



# CHINA PRINT

CHINA PRINT POWER GROUP LIMITED

(Incorporated in Bermuda with limited liability)



HONG KONG STOCK CODE : 6828  
SINGAPORE STOCK CODE : B3C

[WWW.POWERPRINTING.COM.HK](http://WWW.POWERPRINTING.COM.HK)

INTERIM REPORT

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# CORPORATE PROFILE

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 and Practice Management Information Corp. in the US, Parragon Books Ltd. in the UK, Phoenix Offset Productions and World Print Limited in Hong Kong.

## BOARD OF DIRECTORS

### Executive Directors

Sze Chun Lee (*Chief Executive Officer*)  
Chan Wai Ming  
Kwan Wing Hang  
Lam Shek Kin  
Chung Oi Ling Stella

### Independent Non-executive Directors

Lim Siang Kai (*Chairman*)  
Leong Ka Yew (*resigned on 31 May 2012*)  
Wee Piew  
Liu Kwong Chi, Nelson (*appointed on 3 January 2012*)  
Wong Fei Tat (*appointed on 3 January 2012*)

## NOMINATING COMMITTEE

Leong Ka Yew (*Chairman*) (*resigned on 31 May 2012*)  
Liu Kwong Chi, Nelson (*Chairman*)  
(*appointed on 3 January 2012 and designated as Chairman on 31 May 2012*)  
Lim Siang Kai  
Wee Piew  
Wong Fei Tat (*appointed on 3 January 2012*)

## REMUNERATION COMMITTEE

Lim Siang Kai (*Chairman*)  
Leong Ka Yew (*resigned on 31 May 2012*)  
Wee Piew  
Liu Kwong Chi, Nelson (*appointed on 3 January 2012*)  
Wong Fei Tat (*appointed on 3 January 2012*)

## AUDIT COMMITTEE

Wee Piew (*Chairman*)  
Lim Siang Kai  
Leong Ka Yew (*resigned on 31 May 2012*)  
Liu Kwong Chi, Nelson (*appointed on 3 January 2012*)  
Wong Fei Tat (*appointed on 3 January 2012*)

## AUTHORISED REPRESENTATIVES

Sze Chun Lee  
Ng Sui Yin

## JOINT COMPANY SECRETARIES

Ng Sui Yin (*CPA*)  
Gn Jong Yuh Gwendolyn

## COMPLIANCE ADVISOR

VC Capital Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## HEADQUARTERS AND PRINCIPAL EXECUTIVE OFFICE

Unit 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

# CORPORATE INFORMATION

## **SINGAPORE SHARE TRANSFER AGENT**

Boardroom Corporate & Advisory Services Pte Limited  
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

## **AUDITOR**

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

## **PRINCIPAL BANKERS**

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

## **COMPANY WEBSITE**

[www.powerprinting.com.hk](http://www.powerprinting.com.hk)

## **STOCK CODES**

Hong Kong: 6828  
Singapore: B3C

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

The board (the “**Board**”) of directors (the “**Directors**”) of China Print Power Group Limited (the “**Company**”) presents the unaudited consolidated interim statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2012 (“**HY2012**”) together with the comparatives figures for 2011.

|  | Notes | Six months ended 30 June        |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| <b>Revenue</b>   | 6     | <b>97,419</b>                   | 97,702                          |
| Cost of sales  |       | <b>(86,460)</b>                 | (72,687)                        |
| <b>Gross profit</b>  |       | <b>10,959</b>                   | 25,015                          |
| Other income   | 6     | <b>1,444</b>                    | 748                             |
| Selling and distribution costs   |       | <b>(5,439)</b>                  | (4,925)                         |
| Administrative expenses  |       | <b>(13,044)</b>                 | (12,917)                        |
| Other operating expenses   |       | <b>(1,875)</b>                  | (923)                           |
| Finance costs  | 7     | <b>(853)</b>                    | (747)                           |
| <b>(Loss)/profit before income tax</b>   | 8     | <b>(8,808)</b>                  | 6,251                           |
| Income tax expense   | 9     | –                               | (1,055)                         |
| <b>(Loss)/profit for the period and attributable to owners of the Company</b>                              |       | <b>(8,808)</b>                  | 5,196                           |
| <b>Other comprehensive income</b>  |       |                                 |                                 |
| Exchange gain on translation of financial statements of foreign operations                                 |       | <b>1,585</b>                    | 1,724                           |
| <b>Other comprehensive income for the period, net of tax</b>   |       | <b>1,585</b>                    | 1,724                           |
| <b>Total comprehensive income for the period and attributable to owners of the Company</b>                 |       | <b>(7,223)</b>                  | 6,920                           |
| <b>(Loss)/earnings per share for (loss)/profit attributable to owners of the Company during the period</b> | 11    |                                 |                                 |
| – Basic (HK cents)   |       | <b>(5.53)</b>                   | 4.25                            |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

