CHINA PRINT

CHINA PRINT POWER GROUP LIMITED

(Incorporated in Bermuda with limited liability)

HONG KONG STOCK CODE : 6828
SINGAPORE STOCK CODE : B3C

ANNUAL REPORT 2011

CONTENTS

CORPORATE PROFILE

One-stop Shop for Customers sourcing for unique Products that require a high-level of customization.

We are a leading books & specialised products printing group serving the international market. We specialise in the printing of books, as well as the design and manufacturing of quality specialised products such as leather and fabric-bound diaries, journals and greeting cards. Our integrated services include pre-press, printing to finishing/binding services. We are able to combine special printing skills with leather manufacturing technologies to produce high-value added composite products for our customers. Through our full suite of integrated services at our 54,713 sqm production facilities in He Yuan, Guangdong Province, PRC, we are a convenient one-stop shop for customers sourcing for unique products that require a high-level of customisation.

Today we serve a blue-chip base of customers that includes major international publishers and retail stores across Europe, North America and Asia, such as Barnes & Noble Distribution in the US, Parragon Books Limited. in the UK, Phoenix Offset Productions and Book Partners China Limited in Hong Kong.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you our annual results for the year ended 31 December 2011.

2011 was a landmark year in the Group's milestone as we were successfully dual listed on the main board of The Stock Exchange of Hong Kong Limited on 12 July 2011 with the effort and support of all parties and business associates despite the challenging macroeconomic environment in the second half of 2011. The additional trading platform in Hong Kong not only enhanced our corporate image and hence increased our reputation in the Greater China Region but also allowed the Group to gain access to a wider range of private and institutional investors. The net proceeds from the issue of ordinary shares under placing and public offering of approximately HK$30.7 million have contributed the source of funding for the Group's long-term development and strengthened our ability to increase our production capacity through factories construction and further expand our sales and distribution network across the globe to mitigate the unfavourable business conditions amidst the volatile world economy.

Additional trading platform enhanced our corporate image

2011 was also a challenging year to the Group. During the year, the Group managed to achieve healthy revenue growth and realised better sales performance towards the second half year despite the growing pressure from the rising cost of labour and raw materials, coupled with the uncertain recovery trends in the Eurozone and other major developed economies. For the year ended 31 December 2011, our total revenue increased by approximately 27.9% year on year to approximately HK$257.9 million, primarily attributed to the increase in the sales orders as a result of better competitive prices offered to customers received from a diverse international customer base covering Asia, Europe and North America. Our top four largest market in the year remained to be the PRC (including Hong Kong), United Kingdom, the United States and Germany, contributing to over 90% of our total revenues. The PRC, including Hong Kong, remained to be our largest market and accounted for over 50% of our total revenue. In spite of the steady sales growth, the Group faced an intense profit margin squeeze during the year, mainly due to the substantial increase of the labour cost, the growing raw material costs such as paper cost, and the occurrence of one-off listing expense.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

During the year, the Group's plan of factories construction was processing as scheduled. The construction of two new four-storey workshops with a gross floor area of approximately 20,000 square metre is expected to be completed in the first half of 2012.

Lastly, on behalf of the Board, I would like to take this opportunity to thank the Group's management and employees for their dedicated contributions and unwavering commitment to deliver the best service to our customers over the years. My appreciation also goes to all shareholders, business associates, partners and valued customers for their generous support and confidence to the Company, and to the board members for their leadership and guidance. I look forward to your commitment and continued support as we continue to generate satisfactory returns to our shareholders.

Mr. Sze Chun Lee
Chief Executive Officer

Uncertain global economy and the rising costs of labour and raw materials

OVERVIEW

Despite the volatile financial markets and uncertain recovery trends in the Eurozone, coupled with the increasingly growing pressure from rising labour wages, shortage of labour and appreciation of Renminbi ("RMB"), the Group managed to achieve healthy revenue growth and realised better sales performance towards the second half of the year. The past twelve months were challenging to the Group. In view of the uncertain global economy and the rising costs of labour and raw materials, the Group will strive to launch various credit controls, and further tighten the control over operating expenses, while streamlining the binding and packaging processes and improving manufacturing efficiency with advanced machinery to minimise the labour cost and maximise the facility utilisation rate.

BUSINESS REVIEW

The Group is principally engaged in (i) printing books – provision of full suite of services from pre-press to printing to finishing/binding services; and (ii) manufacturing specialised products – production of custom-made and value-added printing products such as pop-up children books and stationery.

For the year ended 31 December 2011, the Group's total revenue increased by approximately 27.9% year on year to approximately HK$257.9 million (2010: approximately HK$201.7 million). Such increase was mainly attributable to the increase in the sales orders received especially for the Group's book products as a result of better competitive prices offered to customers. During the year under review, the book products segment remained the key revenue contributor and constituted approximately 59.1% of total sales amounted to approximately HK$152.3 million (2010: approximately HK$110.9 million), while the specialised products segment accounted for the balance of approximately 40.9% amounting to approximately HK$105.5 million (2010: approximately HK$90.8 million), as compared to approximately 55.0% and approximately 45.0% respectively during the previous year. The increase in revenue generated from the specialised products segment shows demand for specialised products such as children's pop-up books, touch-and-feel books and board books was growing especially due to the increasing awareness of parents nowadays to early childhood education.

During the year, the Group extended its customer base to a wider geographical reach covering Europe, North America and Asia with customers including international publishers, book traders and retail stores. The PRC, the United Kingdom, the United States and Germany accounted for approximately 56.2%, 20.1%, 9.2% and 6.9% of the Group's total revenue, respectively.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 27.9% to approximately HK$257.9 million (2010: approximately HK$201.7 million), primarily as a result of the growth in sales orders especially for book products as a result of better competitive prices offered to customers.

Cost of sales

Cost of sales increased by approximately 41.8% to approximately HK$201.7 million (2010: approximately HK$142.2 million) mainly due to increase in labour and material costs. During the year, labour cost increased by approximately 49.7% from approximately HK$29.6 million for the year ended 31 December 2010 to approximately HK$44.3 million for the year ended 31 December 2011 due to increases in (i) PRC social insurance contribution; (ii) sales volume; and (iii) temporary labour whose wage rate was higher so as to ease the labour shortage problem. During the year, raw material costs increased by approximately 45.3% from approximately HK$88.8 million for the year ended 31 December 2010 to approximately HK$129.0 million for the year ended 31 December 2011, mainly due to the increase in sales volume and the costs that were not easy to shift to customers.

Gross profit margin

The Group faced an intense profit margin squeeze during the year with the rising labour and raw material costs, a shortage of labour and an appreciation of RMB. Gross profit dipped by approximately 5.5% to approximately HK$56.2 million (2010: approximately HK$59.4 million), representing a gross profit margin of approximately 21.8% (2010: approximately 29.5%).

Other income

Other income decreased by approximately 38.8% to approximately HK$1.8 million (2010: approximately HK$2.9 million), primarily due to the decrease in sales of scrap materials of approximately HK$0.8 million and the decrease in bad debts recovery of approximately HK$0.4 million.

Other comprehensive income

Other comprehensive income increased by approximately 292.3% to approximately HK$3.3 million (2010: approximately HK$0.8 million), primarily due to the increase in net foreign exchange gains.

Selling and distribution costs

Selling and distribution costs increased by approximately 41.5% to approximately HK$12.5 million (2010: approximately HK$8.8 million), primarily due to the increase of approximately HK$3.2 million in transportation and freight charges resulting from increased sales volume and shorter lead-time for transportation, the increase in commission paid to sales agent of approximately HK$0.2 million and the increase in samples and testing charges of approximately HK$0.1 million.

Administrative expenses

Administrative expenses increased by approximately 9.9% to approximately HK$27.4 million (2010: approximately HK$25.0 million). Such increase was comprised of the increase in directors' emoluments, administrative employees' salaries, allowance, and welfare expenses of approximately HK$0.8 million, the increase in courier charges of approximately HK$0.4 million, the increase in repair expenses of approximately HK$0.4 million and the increase in sundry expenses of approximately HK$0.6 million, as well as the increase in computer expenses of approximately HK$0.3 million.

Listing expenses

The Company's shares were dual listed on The Stock Exchange of Hong Kong Limited ("SEHK") on 12 July 2011. A one-off listing expense of approximately HK$8.9 million was incurred.

Other operating expenses

Other operating expenses increased by approximately 63.6% to approximately HK$2.9 million (2010: approximately HK$1.8 million), mainly due to the increase in legal and professional fees after the successful dual listing of the Company's shares on SEHK of approximately HK$0.8 million together with the increase in bank charges of approximately HK$0.3 million.

Finance costs

Finance costs during the year under review decreased to approximately HK$1.6 million (2010: approximately HK$2.1 million), resulting from the decrease in interest paid on obligations under finance lease attributable to the early repayment of the related finance lease obligations.

Income tax expense

Income tax expense increased by approximately 26.7% to approximately HK$3.5 million (2010: approximately HK$2.7 million), primarily due to the provision adjustment of approximately HK$0.6 million between the year ended 31 December 2010 and the year ended 31 December 2011.

Profit for the year and attributable to owners of the Company

Profit for the year and attributable to owners of the Company was approximately HK$1.1 million (2010: approximately HK$22.0 million), representing a decrease of approximately 94.8% from that of last year. As aforementioned, such decline was mainly due to the increase in labour and raw material costs. Temporary workers who received higher wage rate were employed to tackle the labour shortage problem while contributions to the social insurance for the PRC employees were increased. Hence, labour cost during the year jumped by approximately 49.7% to approximately HK$44.3 million (2010: approximately HK$29.6 million). Meanwhile, raw material costs, such as paper cost, also rose substantially by approximately 45.3% to approximately HK$129.0 million (2010: approximately HK$88.8 million). To secure market demand that remained subdued during the year under review amid the fragile recovery in the global economy and long-term relationships with customers, the Group has not passed all of these incremental costs along to the customers.

FUTURE PROSPECTS AND DEVELOPMENT

In the year ahead, the Group remains to capture the growth potential, the Group will promote its books and specialised products in the PRC. Meanwhile, the Group will continue to explore new business opportunities for existing products in different markets so as to promote a diversified quality customer base by implementing strategic initiatives and enhancing marketing efforts. In addition, to cope with the rising cost of raw materials and labour, the Group will strive to further tighten control over its operating expenses and streamline the printing and binding processes such as expanding its customer base of book traders who supply raw materials to the Group at lower prices for processing their purchase orders.

Meanwhile, by leveraging its leading books and specialised products manufacturing platform, the Group will continue to invest in enhancing its capabilities. During the year, the Group's plan of factory construction has been processing as scheduled. The construction of two new four-storey workshops with a gross floor area of approximately 20,000 square metres is expected to be completed in the first half of 2012. Improved production efficiency and the enhancement of manufacturing flexibility are expected to add a competitive advantage to the Group and hence may result in the growing sales orders from both existing and new customers.

CAPITAL STRUCTURE

The Company's shares were dual primarily listed on SEHK on 12 July 2011 and 30,000,000 new shares were issued since then.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING

The Group financed its operations with shareholders' equity, cash generated from operations and bank borrowings.

The Group maintained bank deposits, bank balances and cash amounting to approximately HK$46.3 million as at 31 December 2011 (2010: approximately HK$28.8 million), increased by approximately 60.6% as compared with that as at 31 December 2010.

The Group's non-current assets increased to approximately HK$149.7 million (2010: approximately HK$124.5 million), primarily due to factory construction and acquisition of property, plant and equipment.

As at 31 December 2011, the Group's current assets amounted to approximately HK$169.7 million, mainly comprised of inventories of approximately HK$33.4 million (2010: approximately HK$21.3 million), trade and other receivables of approximately HK$89.7 million (2010: approximately HK$71.4 million) and cash and cash equivalents of approximately HK$46.3 million (2010: approximately HK$28.8 million).

The Group's current liabilities amounted to approximately HK$105.8 million, mainly comprised of trade and other payables of approximately HK$39.4 million (2010: approximately HK$26.1 million), bank borrowings of approximately HK$63.3 million (2010: approximately HK$34.7 million) and obligations under finance leases of approximately HK$2.0 million (2010: approximately HK$10.8 million).

As at 31 December 2011, the net current assets of the Group increased by approximately HK$14.1 million or approximately 28.3% to approximately HK$63.9 million (2010: approximately HK$49.8 million).

The Group had total bank borrowings and obligations under finance leases of approximately HK$65.3 million as at 31 December 2011 (2010: approximately HK$45.5 million).

As at 31 December 2011 and 2010, the Group's borrowings were secured by (i) corporate guarantee provided by the Company, (ii) letters of undertaking from its subsidiaries, namely Power Printing Products Limited, Carta & Cuoio Company Limited and Power Printing (He Yuan) Co., Ltd; and (iii) pledging of certain plant and machinery and trade receivables as set out in note 31 to the financial statements.

The Group's gearing ratio, which is total bank borrowings and obligations under finance leases divided by the total assets was approximately 20.4% (2010: approximately 18.5%). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) stood at approximately 1.6 as at 31 December 2011 (2010: approximately 1.7).

CHARGES ON GROUP ASSETS

Details of the Group's assets pledged are set out in note 31 to the financial statements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's borrowings are denominated in HK$. As its revenue is mainly denominated in US$ and HK$, and HK$ is pegged to US$, the Group's exposure to fluctuations in exchange rate in relation to the Group's revenue is relatively low.

The Group is also exposed to foreign exchange risks as the Group's production is mainly in the PRC. The continuing appreciation of Renminbi ("RMB") may lead to an increase of our cost of production. During 2011, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks. The Group will keep on reviewing and monitoring the exchange fluctuation between RMB and HK$, and will consider entering into hedging arrangement as and when appropriate.

