,316	86,191	16,664	16,281	53,246
31 December 2009	54,328	56,147	11,515	8,169	36,463
31 December 2008	49,500	52,549	1,567	4,663	46,319

(e) Fair values

The directors of the Company 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.

(f) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of reporting period are categorised as follows. See notes 2.6 and 2.10 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	As at 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Current assets			
Financial assets at fair value through profit or loss	570	–	–
Loans and receivables:			
– Trade and other receivables	117,777	168,134	211,336
– Amounts due from fellow subsidiaries	830	648	688
– Cash and cash equivalents	36,451	38,558	16,134
	155,628	207,340	228,158
Financial liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	–	2,360	5,174
Financial liabilities measured at amortised cost:			
– Trade and other payables	33,630	71,492	66,865
– Bank borrowings	49,500	54,328	83,316
– Finance lease liabilities	4,365	4,358	7,003
– Amounts due to intermediate holding company	179,231	150,859	1,509
– Amounts due to fellow subsidiaries	–	720	940
Non-current liabilities			
Financial liabilities measured at amortised cost:			
– Finance lease liabilities	5,513	1,103	12,814
	272,239	285,220	177,621

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

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

		2008			
		Level 1	**Level 2**	**Level 3**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Forward foreign exchange contracts	*Note*	–	570	–	570
Net fair values		–	570	–	570

		2009			
		Level 1	**Level 2**	**Level 3**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities					
Forward foreign exchange contracts	*Note*	–	2,360	–	2,360
Net fair values		–	2,360	–	2,360

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

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

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

34. 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 2008, 2009 and 2010 amounted to approximately HK$67,303,000, HK$121,998,000 and HK$297,468,000 respectively, which management considers as satisfactory having considered the projected capital expenditures and the projected strategic investment opportunities.

III. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2010:

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

(b) On 19 April 2011, 1010 Group Limited entered agreement with Recruit (BVI) Limited to transfer the entire interests in Mega Form Inc. Limited to Recruit (BVI) Limited at the consideration of HK$1.

(c) On 3 June 2011, 1010 Group Limited declared a special dividend of HK$20,000,000 which was paid on 7 June 2011.

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

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

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company nor any of the companies now comprising the Group in respect of any period subsequent to 31 December 2010.

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