|  | Notes | 30 June<br>2012<br>HK\$'000<br>(Unaudited) | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--|-------|--|--|
| <b>ASSETS AND LIABILITIES</b>                  |       |  |  |
| <b>Non-current assets</b>                      |       |  |  |
| Leasehold land and land use rights             |       | 5,656                                      | 5,629  |
| Property, plant and equipment                  | 12    | 142,945                                    | 143,506                                      |
| Investment property                            | 12    | 19,119                                     | –  |
| Other non-current assets                       |       | 556  | 601  |
|  |       | <b>168,276</b>                             | 149,736                                      |
| <b>Current assets</b>                          |       |  |  |
| Inventories                                    |       | 31,385                                     | 33,440                                       |
| Trade and other receivables                    | 13    | 61,668                                     | 89,672                                       |
| Current tax assets                             |       | 1,021                                      | 337  |
| Cash and cash equivalents                      |       | 43,731                                     | 46,300                                       |
|  |       | <b>137,805</b>                             | 169,749                                      |
| <b>Current liabilities</b>                     |       |  |  |
| Trade and other payables                       | 14    | 38,834                                     | 39,423                                       |
| Bank borrowings, secured                       | 15    | 38,644                                     | 63,270                                       |
| Obligations under finance leases               | 16    | 935  | 2,024  |
| Current tax liabilities                        |       | 949  | 1,110  |
|  |       | <b>79,362</b>                              | 105,827                                      |
| <b>Net current assets</b>                      |       | <b>58,443</b>                              | 63,922                                       |
| <b>Total assets less current liabilities</b>   |       | <b>226,719</b>                             | 213,658                                      |
| <b>Non-current liabilities</b>                 |       |  |  |
| Deferred tax liabilities                       |       | 3,442                                      | 3,442  |
|  |       | <b>3,442</b>                               | 3,442  |
| <b>Net assets</b>                              |       | <b>223,277</b>                             | 210,216                                      |
| <b>EQUITY ATTRIBUTABLE TO COMPANY'S OWNERS</b> |       |  |  |
| Share capital                                  | 17    | 95,815                                     | 83,715                                       |
| Reserves                                       |       | 127,462                                    | 126,501                                      |
| <b>Total equity</b>                            |       | <b>223,277</b>                             | 210,216                                      |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

|  | Attributable to owners of the Company |                          |                           |                                |                           |                             |                           |                         |
|--|---------------------------------------|--------------------------|---------------------------|--------------------------------|---------------------------|-----------------------------|---------------------------|-------------------------|
|  | Share capital<br>HKD'000              | Share premium<br>HKD'000 | Merger reserve<br>HKD'000 | Translation reserve<br>HKD'000 | Proposed                  | Retained profits<br>HKD'000 | Total reserves<br>HKD'000 | Total equity<br>HKD'000 |
|  |                                       |                          |                           |                                | final dividend<br>HKD'000 |                             |                           |                         |
| <b>Balance at 1 January 2011</b>   | 67,215                                | 12,177                   | (43,048)                  | 14,060                         | 4,400                     | 115,840                     | 103,429                   | 170,644                 |
| 2010 final dividend approved   | -                                     | -                        | -                         | -                              | (4,400)                   | -                           | (4,400)                   | (4,400)                 |
| <b>Transaction with owners</b>   | -                                     | -                        | -                         | -                              | (4,400)                   | -                           | (4,400)                   | (4,400)                 |
| Profit for the period  | -                                     | -                        | -                         | -                              | -                         | 5,196                       | 5,196                     | 5,196                   |
| Other comprehensive income   |                                       |                          |                           |                                |                           |                             |                           |                         |
| – Exchange gain on translation of financial statements of foreign operation  | -                                     | -                        | -                         | 1,724                          | -                         | -                           | 1,724                     | 1,724                   |
| <b>Total comprehensive income for the period</b>                             | -                                     | -                        | -                         | 1,724                          | -                         | 5,196                       | 6,920                     | 6,920                   |
| <b>Balance at 30 June 2011</b>   | 67,215                                | 12,177                   | (43,048)                  | 15,784                         | -                         | 121,036                     | 105,949                   | 173,164                 |
| <b>Balance at 1 January 2012</b>   | <b>83,715</b>                         | <b>35,239</b>            | <b>(43,048)</b>           | <b>17,328</b>                  | -                         | <b>116,982</b>              | <b>126,501</b>            | <b>210,216</b>          |
| Issue of ordinary shares   | 12,100                                | 8,800                    | -                         | -                              | -                         | -                           | 8,800                     | 20,900                  |
| Transaction costs on issue of ordinary shares                                | -                                     | (616)                    | -                         | -                              | -                         | -                           | (616)                     | (616)                   |
| <b>Transactions with owners</b>  | <b>12,100</b>                         | <b>8,184</b>             | -                         | -                              | -                         | -                           | <b>8,184</b>              | <b>20,284</b>           |
| Loss for the period  | -                                     | -                        | -                         | -                              | -                         | (8,808)                     | (8,808)                   | (8,808)                 |
| Other comprehensive income   |                                       |                          |                           |                                |                           |                             |                           |                         |
| – Exchange gain on translation of financial statements of foreign operations | -                                     | -                        | -                         | 1,585                          | -                         | -                           | 1,585                     | 1,585                   |
| <b>Total comprehensive income for the period</b>                             | -                                     | -                        | -                         | 1,585                          | -                         | (8,808)                     | (7,223)                   | (7,223)                 |
| <b>Balance at 30 June 2012</b>   | <b>95,815</b>                         | <b>43,423</b>            | <b>(43,048)</b>           | <b>18,913</b>                  | -                         | <b>108,174</b>              | <b>127,462</b>            | <b>223,277</b>          |