CAPITAL EXPENDITURE

During the year, the Group had acquired property, plant and equipment at approximately HK$34.7 million. The purchase is financed by internal resources and proceeds generated from the listing. The net book amount of property, plant and equipment includes net carrying amount of approximately HK$7.3 million (2010: HK$16.1 million) in respect of assets held under finance leases.

CAPITAL COMMITMENTS

Save as disclosed in note 27 to the financial statements, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

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

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 12 July 2011 ("Listing Date"), the date of its primary dual listing on SEHK in addition to its listing on the Singapore Exchange Securities Trading Limited ("SGX-ST"), 30,000,000 shares were issued and offered by the Company at the offer price of HK$1.48 per share.

Out of the net proceeds of approximately HK$30.7 million raised from the listing and issuing of the shares of the Company, HK$16.5 million was injected as capital for the purpose of funding and furthering of the Group's existing businesses and also to pave the way for the Group's future development.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sze Chun Lee ("Mr. Sze"), aged 43, has been an executive Director and the chief executive officer ("CEO") of the Company since 19 December 2006. He is one of the founders of the Group. Mr. Sze oversees our overall management and operations and is responsible for the strategic plans and future direction of the Group. Mr. Sze also oversees the general administration, finance, sales and marketing operations of the Group, including managing our relationships with our customers. Prior to joining the Group in 2001, Mr. Sze was a director of another printing company from 1993 to 2001, where he was responsible for the sales, finance and marketing operations. Mr. Sze is the brother-in-law of another executive Director, Mr. Kwan Wing Hang. Mr. Sze is personally interested in 180,000 Shares and is beneficially interested in 35% of the share capital of China Print Power Limited, which holds 81,060,848 Shares.

Mr. Chan Wai Ming ("Mr. Chan"), aged 48, has been an executive Director and chief operations officer of the Company since 19 December 2006. He is one of the founders of the Group. Mr. Chan is in charge of the daily management and operations of the Group. Prior to joining the Group in 2001, between 1993 and 2001, Mr. Chan was the production director of another printing company where he was in charge of the procurement, management and control department. Mr. Chan is beneficially interested in 30% of the share capital of China Print Power Limited, which holds 81,060,848 Shares.

Mr. Kwan Wing Hang ("Mr. Kwan"), aged 50, has been an executive Director and production director in-charge of the specialised products business since 19 December 2006. He is one of the founders of the Group. Between 1979 and 1986, Mr. Kwan was the head of sales department in a manufacturing company where he was responsible for overseeing the sales of leather manufacturing machinery. Prior to joining the Group in 2000, Mr. Kwan was a director at another manufacturing company from 1986 to 2000 where he was responsible for overseeing a team of sales personnel in charge of the sales of leather manufacturing machinery. Mr. Kwan is the brother-in-law of another executive Director, Mr. Sze Chun Lee. Mr. Kwan is beneficially interested in 20% of the share capital of China Print Power Limited, which holds 81,060,848 Shares.

Mr. Lam Shek Kin ("Mr. Lam"), aged 41, has been an executive Director and production director in-charge of the printing business since 19 December 2006. He is one of the founders of the Group. Between 1987 and 1993, Mr. Lam was the supervisor of a printing company, where he was responsible for the supervision of a printing team. Prior to joining the Group in 2001, Mr. Lam was a department head in another printing company, from 1993 to 2000, where he was in charge of supervising the printing department. Mr. Lam is personally interested in 100,000 Shares and is beneficially interested in 15% of the share capital of China Print Power Limited, which holds 81,060,848 Shares.

Ms. Chung Oi Ling, Stella ("Ms. Chung"), aged 50, has been an executive Director since 1 October 2011. She holds a bachelor's degree in accounting and banking from Chu Hai College, Hong Kong. She has more than 18 years of extensive experience in administration, personnel and sales and marketing. Ms. Chung is also well versed in corporate governance and operations of listed companies. Ms. Chung was an executive director of Sustainable Forest Holdings Limited (stock code: 723) from August 2007 to November 2009 and an executive director of International Resources Enterprise Limited (stock code: 1229) from June 2007 to April 2008. Both companies are listed on the main board of the SEHK. Ms. Chung is deemed to be interested in 5,634,000 Shares (representing 3.7% of the issued share capital of the Company) by virtue of her 100% control in Flame Capital Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lim Siang Kai ("Mr. Lim"), aged 55, has been the chairman and an independent non-executive Director since 26 March 2007. Prior to joining the Group, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 28 years of experience in the securities, private and investment banking and fund management industries. Mr. Lim is also the chairman and independent director of ISDN Holdings Ltd and an independent director of Natural Cool Holdings Ltd, Foreland Fabrictech Holdings Ltd, Texchem-Pack Holdings (S) Ltd and Joyas International Holdings Ltd, all of which are companies listed in Singapore. Mr. Lim holds a bachelor of arts degree from the University of Singapore, a bachelor of social sciences (honours) degree from the National University of Singapore and a master of arts degree in economics from the University of Canterbury, New Zealand.

Mr. Leong Ka Yew ("Mr. Leong"), aged 46, has been an independent non-executive Director of the Company since 26 March 2007. He is a practising lawyer and a director of Aptus Law Corporation in Singapore. He graduated with a bachelor of law degree from the National University of Singapore in 1991.

Mr. Wee Piew ("Mr. Wee"), aged 48, has been an independent non-executive Director since 26 March 2007. He was formerly the chief executive officer and an executive director of HG Metal Manufacturing Limited, a public listed company in Singapore. Prior to joining HG Metal Manufacturing Limited, Mr. Wee held various positions in various banks. Mr. Wee is currently a non-executive independent director of Hosen Group Ltd, a public listed company in Singapore. He graduated from the National University of Singapore with a bachelor of accountancy degree in 1988 and is a fellow of the Institute of Certified Public Accountants of Singapore. He is also a member of the Singapore Institute of Directors.

Mr. Liu Kwong Chi, Nelson ("Mr. Liu"), aged 44, has been an independent non-executive Director since 3 January 2012. He holds a bachelor degree of social science (hons) from the University of Hong Kong, a bachelor of law (hons) degree from the Manchester Metropolitan University, the United Kingdom and a master degree of laws in chinese & comparative law from the City University of Hong Kong. Mr. Liu was admitted as a solicitor of the High Court of Hong Kong Special Administrative Region in August 2001. He is a co-founder and a senior partner of Messrs. Cheung & Liu Solicitors with extensive experiences in commercial and corporate legal matters. Mr. Liu is a visiting lecturer in intellectual property in the Hong Kong Polytechnic University and a vice president of the Hong Kong Institute of Patent Attorneys.

Ms. Wong Fei Tat ("Ms. Wong"), aged 37, has been an independent non-executive Director since 3 January 2012. She holds a bachelor degree in commerce from the University of Sydney, and a postgraduate diploma in corporate administration and a master degree in corporate governance from the Hong Kong Polytechnic University. Ms. Wong is an associate member of the Chartered Institute of Management Accountants, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries and is a certified practising accountant of CPA Australia. Ms. Wong has over 16 years of experience in the accounting field. She has been an independent non-executive director of China Motion Telecom International Limited (Stock Code: 989), a company listed on the main board of the SEHK, since 2006.

SENIOR MANAGEMENT

Mr. Ng Sui Yin ("Mr. Ng"), aged 43, is the company secretary and financial controller, where he is in charge of the accounting, finance and administrative matters. Prior to joining the Group, Mr. Ng was an assistant manager in an audit firm where he advised clients in areas of finance, audit, tax, and bankruptcy. Mr. Ng graduated from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in accounting in 1998. Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and a certified tax adviser of the Taxation Institute of Hong Kong.

Mr. Chuen Wah ("Mr. Chuen"), aged 42, is the sales manager of the Group where he is in charge of its sales and marketing team. Mr. Chuen began his career as a production trainee. Prior to joining the Group in 2003, Mr. Chuen was with another printing company from 1997 to 2003 where he was a sales executive.

Mr. Chan Yee Yeung ("Mr. Chan"), aged 38, is the production manager of the Group where he is in charge of the printing operations of the Group. Mr. Chan began his career as the production controller of a printing company. Prior to joining the Group, he was the production coordinator in a manufacturing company from 2000 to 2001.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sze Chun Lee
(Chief Executive Officer)
Mr. Chan Wai Ming
Mr. Kwan Wing Hang
Mr. Lam Shek Kin
Ms. Chung Oi Ling, Stella
(appointed on 1 October 2011)

Independent Non-executive Directors

Mr. Lim Siang Kai
(Chairman of the Board)
Mr. Leong Ka Yew
Mr. Wee Piew
Mr. Liu Kwong Chi, Nelson
(appointed on 3 January 2012)
Ms. Wong Fei Tat
(appointed on 3 January 2012)

COMMITTEE MEMBERS

Audit Committee

Mr. Wee Piew *(Chairman)*
Mr. Lim Siang Kai
Mr. Leong Ka Yew
Mr. Liu Kwong Chi, Nelson
(appointed on 3 January 2012)
Ms. Wong Fei Tat
(appointed on 3 January 2012)

Remuneration Committee

Mr. Lim Siang Kai *(Chairman)*
Mr. Leong Ka Yew
Mr. Wee Piew
Mr. Liu Kwong Chi, Nelson
(appointed on 3 January 2012)
Ms. Wong Fei Tat
(appointed on 3 January 2012)

Nominating Committee

Mr. Leong Ka Yew *(Chairman)*
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Liu Kwong Chi, Nelson
(appointed on 3 January 2012)
Ms. Wong Fei Tat
(appointed on 3 January 2012)

AUTHORISED REPRESENTATIVES

Mr. Sze Chun Lee
Mr. Ng Sui Yin

JOINT COMPANY SECRETARIES

Mr. Ng Sui Yin (CPA)
Ms. Gn Jong Yuh Gwendolyn

COMPLIANCE ADVISOR

VC Capital Limited

CORPORATE INFORMATION

AUDITOR

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

Engagement Director:
Au Yiu Kwan
(commencing from financial year
31 December 2010)

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTERS AND PRINCIPAL EXECUTIVE OFFICE

Flat 2, 13th Floor
Kodak House II
39 Healthy Street East
North Point
Hong Kong

BERMUDA SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.powerprinting.com.hk

STOCK CODES

Hong Kong: 6828
Singapore: B3C

FINANCIAL HIGHLIGHTS

Earnings per ordinary share based on profit attributable to owners of the Company:	Group 2011	2010
(i) Based on existing issued share capital	**HK 0.8 cent**	HK 18.0 cents
(ii) On a fully diluted basis	**Not applicable**	Not applicable

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$1,142,000 (2010: HK$22,012,000) and on the weighted average number of 136,510,742 (2010: 122,209,373) ordinary shares in issue during the year.

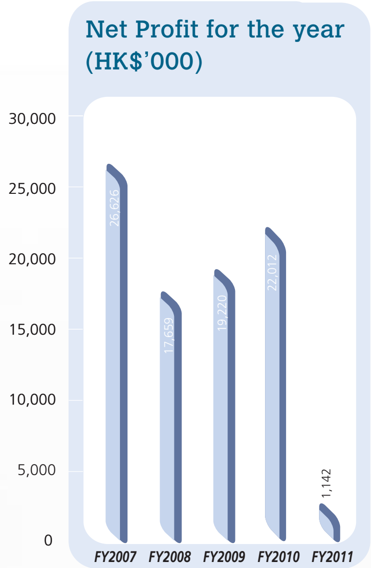
Diluted earnings per share for the years ended 31 December 2010 and 2011 are not presented as there is no dilutive potential ordinary share.

REVENUE (HK$'000)

	Year ended 31 December				
	2007	2008	2009	2010	2011
Revenue	210,894	264,205	212,962	201,677	257,859

NET PROFIT FOR THE YEAR (HK$'000)

	Year ended 31 December				
	2007	2008	2009	2010	2011
Profit for the year attributable to owners of the Company	26,626	17,659	19,220	22,012	1,142



China Print Power Group Limited (the "Company") is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and enhance long-term shareholder value.

This Corporate Governance Report describes the Company's corporate governance processes and activities. For proper reference, the relevant provisions of the Code of Corporate Governance (the "Code") under discussion are identified in bold.

In line with the Code, the board of Directors (the "Board") hereby confirms that the Company has adhered to the principles and guidelines of the Code and all deviations from the Code are disclosed and explained.

BOARD OF DIRECTORS

Principle 1: Board's Conduct of its Affairs

The Company is effectively headed by the Board to lead and control it. Apart from its statutory duties and responsibilities, the Board is collectively responsible for the success of the Company and its subsidiaries (the "Group") and it works with management to achieve this. The management remains accountable to the Board. The Board oversees the affairs of the Group and focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the executive Directors. The Board is responsible for:

1. providing entrepreneurial leadership, setting strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
2. establishing a framework of prudent and effective controls which enables risk to be assessed and managed;
3. reviewing management performance;
4. setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met;
5. ensuring the Group's compliance to laws, regulations, policies, directives, guidelines and internal code of conduct;
6. ensuring the Group's compliance with good corporate governance practices; and
7. approving half-year and full-year result announcements.

The Company has adopted internal guidelines setting forth matters that require Board approval, examples of which include corporate plans and budgets, material acquisitions and disposals of assets, share issuances, dividends and other returns to shareholders. All Directors objectively make decisions in the interests of the Company. The Board also delegates certain of its functions to the Audit, Nominating and Remuneration Committees and these functions are described separately under the various sections of each Committee below. Each Committee has its own defined terms of reference and operating procedures.

The Board is scheduled to meet at least 4 times a year and as and when warranted by circumstances. The Company's bye-laws ("Bye-laws") allow a board meeting to be conducted by way of a telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other.

The number of meetings held in respect of the financial year 2011 and the attendance of the Directors are set out in the table below:

Directors' attendance at Board and Board Committee Meetings

	Board Meeting	Audit Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
Number of Meetings held	4	2	3	1
Name of Director	**Number of Meetings Attended**			
Mr. Lim Siang Kai	4	2	3	1
Mr. Sze Chun Lee	2	N.A.	N.A.	N.A.
Mr. Chan Wai Ming	2	N.A.	N.A.	N.A.
Mr. Kwan Wing Hang	2	N.A.	N.A.	N.A.
Mr. Lam Shek Kin	2	N.A.	N.A.	N.A.
Mr. Leong Ka Yew	4	2	3	1
Mr. Wee Piew	4	2	3	1
Ms. Chung Oi Ling, Stella(1)	0	N.A.	N.A.	N.A.
Mr. Liu Kwong Chi, Nelson(2)	N.A.	N.A.	N.A.	N.A.
Ms. Wong Fei Tat(2)	N.A.	N.A.	N.A.	N.A.

Notes:

(1) Ms. Chung Oi Ling, Stella was appointed as an executive Director on 1 October 2011.

(2) Mr. Liu Kwong Chi, Nelson and Ms. Wong Fei Tat were appointed as independent non-executive Directors on 3 January 2012.

When new Directors are appointed, the Company will provide a formal letter to the new Directors setting out their duties and obligations. In addition, the new Directors will undergo an orientation program where the CEO will brief them on the Group's business, policies and governance practices to ensure that they are familiar with them. Directors and key executives undergo relevant training to enhance their skills and knowledge, particularly on new laws, regulations and changing risks affecting the Group's operations. Other forms of training include governance practices and training in accounting, legal and industry-specific knowledge.

Principle 2: Board Composition and Guidance

The Board comprises:

Executive Directors
Mr. Sze Chun Lee (CEO)
Mr. Chan Wai Ming
Mr. Kwan Wing Hang
Mr. Lam Shek Kin
Ms. Chung Oi Ling, Stella *(appointed on 1 October 2011)*

Independent Non-executive Directors
Mr. Lim Siang Kai (Chairman of the Board)
Mr. Leong Ka Yew
Mr. Wee Piew
Mr. Liu Kwong Chi, Nelson *(appointed on 3 January 2012)*
Ms. Wong Fei Tat *(appointed on 3 January 2012)*

The Board, taking into account the nature and scope of the Group's operations and the impact of the number of Directors upon effectiveness in decision making, is of the view that the current board size of ten Directors, with at least one-third of the Directors being independent, is appropriate. The Board exercises judgment on corporate affairs objectively and independently, in particular, from management and no individual or small group of individuals dominates the Board's decision making.

The independent non-executive Directors consist of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary and these competencies include accounting, finance and business management. None of the independent non-executive Directors have any relationship with the Company, its related companies or its officers that could interfere, or be perceived to interfere, with the exercise of their independent business judgment in the best interests of the Company.

The independent non-executive Directors constructively challenge and help develop proposals on strategy and also review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. They meet regularly on their own without the presence of management.

The composition of the Board and independence of each independent non-executive Director are and will be reviewed annually by the Nominating Committee.

The independent non-executive Directors Mr. Lim Siang Kai, Mr. Leong Ka Yew and Mr. Wee Piew have been appointed pursuant to their respective appointment letter pursuant to which the current term of the appointment shall be up to 31 May 2013 and the term of appointment shall be automatically renewed annually for such annual period thereafter, and may be terminated by not less than three months' notice in writing served by the Company. The independent non-executive Directors Mr. Liu Kwong Chi, Nelson and Ms. Wong Fei Tat have not been appointed for a specific term and may be terminated by not less than three months' notice in writing served by the Company. All the independent non-executive Directors will be subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws.

Principle 3: Role of Chairman and Chief Executive Officer

The Company keeps the positions of Chairman and chief executive officer ("CEO") separate, thus ensuring an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman of the Company is Mr. Lim Siang Kai and the CEO is Mr. Sze Chun Lee. The division of responsibilities between the Chairman and the CEO has been clearly established, set out in writing and agreed by the Board. The Chairman and the CEO are not related to each other. The CEO is primarily responsible for the overall management, strategic planning and business development of the Group, while the Chairman is responsible for the effective working of the Board. The responsibilities of the Chairman include:

1. leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
2. ensuring that the Directors receive accurate, timely and clear information;
3. ensuring effective communication and preserving harmonious relations with the shareholders;
4. encouraging constructive relations between the Board and management and between the executive Directors and non-executive Directors;
5. facilitating the effective contribution of the non-executive Directors in particular;
6. ensuring the Group's compliance with the Code;
7. acting in the best interest of the Group and the shareholders; and
8. promoting high standards of corporate governance.

BOARD COMMITTEES

Nominating Committee

Principle 4: Board Membership

Principle 5: Board Performance

The members of the Nominating Committee ("NC") are as follows:

Mr. Leong Ka Yew	(Chairman)
Mr. Wee Piew	(Member)
Mr. Lim Siang Kai	(Member)
Mr. Liu Kwong Chi, Nelson	(Member) *(appointed on 3 January 2012)*
Ms. Wong Fei Tat	(Member) *(appointed on 3 January 2012)*

The NC is made up of five independent non-executive Directors. The NC is scheduled to meet at least once a year. For the financial year 2011, the NC met three times on 26 February 2011, 26 September 2011 and 29 December 2011 respectively. The NC is regulated by a set of terms of reference and its role is to establish a formal and transparent process for:

1. making recommendations to the Board on all Board appointments;
2. re-nomination of the Directors having regard to each Director's contribution and performance, including, if applicable, as an Independent Director;
3. determining annually whether or not a Director is independent; and
4. deciding whether or not a Director is able to and has adequately carried out his duties as a director.

In the selection and nomination for new Directors, the NC identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of the Directors' personal contacts for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made.

New Directors are appointed by way of a board resolution, after the NC has approved their nominations. Such new Directors submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company. Pursuant to the Bye-laws, all Directors are required to submit themselves for re-election at least once every three years. Profiles of the Directors are found on pages 11 of this annual report. In addition, pursuant to the Companies Act, Cap. 50, a Director who attains the age of 70 years may, by an ordinary resolution passed at an AGM of the Company be re-appointed as a Director of the Company to hold office until the next AGM. The Directors who are retiring and who, being eligible, will offer themselves for re-appointment or re-election at the forthcoming AGM are named below:

Name of Director	Date of appointment	Due for re-appointment	Due for re-election
Mr. Lim Siang Kai	26/03/2007		√
Mr. Sze Chun Lee	19/12/2006		√
Mr. Chan Wai Ming	19/12/2006		
Mr. Kwan Wing Hang	19/12/2006		
Mr. Lam Shek Kin	19/12/2006		
Mr. Leong Ka Yew	26/03/2007		
Mr. Wee Piew	26/03/2007		√
Ms. Chung Oi Ling, Stella	01/10/2011		√
Mr. Liu Kwong Chi, Nelson	03/01/2012		√
Ms. Wong Fei Tat	03/01/2012		√

The NC chairman is not, and is not directly associated with, a substantial shareholder with interest of 5% or more in the voting shares of the Company.

Although the independent non-executive Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. The Company has adopted internal guidelines to address the competing time commitments faced by these Directors serving on multiple boards.

The NC has established a formal appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Directors. The appraisal process focuses on a set of performance criteria which includes the evaluation of the Board composition and size, the Board process, the Board effectiveness and training, the provision of information to the Board, the Board standards of conduct and financial performance indicators. Such performance criteria are approved by the Board and they address how the Board has enhanced long term shareholders' value. The performance criteria do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seek the resignation of Directors in consultation with the NC.

Auditor's remuneration

The fees in relation to the audit service provided by BDO Limited, the external auditor of the Company, for the year ended 31 December 2011 amounted to HK$400,000, and those in relation to non-audit services amounted to HK$810,000, the details of which are set out on note 8 to the financial statements.

AUDIT COMMITTEE

Principle 11: Audit Committee

Principle 12: Internal Controls

Principle 13: Internal Audit

The Audit Committee ("AC") comprises the following Directors:

Mr. Wee Piew	(Chairman)
Mr. Lim Siang Kai	(Member)
Mr. Leong Ka Yew	(Member)
Mr. Liu Kwong Chi, Nelson	(Member) *(appointed on 3 January 2012)*
Ms. Wong Fei Tat	(Member) *(appointed on 3 January 2012)*

The AC is comprised of entirely independent non-executive Directors. The AC is scheduled to meet at least twice a year. For the financial year 2011, the AC met two times on 26 February 2011 and 13 August 2011 respectively. The AC is regulated by a written set of terms of reference and performs the following functions:

1. reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance before their submission to the Board;
2. reviewing the audit plans of the Company's external and internal auditors and the results of their examination and their cost effectiveness;
3. reviewing the co-operation given by the Group's officers to the external and internal auditors;
4. reviewing adequacy and effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
5. reviewing the effectiveness of the Group's internal audit function;
6. nominating or recommending the nomination of the external auditors for appointment, re-appointment or removal;
7. approving the remuneration and terms of engagement of the external auditors;
8. reviewing the independence and objectivity of the external auditors at least annually; and
9. reviewing interested person transactions.

In addition to the above, the AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any Director or key executive to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members have accounting or related financial management expertise and experience.

The external and internal auditors have full access to the AC. The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Group may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence to the AC. This arrangement facilitates independent investigation of such matters for appropriate resolution. The AC has express power to commission investigations into any matters, which has or is likely to have material impact on the Group's operating results or financial results.

For the financial year 2011, the AC met twice with the external auditors without the presence of the management. The AC has undertaken a review of all non-audit services provided by the external auditors for the financial year 2011, has kept the nature and extent of such services under review, has balanced the maintenance of objectivity and value for money and is satisfied that the provision of such services has not in the AC's opinion affected the independence of the external auditors.

The Board ensures the management maintains a robust and effective system of internal controls to safeguard the shareholders' investment and the Group's assets. Certain internal accounting control weaknesses that the external auditors became aware of during their audit for the financial year ended 31 December 2011 have been communicated to the AC. Management will follow up on the external auditors' recommendations in an effort to strengthen the Group's internal control systems.

The Company had previously outsourced the internal control reviews to an independent auditing firm which had reviewed key internal matters and reported its findings together with recommendations on areas of improvement to the AC, and such recommendations have been or are being implemented by the Company. The Company has sourced a new independent auditing firm to continue the internal control reviews function.

The Board and the AC have reviewed the adequacy of the Group's internal controls and believe that, in the absence of any evidence to the contrary, existing internal controls, including financial, operational and compliance controls and risk management systems that are in place, are adequate to meet the needs of the Group in its current business environment. The Company will review the adequacy and effectiveness of its internal controls on an on-going basis and address any specific issues or risks whenever necessary.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee ("RC") comprises the following Directors:

Mr. Lim Siang Kai	(Chairman)
Mr. Wee Piew	(Member)
Mr. Leong Ka Yew	(Member)
Mr. Liu Kwong Chi, Nelson	(Member) *(appointed on 3 January 2012)*
Ms. Wong Fei Tat	(Member) *(appointed on 3 January 2012)*

The RC is made up of entirely independent non-executive Directors so as to minimise the risk of any potential conflict.

The RC is scheduled to meet at least once a year and had convened a meeting on 26 February 2011. The RC is regulated by a set of terms of reference and has access to independent professional advice inside and outside the Company, if necessary, in respect of the remuneration of all Directors and key executives.

The RC's main duties are:

1. to review and recommend to the Board a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Directors and key executives, including those employees related to the Executive Directors and controlling shareholders of the Group, if any, bearing in mind the need for a cautious comparison (in order to prevent the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance) of pay and employment conditions of comparable companies in the same or similar industries, and to submit such recommendations for endorsement by the entire Board; and

2. to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

As part of its review, the RC shall ensure that:

1. all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered;

2. the remuneration packages of Directors and key executives are comparable to companies in same or similar industries and that for executive Directors, a significant proportion of such remuneration packages include performance-related elements;

3. the performance-related elements mentioned above are designed to align interests of executive Directors with those of shareholders, that they link rewards to corporate and individual performance and that there are appropriate and meaningful measures for the purpose of assessing such performance-related elements in respect of executive Directors;

4. the level of remuneration of non-executive Directors are appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, but also bearing in mind that non-executive Directors are not over-compensated to the extent that their independence may be compromised;

5. the level of remuneration is appropriate to attract, retain and motivate the Directors needed to run the Group successfully without such levels being more than is necessary for this purpose; and

6. the remuneration package of employees related to executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The Company adopts a formal and transparent procedure for developing policy on key executive remuneration and for fixing remuneration packages of individual Directors. No Director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account pay and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of individual Director or key executive.

Executive Directors do not receive directors' fees. The remuneration policy for Executive Directors and key executives consists of two components, that is fixed cash and annual variable. The fixed component includes salary, pension fund contributions and other allowances. The variable component comprises a performance based bonus which, for Executive Directors, forms a significant proportion of their total remuneration package and is payable on the achievement of corporate and individual performance targets. The China Print Power Employee Share Option Scheme (the "**Scheme**") was put in place on 26 May 2011. However, we have not granted any share options pursuant to the Scheme.

The Scheme is administered by a committee comprising the Remuneration Committee of the Company.

The independent Directors had entered into service contracts with the Company. They are paid a basic fee and additional fees for serving on any of the Committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. The Board recommends payment of such fees to be approved by shareholders as a lump sum payment at the AGM of the Company.

The executive Directors are paid in accordance with their respective service agreements. These service agreements are not excessively long and they do not have onerous removal clauses. The executive Directors or the Company may terminate the service agreement by giving to the other party not less than six months' notice in writing, or in lieu of notice, payment of an amount equivalent to six months' salary based on the executive Director's last drawn salary. A breakdown, showing the level and mix of each individual Director's remuneration for the financial year 2011 is as follows:

Name of Director	Remuneration Band S$	Salary and Fees %	Performance Bonus %	Other Benefits %	Total Remuneration %
Executive Directors					
Sze Chun Li	< 250,000	84.5	14.3	1.2	100
Mr. Chan Wai Ming	< 250,000	84.3	14.3	1.4	100
Mr. Kwan Wing Hang	< 250,000	83.9	14.3	1.8	100
Mr. Lam Shek Kin	< 250,000	83.9	14.3	1.8	100
Ms. Chung Oi Ling, Stella	< 250,000	97.6	–	2.4	100
Independent Directors					
Mr. Lim Siang Kai	< 250,000	100	–	–	100
Mr. Wee Piew	< 250,000	100	–	–	100
Mr. Leong Ka Yew	< 250,000	100	–	–	100
Mr. Liu Kwong Chi, Nelson(1)	–	–	–	–	–
Ms. Wong Fei Tat(1)	–	–	–	–	–

Note:

(1) Mr. Liu Kwong Chi, Nelson and Ms. Wong Fei Tat were appointed to the Board on 3 January 2012 and hence did not receive any remuneration in 2011.

Disclosure of the key executives' remuneration in bands of S$100,000 for the financial year 2011 is as follows:

Name of Key Executive	Remuneration Band S$	Salary %	Performance Bonus %	Other Benefits %	Total Remuneration %
Ng Sui Yin Wallace	< 100,000	84.8	13.3	1.9	100
Chan Yee Yeung	< 100,000	86.1	10.9	3.0	100
Chuen Wah	< 100,000	88.8	8.0	3.2	100

There are no employees in the Company who are immediate family members of a Director, CEO or substantial Shareholders whose remuneration exceed S$150,000 during the financial year 2011.

Principle 6: Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, management provides the Board members with monthly management accounts and all relevant information. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise. Whenever necessary, senior management staff will be invited to attend the Board meetings and AC meetings to answer queries and provide detailed insights into their areas of operations. The Board, either individually or as a group, also has separate and independent access to the senior management staff. A quarterly report of the Group's activities is also provided to the Directors.

The Board, either individually or as a group, in the discharge of its duties, has access to independent professional advice, if necessary, at the Company's expense.

The Board members have separate and independent access to the company secretary. Under the direction of the Chairman, the company secretary ensures good information flow within the Board and its committees and between management and non-executive Directors, as well as facilitates orientation and assists with professional development as required. The company secretary attends all Board meetings and AC meetings. The company secretary assists the Board to ensure that the Board procedures and relevant rules and regulations are complied with. The appointment and removal of the company secretary is a matter for the Board as a whole.

COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Company recognises the need to communicate regularly, effectively and fairly with its shareholders on all material matters affecting the Group and does not practice selective disclosure. In this respect, the Board presents a balanced and understandable assessment of the Group's performance, position and prospects and such responsibility extends to price sensitive announcements, including half-year and full-year results and reports to regulators, if any, all of which are released through SEHK's website at www.hkexnews.hk, SGX-ST's website at SGXNET (www.sgx.com) and the Company's website at www.powerprinting.com.hk. All press releases are announced through SGXNET before they are published. Where there is inadvertent disclosure made to a selected group, the Company ensures that the same is disclosed publicly to all others as soon as practicable. To date, there have never been such inadvertent disclosures.

The Company may also hold media meetings on significant events.

All shareholders of the Company receive the annual report and notice of the upcoming AGM. At AGMs, shareholders are encouraged to participate and are given the opportunity to air their views and ask questions regarding the Group and its businesses. Separate resolutions on each substantially separate issue are proposed at general meetings for approval. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications involved. The external auditors and legal advisors (if necessary) are present to assist the Directors in addressing any queries by shareholders. In addition, the chairpersons of the AC, NC and RC are present to address questions at AGM.

Apart from AGMs, the Company also regularly conveys pertinent information, gathers views or inputs, and addresses shareholders' concerns. In disclosing information, the Company strives to be as descriptive, detailed and forthcoming as possible.

The management also provides all members of the Board with management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a monthly basis.

The Bye-laws allow a member of the Company to appoint one or two proxies to attend and vote instead of the member. Voting in absentia and electronic mail may only be possible following careful study to ensure the integrity of the information and authentication of the identity of members through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

The Company records minutes of all AGMs and questions and comments from shareholders together with the respective responses are also recorded. These are available to shareholders upon request.

DEALINGS IN SECURITIES

The Company has adopted a code of conduct rules regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. In addition, the specific enquiry has been made to all Directors in relation to whether the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

The Company has adopted its own code of best practices on securities transactions by the Company and its officers with respect to dealings in securities by directors and officers of the Group ("Best Practices Code"). The Best Practices Code is in line with the requirements of the SGX-ST Listing Manual and is no less exacting than the required standard in the Model Code.

RISK MANAGEMENT

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Details of related party and connected transactions of the Group for the year ended 31 December 2011 which fall under Chapter 14A of the Listing Rules are set out in note 28 to the financial statements.

USE OF HONG KONG IPO PROCEEDS

The net proceeds from the Hong Kong IPO is approximately HK$30.7 million after payment of transaction costs and listing expenses. Up to 25 February 2012, utilisation of the IPO net proceeds is as follows:

	Planned utilisation per Prospectus HK$'000	Utilisation HK$'000	Balance HK$'000
Expansion of production capacity	26,400	17,700	8,700
Expansion of sale and distribution network	1,550	–	1,550
General working capital	2,750	2,750	–
TOTAL	30,700	20,450	10,250

REPORT OF THE DIRECTORS

The directors (the "Directors") of China Print Power Group Limited (the "Company") are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiary (collectively, the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in the printing business and sales of paper and leather products. There were no significant changes in the nature of the Group's principal activities during the period under review and the Group's operations are based in The People's Republic of China (the "PRC"), including Hong Kong. The principal activities of the subsidiaries are set out in note 16 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 42 to 97.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2011 (2010: HK3.60 cents per ordinary share).

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the financial statements, is set out on page 100 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

By comparing the valuation of the Group's property interests as set out in Appendix III to the prospectus of the Company dated 28 June 2011, the net valuation surplus is approximately HK$10,517,000 as compared to the carrying amounts of the Group's property interests as of 30 April 2011. According to the accounting policies of the Group, the valuation surplus of the Group's property interests are not incorporated in the Group's consolidated financial statements. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of approximately HK$228,000 would be incurred.

SHARE CAPITAL

Details of movements of the Company's share capital are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF SHARES

Neither the Company, nor its subsidiary purchased, redeemed or sold its equity securities during the year.

RESERVES

Share premium

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be distributed in the form of fully paid bonus shares.

Merger reserve

This arose from the restructuring exercise and represents the difference between the nominal value of the Company's shares issued in exchange for the then consolidated net assets of the subsidiaries acquired as at 26 March 2007.

Details of movements in the reserves of the Group and the Company are set out in statements of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2011 the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 42.8% of the total sales for the year and sales to the largest customer included therein amounted to 15.1%. Purchases from the Group's five largest suppliers accounted for 26.4% of the total purchases for the year. None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

EXECUTIVE DIRECTORS:

Mr. Sze Chun Lee
Mr. Chan Wai Ming
Mr. Kwan Wing Hang
Mr. Lam Shek Kin
Ms. Chung Oi Ling, Stella *(appointed on 1 October 2011)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lim Siang Kai
Mr. Leong Ka Yew
Mr. Wee Piew
Mr. Liu Kwong Chi, Nelson *(appointed on 3 January 2012)*
Ms. Wong Fei Tat *(appointed on 3 January 2012)*

In accordance with Bye-law 86 of the Bye-laws, Mr. Sze Chun Lee, Mr. Lim Siang Kai and Mr. Wee Piew shall retire at the forthcoming annual general meeting of the Company ("Annual General Meeting"). In addition, Ms. Chung Oi Ling, Stella, Mr. Liu Kwong Chi, Nelson and Ms. Wong Fei Tat, who were appointed by the Board after last annual general meeting, shall hold office until the conclusion of the Annual General Meeting pursuant to Bye-law 85(6) of the Bye-laws. All of the above retiring Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and still considers them to be independent.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors or their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2011, none of the Directors have entered into any service agreement with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remuneration is subject to approval by the RC with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 13 to the financial statements.

HIGHEST PAID INDIVIDUALS

During the year, the five individuals with the highest remuneration in the Group are all Directors and senior management of the Company. Details of the highest paid individuals are set out in note 13 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or its subsidiaries was a party subsisting during or at the end of the year under review.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OR ANY ASSOCIATED CORPORATION

As at 31 December 2011, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to the Model Code contained in the Rules Governing the Listing of Securities on SEHK ("Listing Rules") were as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Sze Chun Lee	Beneficial owner	180,000	0.12%
	Interest of controlled corporation (note 1)	81,060,848	53.26%
Mr. Lam Shek Kin	Beneficial owner	100,000	0.07%
Ms. Chung Oi Ling, Stella	Interest of controlled corporation (note 2)	5,634,000	3.7%

Notes:

1. China Print Power Limited holds 81,060,848 Shares and is beneficially owned by Mr. Sze Chun Lee, Mr. Chan Wai Ming, Mr. Kwan Wing Hang and Mr. Lam Shek Kin, all being executives Directors, as to 35%, 30%, 20% and 15%, respectively.

2. Ms. Chung Oi Ling, Stella is deemed to be interested in 5,634,000 Shares by virtue of her 100% control in Flame Capital Limited.

(ii) **Interest in associated corporations**

Name of Director	Name of associated corporation	Number of Shares	Percentage of shareholding
Mr. Sze Chun Lee	China Print Power Limited	3,500	35%
Mr. Chan Wai Ming	China Print Power Limited	3,000	30%
Mr. Kwan Wing Hang	China Print Power Limited	2,000	20%
Mr. Lam Shek Kin	China Print Power Limited	1,500	15%

Save as disclosed above, as at 31 December 2011, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, warrants, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company or the SEHK pursuant to the Model Code.

INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the year and up to the date of this annual report, none of the Directors has any interest in a business which competes or may compete with the business of the Group under the Listing Rules.

SHARE OPTIONS

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant options to any full-time or part-time employee and directors of the Company or any of its subsidiaries. Details of the share option scheme are set out on note 26 to the financial statements.

No share options under the share option scheme were granted or exercised during the year nor remained outstanding as at 31 December 2011.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, persons/corporations (other than the directors and chief executive of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name	Capacity	Number of Shares	Percentage of shareholding
China Print Power Limited	Beneficial owner	81,060,848	53.26%

Other than disclosed above, the Company has not been notified of any persons/corporations (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of SFO as at 31 December 2011, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MATERIAL CONTRACTS

No material contracts (other than contracts entered into in the ordinary course of business) which were entered into by the Company or its subsidiaries during the year, which are or may be material.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

MATERIAL LITIGATION AND ARBITRATION

As at 31 December 2011, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

CONNECTED TRANSACTIONS

During the year, our Company had entered into a car rental agreement to rent a cross-border car from (Hong Kong) Power Printing Limited ("HKPPL") and the rental fee we paid to HKPPL amounted to approximately HK$168,000 for the year ended 31 December 2011.

As HKPPL is wholly owned by Sze Chun Lee, our executive Director, HKPPL is a connected person of our Company within the meaning of the Listing Rules. The transactions contemplated under the car rental agreement will constitute continuing connected transactions for our Company.

Our directors have reviewed the car rental agreement and confirmed that the rental service provided by HKPPL was entered into in our ordinary and usual course of business and was conducted on normal commercial terms, and the terms of such transaction was arrived at arm's length negotiation, and was fair and reasonable and in the interests of our Group and the Shareholders as a whole.

Given that each of the percentage ratios (other than the profit ratio) on an annual basis is less than 5% and the annual consideration is less than HK$1 million, the transactions contemplated under the car rental agreement would fall within the scope of de minimis transaction pursuant to Rule 14A.33(3) of the Listing Rules and is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Other related party transactions

Other related party transactions are set out in note 28 to the financial statements, which either fall under the definition of "Continuing Connected Transactions" and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules or does not fall into the definition of "connected transaction" or "continuing connected transaction".

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the period from the Listing Date to 31 December 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2011, the Group had not made any significant acquisition or disposal of subsidiaries.

EMPLOYEES' INFORMATION

Employees of the Group

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. As at 31 December 2011, there were 126 (2010: 146) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses or share options to eligible staff based on their performance and contributions to the Group.

Employees of He Yuan Factory

The workers working at He Yuan Factory are employed by the He Yuan Factory pursuant to the He Yuan Processing Arrangement and as at 31 December 2011, there were 849 (2010: 712) employees in the He Yuan Factory.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 27 April 2012. A notice convening the Annual General Meeting will be issued to the shareholders of the Company together with this annual report, which will also be available on the SEHK's website at www.hkexnews.hk, SGX-ST's website at www.sgx.com and the Company's website at www.powerprinting.com.hk.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. The Company has complied with the code provisions listed in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules and The Singapore Code of Corporate Governance 2005 throughout the year ended 31 December 2011. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 29 of this annual report.

SUBSIDIARIES

Details of the Company's subsidiaries are set out in note 16 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

ACCOUNTABILITY

The Board aims to ensure that the interim and annual financial statements and results announcements are presented in a manner which provides a balanced and understandable assessment of the Group's performance, position and prospect. The financial statements have been prepared in accordance with the International Financial Reporting Standards and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

AUDIT COMMITTEE

The AC comprises five members, namely, Mr. Lim Siang Kai, Mr. Leong Ka Yew, Mr. Wee Piew, Mr. Liu Kwong Chi, Nelson and Ms. Wong Fei Tat, all being independent non-executive Directors. It has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The AC has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2011.

The AC has recommended to the Board the nomination of the following appointment of external auditors at the forthcoming Annual General Meeting:

(a) To reappoint BDO Limited, Certified Public Accountants, Hong Kong to satisfy the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited; and

(b) To appoint BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Singapore as joint auditors to satisfy the Listing Manual of the Singapore Exchange Securities Trading Limited.

AUDITOR

Due to a merger of the businesses of Grant Thornton ("GTHK"), now known as JBPB & Co., and BDO Limited ("BDO") to practice in the name of BDO as announced on 26 November 2010, GTHK resigned and BDO was appointed as auditor of the Company effective from 29 November 2010. Save as disclosed herein, there was no other change in auditor of the Company in any of the preceding three years.

BDO retire and, being eligible, offer themselves for re-appointment. The following resolution will be proposed at the forthcoming annual general meeting of the Company to the appointment of auditors of the Company for the ensuing year until the next annual general meeting in 2013.

(a) To reappoint BDO Limited, Certified Public Accountants, Hong Kong to satisfy the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited; and

(b) To appoint BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Singapore as joint auditors to satisfy the Listing Manual of the Singapore Exchange Securities Trading Limited.

On behalf of the Board of Directors

Mr. Sze Chun Lee
Director

Mr. Chan Wai Ming
Director

19 March 2012

STATEMENT BY DIRECTORS

We, Mr. Sze Chun Lee and Mr. Chan Wai Ming, being two of the Directors of China Print Power Group Limited, do hereby state that, in the opinion of the Directors,

(i) the accompanying statements of financial position, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors:

Mr. Sze Chun Lee
Director

Mr. Chan Wai Ming
Director

19 March 2012

INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of China Print Power Group Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Print Power Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

BDO Limited
香港立信德豪會計師事務所有限公司

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

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

Hong Kong, 19 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	6	**257,859**	201,677
Cost of sales		**(201,707)**	(142,233)
Gross profit		**56,152**	59,444
Other income	6	**1,781**	2,912
Selling and distribution costs		**(12,450)**	(8,800)
Administrative expenses		**(27,427)**	(24,962)
Listing expenses		**(8,890)**	–
Other operating expenses		**(2,947)**	(1,801)
Finance costs	7	**(1,617)**	(2,051)
Profit before income tax	8	**4,602**	24,742
Income tax expense	9	**(3,460)**	(2,730)
Profit for the year and attributable to owners of the Company	10	**1,142**	22,012
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		**3,268**	833
Other comprehensive income for the year		**3,268**	833
Total comprehensive income for the year and attributable to owners of the Company		**4,410**	22,845
Earnings per share for profit attributable to owners of the Company during the year	12		
– Basic (HK cents)		**0.8**	18.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights	14	**5,629**	5,474
Property, plant and equipment	15	**143,506**	118,294
Other non-current assets		**601**	690
		149,736	124,458
Current assets			
Inventories	17	**33,440**	21,319
Trade and other receivables	18	**89,672**	71,414
Current tax assets		**337**	–
Cash and cash equivalents	19	**46,300**	28,831
		169,749	121,564
Current liabilities			
Trade and other payables	20	**39,423**	26,130
Bank borrowings, secured	21	**63,270**	34,682
Obligations under finance leases	22	**2,024**	10,834
Current tax liabilities		**1,110**	108
		105,827	71,754
Net current assets		**63,922**	49,810
Total assets less current liabilities		**213,658**	174,268
Non-current liabilities			
Deferred tax liabilities	23	**3,442**	3,624
Net assets		**210,216**	170,644
EQUITY ATTRIBUTABLE TO COMPANY'S OWNERS			
Share capital	24	**83,715**	67,215
Reserves		**126,501**	103,429
Total equity		**210,216**	170,644

On behalf of the Board

Mr. Sze Chun Lee
Director

Mr. Chan Wai Ming
Director

STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	**46,078**	46,078
Current assets			
Other receivables	18	**52,122**	26,630
Dividend receivables from subsidiary		**7,043**	11,444
Cash and cash equivalents	19	**2,907**	46
		62,072	38,120
Net assets		**108,150**	84,198
EQUITY			
Share capital	24	**83,715**	67,215
Reserves		**24,435**	16,983
Total equity		**108,150**	84,198

On behalf of the Board

Mr. Sze Chun Lee
Director

Mr. Chan Wai Ming
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Profit before income tax		**4,602**	24,742
Adjustments for:			
Amortisation of leasehold land and land use rights	8	**129**	124
Depreciation of property, plant and equipment	8	**13,039**	13,588
Impairment losses on trade receivables	8	**419**	500
Interest income	6	**(50)**	(11)
Interest expenses	7	**1,617**	2,051
Net losses on disposals of property, plant and equipment	8	**128**	49
Other payables written back	6	**(604)**	(573)
Reversal of impairment losses on trade receivables	6	**(656)**	(1,040)
Operating profit before working capital changes		**18,624**	39,430
Increase in inventories		**(12,067)**	(3,509)
Increase in trade and other receivables		**(18,205)**	(7,481)
Increase in trade and other payables		**8,216**	1,911
Cash (used in)/generated from operations		**(3,432)**	30,351
Income taxes refunded		**362**	–
Income taxes paid		**(3,339)**	(4,295)
Interest paid		**(1,617)**	(2,051)
Net cash (used in)/from operating activities		**(8,026)**	24,005
Cash flows from investing activities			
Interest received		**50**	11
Purchases of property, plant and equipment		**(29,651)**	(2,350)
Proceeds from disposals of property, plant and equipment		**100**	112
Net cash used in investing activities		**(29,501)**	(2,227)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**44,400**	–
Payment of transaction costs on issue of ordinary shares		**(4,838)**	–
Dividends paid		**(4,400)**	(2,884)
Decrease in pledged deposits		**–**	1,055
Increase/(Decrease) in trust receipt loans and collateralised borrowings		**13,931**	(12,616)
Proceeds from new bank borrowings		**33,750**	15,800
Repayments of bank borrowings		**(19,093)**	(14,003)
Repayments of obligations under finance leases		**(8,810)**	(6,265)
Net cash from/(used in) financing activities		**54,940**	(18,913)
Net increase in cash and cash equivalents		**17,413**	2,865
Cash and cash equivalents at 1 January		**28,831**	25,966
Effect of foreign exchange rate changes, on cash held		**56**	–
Cash and cash equivalents at 31 December	19	**46,300**	28,831

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2011

Group

	Attributable to owners of the Company						
	Share capital HK$'000 (note 24)	Share premium* HK$'000 (note 25)	Merger reserve* HK$'000	Translation reserve* HK$'000	Proposed final dividend* HK$'000	Retained profits* HK$'000	Total equity HK$'000
Balance at 1 January 2010	67,215	12,177	(43,048)	13,227	2,884	98,228	150,683
2009 final dividend approved	–	–	–	–	(2,884)	–	(2,884)
Transaction with owners	–	–	–	–	(2,884)	–	(2,884)
Profit for the year	–	–	–	–	–	22,012	22,012
Other comprehensive income – exchange gain on translation of financial statements of foreign operations	–	–	–	833	–	–	833
Total comprehensive income for the year	–	–	–	833	–	22,012	22,845
2010 final dividend proposed	–	–	–	–	4,400	(4,400)	–
Balance at 31 December 2010 and 1 January 2011	**67,215**	**12,177**	**(43,048)**	**14,060**	**4,400**	**115,840**	**170,644**
2010 final dividend approved	–	–	–	–	(4,400)	–	(4,400)
Issue of ordinary shares	16,500	27,900	–	–	–	–	44,400
Transaction costs on issue of ordinary shares	–	(4,838)	–	–	–	–	(4,838)
Transaction with owners	**16,500**	**23,062**	**–**	**–**	**(4,400)**	**–**	**35,162**
Profit for the year	–	–	–	–	–	1,142	1,142
Other comprehensive income – exchange gain on translation of financial statements of foreign operations	–	–	–	3,268	–	–	3,268
Total comprehensive income for the year	**–**	**–**	**–**	**3,268**	**–**	**1,142**	**4,410**
Balance at 31 December 2011	**83,715**	**35,239**	**(43,048)**	**17,328**	**–**	**116,982**	**210,216**

* Total of these reserve accounts as at 31 December 2011 amounted to HK$126,501,000 (2010: HK$103,429,000).

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2011

Company

	Share capital HK$'000 (note 24)	Share premium** HK$'000 (note 25)	Proposed final dividend** HK$'000	Retained profits/ (Accumulated losses)** HK$'000	Total equity HK$'000
Balance at 1 January 2010	67,215	12,177	2,884	247	82,523
2009 final dividend approved	–	–	(2,884)	–	(2,884)
Transaction with owners	–	–	(2,884)	–	(2,884)
Profit for the year	–	–	–	4,559	4,559
Total comprehensive income for the year	–	–	–	4,559	4,559
2010 final dividend proposed	–	–	4,400	(4,400)	–
Balance at 31 December 2010 and 1 January 2011	**67,215**	**12,177**	**4,400**	**406**	**84,198**
2010 final dividend approved	–	–	(4,400)	–	(4,400)
Issue of ordinary shares	16,500	27,900	–	–	44,400
Transaction costs on issue of ordinary shares	–	(4,838)	–	–	(4,838)
Transaction with owners	**16,500**	**23,062**	**(4,400)**	**–**	**35,162**
Loss for the year	–	–	–	(11,210)	(11,210)
Total comprehensive income for the year	**–**	**–**	**–**	**(11,210)**	**(11,210)**
Balance at 31 December 2011	**83,715**	**35,239**	**–**	**(10,804)**	**108,150**

** Total of these reserve accounts amounted to HK$24,435,000 (2010: HK$16,983,000) as at 31 December 2011.

1. GENERAL INFORMATION

China Print Power Group Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are dual primary listed on The Stock Exchange of Hong Kong Limited ("SEHK") and the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. The Company and its subsidiaries are referred to as the "Group" hereinafter. There were no significant changes in the nature of the Group's principal activities during the year and the Group's operations are based in The People's Republic of China, including Hong Kong (the "PRC"). The Company's ultimate parent company is China Print Power Limited, a company incorporated in the British Virgin Islands.

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousands ("HK$'000") except when otherwise indicated.

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 19 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 42 to 97 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance, the Rules Governing the Listing of Securities on SEHK (the "Listing Rules") and the Listing Manual of the SGX-ST (the "Listing Manual").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impact on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see 2.3 below) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

When a foreign operation is sold such that control is lost, the cumulative exchange differences related to that foreign operation are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property plant and equipment, other than construction-in-progress ("CIP"), are stated at 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 the working condition and location for its intended use.

Depreciation is provided to write off the cost less their estimated residual values over their estimated useful lives, at the following rates per annum:

On straight-line method	
Buildings	3-1/3%
On reducing balance method	
Plant and machinery	15%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

Gain or loss arising on retirement or disposal is determined as the difference between the net 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 in the year in which they are incurred.

CIP represents buildings under construction for production or supply of goods or for administrative purposes. These are carried at cost less any impairment losses and are not depreciated. Cost comprises direct costs, such as cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use incurred during the periods of construction. CIP is reclassified as buildings and depreciation commences when the construction work is completed and the asset is ready for their intended use.

Assets held under finance leases (note 2.12) are depreciated over the term of the relevant lease or where it is likely that the Group will obtain the ownership of the asset, their expected useful lives on the same basis as owned assets.

2.6 Leasehold land and land use rights

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.12. Amortisation is calculated on straight-line method over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.7 Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These (including trade and other receivables, dividend receivables from subsidiary and cash and cash equivalents) are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

Loans and receivables are recognised initially at fair value, plus directly attributable transaction cost and subsequently measured at amortised cost using the 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.

De-recognition of financial assets occurs when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. 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 debtor;

– a breach of contract, such as default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– a significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, 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 year in which the impairment occurs.

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

Impairment losses are written off against the receivables directly except where the recovery of loans and 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.

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in first-out method, and in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the year 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 year 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 year in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and form an integral part of the Group's cash management.

2.10 Financial liabilities

The Group's financial liabilities included finance lease liabilities, borrowings and trade and other payables. These are included in line items in the statements of financial position as obligations under finance leases, bank borrowings and trade and other payables.

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 2.18).

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

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.12).

Borrowings

Borrowings include term loans, trust receipt loans and collateralised borrowings. These 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 borrowings 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 reporting date.

Trade and other payables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2.13 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.12 Leases

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Leases (Continued)

(ii) Assets acquired under finance leases (Continued)

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 charges.

Finance 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 rental 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 the assets held under operating leases, payments made under the leases are charged to profit or loss on 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 payment made.

Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2.13 Provision and contingent liabilities

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 obligations.

All provisions are reviewed at each reporting date 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Share capital

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

Any transaction costs associated with the issuing 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.

2.15 Revenue recognition

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

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

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

2.16 Impairment of non-financial assets

Property, plant and equipment, other assets, leasehold land and land use rights; and the Company's interests in subsidiaries are subject to impairment testing. These assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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. 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.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGUs 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of non-financial assets (Continued)

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of the asset or the CGU and only to the extent that the carrying amount of the asset or the CGU does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2.17 Employee benefits

Retirement benefits

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

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

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. Contributions are made based on 5% of the employee's basic salaries, with a cap of monthly salaries of HK$20,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contribution vested fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (Continued)

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profit.

2.18 Borrowings cost

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 is suspended or ceases when the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on interests 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 reporting date.

Current tax and changes in deferred tax assets or liabilities are recognised as a component of income tax expense 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 in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Accounting for income taxes (Continued)

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 tax 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.

2.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive 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 executive directors are determined following the Group's major product lines.

The Group has identified the following reportable segments:

– book products – provision of full suite of services from pre-press to printing to finishing/binding services; and

– specialised products – production of custom-made and value-added printing products.

Each of these operating segments is managed separately as each of the product lines requires different resources as well as marketing approaches.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Segment reporting (Continued)

The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs except for finance costs, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but tax and corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude tax and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include current tax liabilities, deferred tax liabilities and corporate borrowings.

No asymmetrical allocations have been applied to reportable segments.

2.21 Related parties

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

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of the Group's parent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Related parties (Continued)

(ii) An entity is related to the Group if:

(a) the entity and the Group are members of the same group;

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(c) both entities are joint venture of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); or

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

Close family members of a person are those family members who may be expect to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

3. ADOPTION OF NEW OR AMENDED IFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new IFRSs") issued by the IASB and the IFRIC of the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011.

- IAS 24 (Revised) – Related Party Disclosures; and

- Various – Annual improvements to IFRSs May 2010

IAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may resulted in changes to those parties who are identified as being related parties of the Group in the prior period. The Group has reassessed the identification of its related parties in accordance with the revised definition and as a consequence has amended the disclosures of its related party transactions in the current and previous years by excluding transactions with entities which are significantly influenced by members of the Group's key management personnel. Related party transactions are disclosed in note 28 with the comparative information being restated to conform to IAS 24 (Revised) in accordance with the transitional provisions. The adoption of IAS 24 (Revised) has no impact on the Group's profit or loss, total comprehensive income or financial positions for the periods presented.

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

The Improvements to IFRSs May 2010 comprise a number of amendments to IFRSs, primarily with a view to remove inconsistencies and clarifying wordings. The amendments do not have any financial impact on the Group for the current period.

At the date of authorisation of these financial statements, certain new and amended IFRSs have been issued but are not yet effective, and have not been adopted early by the Group for the year ended 31 December 2011.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended IFRSs have been issued but are not expected to have a material impact on the Group's financial statements.

3. ADOPTION OF NEW OR AMENDED IFRSs (CONTINUED)

Amendments to IAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012 and require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future (e.g. exchange difference on translation of financial statements of foreign operations) by presenting them separately from those that would never be reclassified to profit or loss. The amendments also change the title "Statement of comprehensive income" to "Statement of profit or loss and other comprehensive income". However, entities are still allowed to use the old title.

Amendments to IFRS 7 – Disclosures – Transfers of Financial Assets

The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted and introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liability. The disclosures must be presented by type of ongoing involvement.

IFRS 9 – Financial Instruments

The standard is effective for annual periods beginning on or after 1 January 2015 and addresses the classification and measurement of financial assets, it also addresses the requirements for financial liabilities and for derecognition of financial assets and financial liabilities.

The new standard 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.

In relation to financial liabilities, the significant changes relates to financial liabilities that are designated as at fair value through profit or loss, specifically, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

3. ADOPTION OF NEW OR AMENDED IFRSs (CONTINUED)

IFRS 10 – Consolidated Financial Statements

IFRS 10 is effective for annual periods beginning on or after 1 January 2013 and introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns.

IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduce the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agent of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidation related matters are carried forward unchanged.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 is effective for accounting periods beginning on or after 1 January 2013 and integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

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

(i) Estimated impairment of loans and receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The Group's policy for the impairment of loans and receivables is based on the evaluation of collectability and ageing analysis of the receivables and on the management's estimates. A considerable amount of estimate is required in assessing the ultimate realisation of these outstanding, including the current creditworthiness or the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment will be required.

(ii) Net realisable value of inventories

Inventory is valued at the lower of cost and net realisable value. 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 conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

(iii) Depreciation of property, plant and equipment

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using reducing balance method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

5. SEGMENT REPORTING

The executive directors have identified the Group's two product lines as operating segments as described in note 2.20.

Segment revenue below represents revenue from external customers. There were no inter-segment sales during the years ended 31 December 2010 and 2011.

	Segment revenue		Segment profit	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Book products	**152,312**	110,861	**33,821**	33,663
Specialised products	**105,547**	90,816	**22,331**	25,781
Segment total	**257,859**	201,677	**56,152**	59,444

	Segment assets		Segment liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Book products	**134,053**	121,494	**9,446**	13,490
Specialised products	**36,387**	23,596	**12,452**	4,763
Segment total	**170,440**	145,090	**21,898**	18,253

	Depreciation and amortisation		Additions to non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Book products	**6,207**	8,767	**580**	499
Specialised products	**2,631**	1,071	**6,042**	62
Segment total	**8,838**	9,838	**6,622**	561

5. SEGMENT REPORTING (CONTINUED)

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

	2011 HK$'000	2010 HK$'000
Reportable segment profit	**56,152**	59,444
Interest income	**50**	11
Unallocated corporate income	**1,731**	2,901
Directors' remuneration	**(4,131)**	(3,849)
Amortisation of leasehold land and land use rights	**(129)**	(124)
Unallocated corporate expenses	**(47,454)**	(31,590)
Finance costs	**(1,617)**	(2,051)
Group's profit before income tax	**4,602**	24,742
Reportable segment assets	**170,440**	145,090
Leasehold land and land use rights	**5,629**	5,474
Cash and cash equivalents	**46,300**	28,831
Current tax assets	**337**	–
Other corporate assets	**96,779**	66,627
Group assets	**319,485**	246,022
Reportable segment liabilities	**21,898**	18,253
Bank borrowings	**63,270**	34,682
Obligations under finance leases	**2,024**	10,834
Current tax liabilities	**1,110**	108
Deferred tax liabilities	**3,442**	3,624
Other corporate liabilities	**17,525**	7,877
Group liabilities	**109,269**	75,378

5. SEGMENT REPORTING (CONTINUED)

Geographical location of customers is based on the location at which the customers reside. The Group's revenue from external customers is divided into the following geographical areas:

	2011 HK$'000	2010 HK$'000
PRC, including Hong Kong	**145,006**	119,648
United Kingdom	**51,957**	30,961
United States	**23,794**	31,582
Germany	**17,903**	10,889
Others	**19,199**	8,597
	257,859	201,677

During the years ended 31 December 2010 and 2011, there was no revenue from external customers attributed to Bermuda (domicile) and no non-current assets were located in Bermuda. The country of domicile is the country where the Company was incorporated for the purpose of the disclosures as required by IFRS 8 "Operating Segments".

Geographical location of non-current assets is based on the physical location of the asset. All of the Group's non-current assets are located in the PRC.

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenues. During each of the years ended 31 December 2010 and 2011, revenue derived from these customers, including sales to entities which are known to the Group to be under common control, are as follows:

	2011 HK$'000	2010 HK$'000
Customer A*	**38,837**	36,425
Customer B*	**31,204**	25,406

* Attributable to books and specialised products segments

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represented the invoiced value of goods sold, after allowance for returns and trade discounts, and elimination of all significant inter-company transactions. An analysis of the Group's revenue and other income is as follows:

	2011 HK$'000	2010 HK$'000
Revenue		
Sales of goods	**257,859**	201,677
Other income		
Interest income on financial assets not at fair value through profit or loss	**50**	11
Other payables written back	**604**	573
Reversal of impairment losses on trade receivables	**656**	1,040
Sundry income	**471**	1,288
	1,781	2,912

7. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest charges on:		
– Bank borrowings repayable on demand or wholly within five years	**1,320**	1,298
– Finance charges on obligations under finance leases	**297**	753
Interest expense on financial liabilities not at fair value through profit or loss	**1,617**	2,051

8. PROFIT BEFORE INCOME TAX

	2011 HK$'000	2010 HK$'000
Profit before income tax is arrived at after charging:		
Auditor's remuneration	**400**	388
Amortisation of leasehold land and land use rights	**129**	124
Cost of inventories recognised as expense*	**201,707**	142,233
Depreciation of property, plant and equipment*	**13,039**	13,588
Employee benefit expense* (including directors' emoluments):		
– Salaries and allowances	**57,398**	41,549
– Contribution to defined contribution plans	**3,432**	1,042
	60,830	42,591
Impairment losses on trade receivables	**419**	500
Net foreign exchange losses	**375**	449
Net losses on disposals of property, plant and equipment	**128**	49
Operating lease charges on:		
– premises	**460**	452
– motor vehicles	**168**	336
	628	788

* Included in cost of inventories are depreciation and employee benefit expense of HK$58,890,000 (2010: HK$41,949,000), which have also been included in the respective total amounts as disclosed above.

The independent auditor received non-audit fee of approximately HK$660,000 for acting as the reporting accountants in connection with the dual primary listing of the Company's shares on the SEHK. In addition, HK$150,000 was received relating to the due diligence support services. No other non-audit fee was paid to the independent auditor for the year ended 31 December 2011 (2010: Nil).

9. INCOME TAX EXPENSE

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

	2011 HK$'000	2010 HK$'000
Current tax – Hong Kong profits tax		
– Current year	**3,308**	3,364
– Under/(Over) provision in respect of prior years	**334**	(322)
	3,642	3,042
Deferred tax		
– Origination and reversal of temporary differences (note 23)	**(182)**	(312)
Total income tax expense	**3,460**	2,730

Reconciliation between the income tax expense and accounting profit at applicable tax rates:

	2011 HK$'000	2010 HK$'000
Profit before income tax	**4,602**	24,742
Notional tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(293)**	3,427
Tax effect of non-deductible expenses	**4,961**	2,095
Tax effect of non-taxable revenue	**(8)**	(61)
Tax effect of 50% non-taxable manufacturing profits*	**(1,534)**	(2,409)
Under/(Over) provision in respect of prior years	**334**	(322)
Total income tax expense	**3,460**	2,730

* Pursuant to the Departmental Interpretation and Practice Note No. 21 issued by the Hong Kong Inland Revenue Department, Power Printing Products Limited, a wholly-owned subsidiary of the Company, having manufacturing facilities in the PRC is entitled to deduct 50% of its estimated assessable profits for Hong Kong tax reporting purposes and thus 50% of the estimated assessable profits are subject to Hong Kong profits tax. Power Printing Products Limited has been submitting its tax returns based on the above profits tax treatment since it made assessable profits. So far, the Hong Kong Inland Revenue Department did not raise any objections to these tax returns.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year includes a loss of HK$11,210,000 (2010: a profit of HK$4,559,000), which have been dealt with in the financial statements of the Company.

11. DIVIDENDS

(a) Dividends attributable to the year

	2011 HK$'000	2010 HK$'000
Proposed final dividend of Nil (2010: HK3.60 cents) per ordinary share	**–**	4,400

Final dividends proposed after reporting date are not recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 31 December 2011.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2011 HK$'000	2010 HK$'000
Final dividend in respect of the previous financial year, of HK3.60 cents (2010: HK2.36 cents) per ordinary share	**4,400**	2,884

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$1,142,000 (2010: HK$22,012,000) and on the weighted average number of 136,510,742 (2010: 122,209,373) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2010 and 2011 are not presented as there is no dilutive potential ordinary share.

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

No emoluments were paid by the Group to any of the following directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office or are there any arrangement under which a director waived or agree to waive any remuneration during the year (2010: Nil).

(a) Directors' emoluments

	Fee HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2011				
Executive directors				
– Mr. Sze Chun Lee	**–**	**1,025**	**12**	**1,037**
– Mr. Chan Wai Ming	**–**	**874**	**12**	**886**
– Mr. Kwan Wing Hang	**–**	**672**	**12**	**684**
– Mr. Lam Shek Kin	**–**	**672**	**12**	**684**
– Ms. Chung Oi Ling*	**–**	**120**	**5**	**125**
Independent non-executive directors				
– Mr. Lim Siang Kai	**305**	**–**	**–**	**305**
– Mr. Leong Ka Yew	**189**	**–**	**–**	**189**
– Mr. Wee Piew	**221**	**–**	**–**	**221**
	715	**3,363**	**53**	**4,131**
Year ended 31 December 2010				
Executive directors				
– Mr. Sze Chun Lee	–	1,000	12	1,012
– Mr. Chan Wai Ming	–	853	12	865
– Mr. Kwan Wing Hang	–	656	12	668
– Mr. Lam Shek Kin	–	656	12	668
Independent non-executive directors				
– Mr. Lim Siang Kai	274	–	–	274
– Mr. Leong Ka Yew	167	–	–	167
– Mr. Wee Piew	195	–	–	195
	636	3,165	48	3,849

* appointed as executive director with effect from 1 October 2011.

On 3 January 2012, the Company had appointed Mr. Liu Kwong Chi, Nelson and Ms. Wong Fei Tat as independent non-executive director with effect from 3 January 2012.

13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

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

	2011 **HK$'000**	2010 HK$'000
Salaries and other emoluments	**666**	668
Retirement scheme contributions	**12**	12
	678	680

14. LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in leasehold land and land use rights, which are located in the PRC and held on leases of between 10 and 50 years, represent prepaid operating lease payments.

	2011 **HK$'000**	2010 HK$'000
At 1 January		
Cost	**6,197**	6,123
Accumulated amortisation	**(723)**	(591)
Net carrying amount	**5,474**	5,532
Year ended 31 December		
Opening net carrying amount	**5,474**	5,532
Exchange differences	**284**	66
Amortisation	**(129)**	(124)
Closing net carrying amount	**5,629**	5,474
At 31 December		
Cost	**6,521**	6,197
Accumulated amortisation	**(892)**	(723)
Net carrying amount	**5,629**	5,474

15. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings HK$'000	CIP HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2010						
Cost	66,877	–	125,188	10,011	926	203,002
Accumulated depreciation	(8,184)	–	(59,320)	(5,865)	(710)	(74,079)
Net carrying amount	58,693	–	65,868	4,146	216	128,923
Year ended 31 December 2010						
Opening net carrying amount	58,693	–	65,868	4,146	216	128,923
Additions	209	–	561	923	657	2,350
Disposals	–	–	–	–	(161)	(161)
Depreciation	(2,261)	–	(10,026)	(1,034)	(267)	(13,588)
Exchange differences	704	–	56	9	1	770
Closing net carrying amount	57,345	–	56,459	4,044	446	118,294
At 31 December 2010						
Cost	67,889	–	125,834	10,953	705	205,381
Accumulated depreciation	(10,544)	–	(69,375)	(6,909)	(259)	(87,087)
Net carrying amount	57,345	–	56,459	4,044	446	118,294
Year ended 31 December 2011						
Opening net carrying amount	**57,345**	**–**	**56,459**	**4,044**	**446**	**118,294**
Additions	**768**	**26,556**	**6,535**	**886**	**–**	**34,745**
Disposals	**–**	**–**	**(228)**	**–**	**–**	**(228)**
Depreciation	**(2,370)**	**–**	**(9,526)**	**(1,007)**	**(136)**	**(13,039)**
Exchange differences	**2,968**	**390**	**294**	**72**	**10**	**3,734**
Closing net carrying amount	**58,711**	**26,946**	**53,534**	**3,995**	**320**	**143,506**
At 31 December 2011						
Cost	**72,208**	**26,946**	**132,075**	**11,976**	**721**	**243,926**
Accumulated depreciation	**(13,497)**	**–**	**(78,541)**	**(7,981)**	**(401)**	**(100,420)**
Net carrying amount	**58,711**	**26,946**	**53,534**	**3,995**	**320**	**143,506**

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**46,078**	46,078

Particulars of the subsidiaries at 31 December 2011 are as follows:

Name	Place of incorporation/ establishment and operations	Issued and paid up capital/registered capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
Power Printing Products Limited	Hong Kong	3,000,000 ordinary shares of HK$1 each	100	Printing business and sale of paper and leather products
Carta & Cuoio Company Limited	Hong Kong	30,000 ordinary shares of HK$1 each	100	Sale of leather and related stationery products
Indirectly held				
Power Printing (He Yuan) Co., Ltd*	PRC	Registered capital of US$15,000,000 (2010: US$10,000,000)	100	Printing business and property holding

* established as a wholly-foreign owned enterprise

17. INVENTORIES – GROUP

	2011 HK$'000	2010 HK$'000
Raw materials	**19,193**	13,210
Work-in-progress	**5,718**	3,989
Finished goods	**8,529**	4,120
	33,440	21,319

18. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade receivables		**87,628**	72,077	**–**	–
Less: Provision for impairment loss	(b)	**(3,459)**	(3,696)	**–**	–
Trade receivables – net	(c), (e)	**84,169**	68,381	**–**	–
Deposits, prepayments and other receivables		**5,503**	3,033	**–**	–
Amounts due from a subsidiary	(f)	**–**	–	**52,122**	26,630
		89,672	71,414	**52,122**	26,630

Notes:

(a) 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 balances have short maturity periods on their inception.

(b) Movements in the Group's provision for impairment loss of trade receivables are as follows:

	2011	2010
	HK$'000	HK$'000
At 1 January	**3,696**	4,236
Impairment loss recognised	**419**	500
Impairment loss reversed	**(656)**	(1,040)
At 31 December	**3,459**	3,696

At each reporting date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. At 31 December 2011, the Group determined trade receivables of HK$3,823,000 (2010: HK$5,200,000) as individually impaired. Based on this assessment, impairment losses of HK$419,000 (2010: HK$500,000) are recognised for the year ended 31 December 2011. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments or have been past due for more than one year and have not responded to repayment demands.

The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) The Group generally allows a credit period of 30 to 120 days (2010: 30 to 120 days) to its trade customers. Before accepting any new customers, the Group performs credit check to assess the potential customer's credit quality and defines credit limits by customers. Based on invoice dates, ageing analysis of trade receivables (net of provision for impairment loss) was as follows:

	2011 HK$'000	2010 HK$'000
0 – 90 days	**53,474**	43,936
91 – 120 days	**12,805**	11,698
121 – 180 days	**13,977**	7,246
181 – 365 days	**2,918**	2,496
Over 365 days	**995**	3,005
	84,169	68,381

(d) Ageing analysis of trade receivables that were not impaired, based on due date is as follows:

	2011 HK$'000	2010 HK$'000
Neither past due nor impaired	**47,814**	41,062
0 – 90 days past due	**29,008**	20,537
91 – 180 days past due	**5,506**	2,037
181 – 365 days past due	**986**	2,250
Over 365 days past due	**491**	991
	83,805	66,877

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 a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe 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 over these balances.

(e) During the year, the Group assigned to certain banks the rights to receive cash from its trade receivables. In case the Group defaults in the bank loan repayments, the banks have the rights to collect the outstanding due from these trade receivables. As the Group retains substantially all the risks and rewards of ownerships of these receivables, the Group continues to recognise the whole carrying amounts of the receivables and accounted for the rights to receive the outstanding on assignment as a security of the borrowings (note 21). As at 31 December 2011, the carrying amounts of trade receivables and the associated borrowings were HK$5,310,000 (2010: HK$4,930,000) and HK$1,108,000 (2010: HK$2,500,000) respectively.

(f) Amounts due from a subsidiary are unsecured, interest-free and repayable on demand.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**45,764**	28,295	**2,907**	46
Short-term bank deposits	**536**	536	**–**	–
	46,300	28,831	**2,907**	46

Short-term bank deposits earn interest at 0.2% (2010: 0.2%) per annum and have a maturity of 30 (2010: 30) days.

The directors of the Company consider that the fair value of the short-term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

Included in bank and cash balances of the Group as at 31 December 2011 are bank balances of HK$2,404,000 (2010: HK$4,626,000) denominated in Renminbi ("RMB") which are placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

The Company did not have any cash or deposits denominated in RMB as at 31 December 2011 (2010: Nil).

20. TRADE AND OTHER PAYABLES – GROUP

	Notes	2011 HK$'000	2010 HK$'000
Trade payables	(a)	**21,954**	17,770
Accrued charges and other creditors	(b)	**12,687**	7,661
Construction payable		**4,743**	–
Trade deposits received		**39**	699
		39,423	26,130

Notes:

(a) The Group was granted by its suppliers credit periods ranging from 30 to 120 days (2010: 30 to 90 days). Based on invoice dates, ageing analysis of trade payables were as follows:

	2011 HK$'000	2010 HK$'000
0 – 90 days past due	**13,280**	12,497
91 – 180 days past due	**8,274**	3,257
181 – 365 days past due	**371**	1,030
Over 365 days past due	**29**	986
	21,954	17,770

(b) The balance as at 31 December 2011 includes accrued salaries and allowances payable to certain directors of the Company amounting to HK$602,000 (2010: HK$627,000).

21. BANK BORROWINGS, SECURED – GROUP

	2011 HK$'000	2010 HK$'000
Collateralised borrowings	**1,108**	2,500
Trust receipt loans	**24,761**	9,438
Term loans	**37,401**	22,744
	63,270	34,682

21. BANK BORROWINGS, SECURED – GROUP (CONTINUED)

Based on the schedule repayment dates set out in the loan agreements, the Group's bank borrowings were repayable as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**39,147**	23,259
In the second year	**9,801**	4,325
In the third to fifth year	**14,322**	7,098
	63,270	34,682

The Group's bank loan agreements contain clauses which give the banks the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. Accordingly, the amounts due for repayment after one year are classified as current liabilities. None of the amounts due for repayment after one year is expected to be settled within one year.

Collateralised borrowings and trust receipt loans are interest-bearing at floating rates. The effective interest rate at the reporting date is 3.10% (2010: 3.43%) per annum.

Term loans bear interests at fixed or floating rates ranging from 2.01% to 5.75% (2010: 2.08% to 5.75%) per annum.

The Group's bank borrowings are secured by:

(i) the pledge of certain property, plant and equipment (note 31);

(ii) a charge over certain of the Group's trade receivables (note 31);

(iii) letters of undertaking issued by subsidiaries, namely Power Printing Products Limited, Carta & Cuoio Company Limited and Power Printing (He Yuan) Co., Ltd (note 28); and

(iv) corporate guarantee issued by the Company (note 28).

22. OBLIGATIONS UNDER FINANCE LEASES – GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within 1 year or repayable on demand	**2,024**	10,834	**2,024**	10,834
Future finance charges	**–**	–		
Present value	**2,024**	10,834		

Based on the schedule repayment dates set out in the agreements, the Group's obligations under finance leases were repayable as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**2,024**	5,593
In the second year	**–**	5,241
	2,024	10,834

The Group's finance lease arrangements contain clauses which give the lessors the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has met the scheduled repayment obligations. Accordingly, the amounts due for repayment after one year are classified under current liabilities. None of the amounts due for repayment after one year is expected to be settled within one year.

The Group entered into finance leases for items of plant and machinery, with lease periods of 4 years. The Group has the option to purchase these leased assets at a price that is expected to be lower than the fair value of the leased asset at the end of the lease. None of the leases include contingent rentals. Finance leases as at 31 December 2011 bear interests at floating rate of 6.75% (2010: 3.25% to 6.75%) per annum.

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

23. DEFERRED TAX LIABILITIES – GROUP

Deferred tax liabilities represent accelerated tax depreciation allowances in respect of property, plant and equipment. Movements in the deferred tax liabilities during the year are as follows:

	2011 **HK$'000**	2010 HK$'000
At 1 January	**3,624**	3,936
Recognised in profit or loss (note 9)	**(182)**	(312)
At 31 December	**3,442**	3,624

24. SHARE CAPITAL

	2011		2010	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.55 each	**909,090,909**	**500,000**	909,090,909	500,000
Issued and fully paid:				
At 1 January	**122,209,373**	**67,215**	122,209,373	67,215
Issue of ordinary shares by way of placing and public offer	**30,000,000**	**16,500**	–	–
At 31 December	**152,209,373**	**83,715**	122,209,373	67,215

In July 2011, the Company issued 30,000,000 ordinary shares of HK$0.55 each at HK$1.48 by way of placing and public offer. Net proceeds from such issue amounted to approximately HK$39,562,000. An amount of HK$23,062,000 in excess of par value was credited to the share premium. All shares issued rank pari passu with the existing shares of the Company in all respects.

25. RESERVES – GROUP AND COMPANY

Share premium

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be distributed in the form of fully paid bonus shares.

Merger reserve

This arose from the restructuring exercise and represents the difference between the nominal value of the Company's shares issued in exchange for the then consolidated net assets of the subsidiaries acquired as at 26 March 2007.

26. SHARE OPTION SCHEME

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the board of directors ("Board") may, at its discretion, offer to grant an option to any full-time or part-time employee and directors of the Company or any of its subsidiaries (collectively the "Grantee").

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company must not in aggregate exceed 10% of the total number of shares in issue on the date of adoption of the share option scheme, being 12,220,937 shares, excluding those shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the share option scheme. The total number of shares which may fall to be issued upon exercise of the share option granted under the share option scheme to each Grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive directors. If the Board proposed to grant options to a substantial shareholder or any independent non-executive director or their respective associates which will result in the number of shares to be issued upon exercise of the option granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of option will be subjected to the shareholders' approval in general meeting.

26. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options may be accepted within 28 days from the offer date or within such other period of time as may be determined by the Board. Upon acceptance of the option, the Grantee shall pay S$1.00 (or the equivalent Hong Kong dollars) to the Company by way of consideration for the grant.

The subscription price of a share in respect of any option granted under the share option scheme shall be priced as the Board in its absolute discretion shall determine, but must be (i) at least the higher of the closing price of the Company's shares as quoted on the SEHK or that of the SGX-ST (whichever is higher) on the date of grant; (ii) the average closing price of the Company's shares as quoted on the SEHK or SGX-ST for the five consecutive business days immediately preceding the date of grant (whichever is higher) and (iii) the nominal value of a share of the Company.

The period during which an option may be exercise will be determined by the Board in its absolute direction, An option may be exercised in accordance with the terms of the share option scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The shares to be allotted upon the exercise of an option will not carry voting rights until the completion of the registration of the Grantee.

No share option under the share option scheme were granted or exercised during the year nor remained outstanding as at 31 December 2011.

27. COMMITMENTS

Capital commitments

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not provided for:				
– Property, plant and equipment	**10,783**	668	**–**	–
– Intangible assets	**662**	270	**–**	–
	11,445	938	**–**	–

Operating lease commitments

At the reporting date, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**231**	396	**–**	–
In the second to fifth year	**–**	231	**–**	–
	231	627	**–**	–

The Group leases its office premises under an operating lease. The lease runs for an initial period of two years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the landlord. The lease does not include contingent rentals.

28. RELATED PARTY TRANSACTIONS

In addition to the transactions or information disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties:

	2011 HK$'000	2010 HK$'000
Key management personnel:		
Short-term employee benefits	**6,215**	4,860
Post employment benefits	**101**	72
Key management personnel remuneration	**6,316**	4,932
A company in which certain directors of the Company have controlling interest:		
Rental expenses	**168**	336

29. FINANCIAL GUARANTEE CONTRACTS – COMPANY

The Company and certain of its subsidiaries have executed guarantees amounting to approximately HK$149,376,000 (2010: HK$237,532,000) in connection with the banking facilities granted to certain subsidiaries, of which HK$65,294,000 (2010: HK$45,516,000) were utilised as at 31 December 2011. Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the borrowings from the subsidiaries. Accordingly, the outstanding balance of the Group's bank borrowings at the reporting date represents the Company's maximum exposure under the financial guarantee contract. No provision for the Company's obligation under the guarantee contracts have been made as the directors of the Company consider it is not probable that the repayment of the borrowings would be in default.

30. MAJOR NON-CASH TRANSACTIONS

Of the total additions of property, plant and equipment during the year, HK$351,000 was prepaid and included under "Trade and other receivables" as at 31 December 2010.

As at 31 December 2011, the Group had construction payables of HK$4,743,000 (note 20) for the construction work during the year.

31. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank borrowings utilised by the Group:

	2011 **HK$'000**	2010 HK$'000
Property, plant and equipment	**–**	5,387
Trade receivables	**5,310**	4,930
	5,310	10,317

In addition to the above, the Group's obligations under finance leases (note 22) are secured by plant and machinery with net carrying amounts of HK$7,338,000 (2010: HK$16,109,000) as at 31 December 2011.

In addition, certain of the Group's buildings and leasehold land and land use right with net carrying amounts of HK$54,062,000 and HK$5,474,000 respectively as at 31 December 2010 have been pledged as securities for banking facilities granted, which are not utilised by the Group at that date. The pledge has been released during the year.

32. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to capital ratio. For this purpose, net debt is defined as borrowings less cash and cash equivalents. Total capital is calculates as equity, as shown in the consolidated statement of financial position, plus net debt. The Group's goal in capital management is to maintain the ratio of not more than 50%. In order to maintain the ratio, Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

32. CAPITAL MANAGEMENT (CONTINUED)

Net debt to total capital ratio at the reporting date was:

	2011 HK$'000	2010 HK$'000
Bank borrowings	**63,270**	34,682
Obligations under finance leases	**2,024**	10,834
Total borrowings	**65,294**	45,516
Less: cash and cash equivalents	**(46,300)**	(28,831)
Net debt	**18,994**	16,685
Total equity	**210,216**	170,644
Total capital	**229,210**	187,329
Net debt to total capital ratio	**8%**	9%

The bank borrowings and obligations under finance leases are subject to the fulfilment of covenants on certain financial ratios, before the repayment of principal and related interest. In the circumstances when the covenants are not met, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33.3. As at 31 December 2010 and 2011, none of the covenants relating to drawn down facilities had been breached.

In addition, subsidiary of the Group established in the PRC is required to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to certain restrictions as set out in the relevant regulations in the PRC. The externally imposed capital requirement has been complied with by the Group for the years ended 31 December 2010 and 2011.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include 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. In light of the simplicity of the operations, the risk management of the Group is carried out by the board of directors ("Board") directly. The Board discusses principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

33.1 Categories of financial instruments

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables:				
– Trade and other receivables	**89,672**	71,414	**52,122**	26,630
– Dividend receivables	**–**	–	**7,043**	11,444
– Cash and cash equivalents	**46,300**	28,831	**2,907**	46
	135,972	100,245	**62,072**	38,120
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade and other payables	**39,423**	26,130	**–**	–
– Bank borrowings	**63,270**	34,682	**–**	–
– Obligations under finance leases	**2,024**	10,834	**–**	–
	104,717	71,646	**–**	–

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

33.2 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 the credit terms granted to the customers in the ordinary course of operations and from its investing activities. The Group does not provide any financial guarantee which exposes to credit risk. Further details of the Group's exposure to credit risk on trade and other receivables are set out in note 18.

The credit risk for liquid funds is considered negligible as the counterparties are reputable banks with high quality external credit ratings.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount including assessing the customer's creditworthiness and financial standing.

The general credit terms allowed range from 30 to 120 days. As at the reporting date, the Group does not hold any collateral from its customers but has a certain degree of concentration in credit risk. The debts due from the Group's largest customer represent 12% (2010: 18%) of total trade receivables as at 31 December 2011. Moreover, debts due from the five largest customers of the Group represent 43% (2010: 53%) of total trade receivables as at 31 December 2011.

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.

33.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by cash or other financial assets. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains an appropriate level of liquid assets and committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

33.3 Liquidity risk (Continued)

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2010 and 2011. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date which the Group can be required to pay. Bank loans and obligations under finance leases with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks and other financial institutions choose to exercise their rights within one year after the reporting date. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities. The amounts for variable interest rate instrument are subject to change if changes in variable interest rates different from those of estimates determined at the end of the reporting period.

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 December 2011			
Trade and other payables	**39,423**	**–**	**–**
Bank borrowings*	**63,270**	**–**	**–**
Obligations under finance leases*	**2,024**	**–**	**–**
	104,717	**–**	**–**
At 31 December 2010			
Trade and other payables	26,130	–	–
Bank borrowings*	34,682	–	–
Obligations under finance leases*	10,834	–	–
	71,646	–	–

* Bank borrowings and obligations under finance leases with a repayment on demand clause are categories as "On demand or within 1 year" in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amounts of these financial liabilities amounted to HK$67,418,000 (2010: HK$47,216,000).

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

33.3 Liquidity risk (Continued)

The following table summarises the maturity analysis of bank borrowings and obligations under finance leases based on the agreed schedule repayments set out in the respective agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors of the Company believe that it is not probable that these banks and other financial institutions will exercise their discretionary rights to demand for immediate repayment and such bank borrowings and obligations under finance leases will be repaid in accordance with the scheduled repayment dates set out in the respective agreements.

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 31 December 2011			
Bank borrowings	**40,198**	**10,406**	**14,720**
Obligations under finance leases	**2,094**	**–**	**–**
	42,292	**10,406**	**14,720**
At 31 December 2010			
Bank borrowings	23,882	4,586	7,364
Obligations under finance leases	6,009	5,375	–
	29,891	9,961	7,364

The Company has no financial liabilities other than the financial guarantee issued as at 31 December 2010 and 2011, which represented the maximum amount (note 29) the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations as at the reporting date, the directors of the Company considers that it is more likely than not that such an amount will not be payable under the arrangement.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

33.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings and finance lease arrangements. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

The Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The policies to manage interest rate risk have been followed by the Group since prior year and are considered to be effective.

At 31 December 2011, it is estimated that a general increase/decrease of 50 basis points (2010: 50 basis points) in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax and retained profits by approximately HK$95,000 (2010: HK$72,000). The assumed changes in interest rates are considered to be reasonably possible change on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The calculation is based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variable are held constant. The sensitivity analysis included in the financial statements for the year ended 31 December 2010 has been prepared on the same basis.

The Company does have any exposure to interest rate risk at the reporting date.

33.5 Foreign currency risk

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. The Group's exposure to currency risk arises from its overseas sales and purchases, which are primarily denominated in Euro dollars, RMB and the United States dollars ("USD"). These are not the functional currencies of the group entities to which these transactions relate. The Group also has bank deposits denominated in RMB, USD and other foreign currencies.

The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign exchange risk becomes significant.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

33.5 Foreign currency risk (Continued)

The following table provides details of the Group's exposure at the reporting date to foreign exchange risk arising from recognised financial assets and financial liabilities denominated in a currency other than the functional currency of the entities to which they relate:

	Trade and other receivables $'000	Cash and cash equivalents $'000	Trade and other payables $'000	Net exposure $'000
At 31 December 2011				
Australian dollars	**59**	**1**	**(5)**	**55**
Euro dollars	**472**	**1**	**(62)**	**411**
Great British Pounds	**20**	**1**	**(4)**	**17**
Renminbi	**1,426**	**18,537**	**(12,252)**	**7,711**
Singapore dollars	**–**	**54**	**–**	**54**
United States dollars	**7,743**	**1,113**	**(118)**	**8,738**
At 31 December 2010				
Australian dollars	29	40	–	69
Euro dollars	214	107	–	321
Great British Pounds	36	11	–	47
Renminbi	148	2,860	(9,371)	(6,363)
Singapore dollars	–	21	–	21
United States dollars	5,873	1,542	–	7,415

The Company does not have any exposures to foreign currencies at the reporting date (2010: Nil).

At 31 December 2011, if HK$ had weakened/strengthened by 2% (2010: 2%) against the above foreign currencies, with all other variables held constant, the Group's profit after income tax and retained profits for the year would have been HK$290,000 higher/lower (2010: HK$59,000 lower/higher).

33.6 Fair value measurements

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

STATISTICS OF SHAREHOLDINGS

As at 9 March 2012

Authorised Share Capital: HK$500,000,000
Issued and fully paid-up capital: HK$67,215,155
Class of Shares: Ordinary Shares of HK$0.55 each
Number of shares: 152,209,373
Voting rights: One vote per share

ANALYSIS OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 999	5	0.80	2,925	0.00
1,000 – 10,000	397	63.42	2,181,475	1.43
10,001 – 1,000,000	220	35.14	12,690,125	8.34
1,000,001 – and above	4	0.64	137,334,848	90.23
Total	626	100.00	152,209,373	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	China Print Power Limited	81,060,848	53.26
2.	HKSCC Nominees Limited	52,534,000	34.51
3.	Hong Leong Finance Nominees Pte Ltd	2,140,000	1.40
4.	UOB Kay Hian Pte Ltd	1,600,000	1.05
5.	Leo Jenn Ing Jenne	1,000,000	0.66
6.	Siow Nget Yuen	500,000	0.33
7.	Chia Ser Sin	420,000	0.28
8.	OCBC Securities Private Ltd	331,500	0.22
9.	Lalchand Jethanand Daryanani	250,000	0.16
10.	Francis Lee Fook Wah	225,000	0.15
11.	Tee Ah Kaw	215,000	0.14
12.	DBS Vickers Securities (S) Pte Ltd	213,750	0.14
13.	Ang Soon Nam	200,000	0.13
14.	Hobee Print Pte Ltd	200,000	0.13
15.	Lee Ming Fang Nee Seow Ming Fang	200,000	0.13
16.	Cheng Yee Hong	185,000	0.12
17.	Lee Hing Fung	180,000	0.12
18.	Sze Chun Lee	180,000	0.12
19.	See Yeow Yuen	155,875	0.10
20.	Chew Siew Lan	150,000	0.10
	TOTAL	141,940,973	93.25

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 9 March 2012, approximately 42.85% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Mr. Lim Siang Kai	–	–	–	–
Mr. Sze Chun Lee[(1) (2) (5)]	180,000	0.12	81,060,848	53.26
Mr. Chan Wai Ming[(1) (3)]	–	–	81,060,848	53.26
Mr. Kwan Wing Hang[(1) (4) (5)]	–	–	81,060,848	53.26
Mr. Lam Shek Kin[(1)]	–	–	–	–
Ms. Chung Oi Ling, Stella	–	–	5,634,000	3.70
Mr. Liu Kwong Chi, Nelson	–	–	–	–
Ms. Wong Fei Tat	–	–	–	–
Mr. Leong Ka Yew	–	–	–	–
Mr. Wee Piew	–	–	–	–
Name of Substantial Shareholders				
China Print Power Limited[(1)]	81,060,848	53.26	–	–
Mr. Sze Chun Lee[(1) (2) (5)]	180,000	0.12	81,060,848	53.26
Mr. Chan Wai Ming[(1) (3)]	–	–	81,060,848	53.26
Mr. Kwan Wing Hang[(1) (4) (5)]	–	–	81,060,848	53.26

Notes:

(1) Our Executive Directors Mr. Sze Chun Lee, Mr. Chan Wai Ming, Mr. Kwan Wing Hang and Mr. Lam Shek Kin, hold 35.00%, 30.00%, 20.00% and 15.00% respectively of the issued share capital in China Print Power Limited.

(2) Mr. Sze Chun Lee holds 35.00% interest in China Print Power Limited and is therefore deemed to be interested in our Shares.

(3) Mr. Chan Wai Ming holds 30.00% interest in China Print Power Limited and is therefore deemed to be interested in our Shares.

(4) Mr. Kwan Wing Hang holds 20.00% interest in China Print Power Limited and is therefore deemed to be interested in our Shares.

(5) Our Executive Directors, Mr. Sze Chun Lee and Mr. Kwan Wing Hang, are brothers-in-law.

FIVE-YEAR FINANCIAL SUMMARY

Revenue (HK$'000)

	Year ended 31 December				
	2007	**2008**	**2009**	**2010**	**2011**
Revenue	210,894	264,205	212,962	201,677	257,859

Net profit for the year (HK$'000)

	Year ended 31 December				
	2007	**2008**	**2009**	**2010**	**2011**
Profit for the year attributable to owners of the Company	26,626	17,659	19,220	22,012	1,142

Total assets (HK$'000)

	As at 31 December				
	2007	**2008**	**2009**	**2010**	**2011**
Current and non-current assets	247,783	254,505	243,320	246,022	319,485

Total liabilities (HK$'000)

	As at 31 December				
	2007	**2008**	**2009**	**2010**	**2011**
Current and non-current liabilities	129,630	122,031	92,637	75,378	109,269