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2012<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000<br>(Unaudited) |
| Net cash generated from/(used in) operating activities  | 25,712                          | (1,144)                         |
| Net cash used in investing activities                   | (22,856)                        | (10,285)                        |
| Net cash (used in)/generated from financing activities  | (5,431)                         | 4,511                           |
| Net decrease in cash and cash equivalents               | (2,575)                         | (6,918)                         |
| <b>Cash and cash equivalents at beginning of period</b> | <b>46,300</b>                   | <b>28,831</b>                   |
| Effect of foreign exchange rate changes                 | 6                               | 36                              |
| <b>Cash and cash equivalents at end of period</b>       | <b>43,731</b>                   | <b>21,949</b>                   |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 1. GENERAL INFORMATION

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. 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 Company's ultimate parent company is China Print Power Limited, a company incorporated in the British Virgin Islands.

The condensed consolidated 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 thousand ("**HK\$'000**") except when otherwise indicated.

## 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

## 3. ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2011, except for the adoption of certain new or amended International Financial Reporting Standards ("**IFRSs**") issued by the IASB and the International Financial Reporting Interpretation Committee of the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011. The adoption of the new or amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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.

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 4. SEASONALITY OF OPERATIONS

Seasonal fluctuation exists in our printing services and in the overall industry. The demand is generally higher in the second half of the year when our customers will normally place more orders to us so as to meet their greater sales demand during Christmas and New Year holidays.

Seasonal fluctuations may pose negative effect on our production costs and the overall utilisation rate of the production facilities in our He Yuan Factory. Our interim results for the first half of the year may not serve as an indication of our result of operation for the entire financial year.

## 5. SEGMENT REPORTING

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. For the six months ended 30 June 2012, there have been no change in the measurement policies used for reporting segment results.

Segment revenue below represents revenue from external customers. There were no inter-segment sales for the six months ended 30 June 2012 and 2011. The segment revenue and results for the six months ended 30 June 2012 and 2011 and the segment assets as at 30 June 2012 and 31 December 2011 are as follows:

|                      | Segment revenue          |             | Segment profit           |             | Segment assets |                   |
|----------------------|--------------------------|-------------|--------------------------|-------------|----------------|-------------------|
|                      | Six months ended 30 June |             | Six months ended 30 June |             | As at 30 June  | As at 31 December |
|                      | 2012                     | 2011        | 2012                     | 2011        | 2012           | 2011              |
|                      | HK\$'000                 | HK\$'000    | HK\$'000                 | HK\$'000    | HK\$'000       | HK\$'000          |
|                      | (Unaudited)              | (Unaudited) | (Unaudited)              | (Unaudited) | (Unaudited)    | (Audited)         |
| Book products        | 58,767                   | 60,152      | 6,026                    | 13,913      | 104,719        | 134,053           |
| Specialised products | 38,652                   | 37,550      | 4,933                    | 11,102      | 31,357         | 36,387            |
| Segment total        | 97,419                   | 97,702      | 10,959                   | 25,015      | 136,076        | 170,440           |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 5. SEGMENT REPORTING (CONTINUED)

The total presented for the Group's operating segment results are reconciled to the (loss)/profit before income tax as presented in the condensed consolidated statement of comprehensive income as follows:

|                                 | Six months ended 30 June |             |
|---------------------------------|--------------------------|-------------|
|                                 | 2012                     | 2011        |
|                                 | HK\$'000                 | HK\$'000    |
|                                 | (Unaudited)              | (Unaudited) |
| Reportable segment profit       | 10,959                   | 25,015      |
| Unallocated corporate income    | 1,444                    | 748         |
| Unallocated corporate expenses  | (20,358)                 | (18,765)    |
| Finance costs                   | (853)                    | (747)       |
| (Loss)/profit before income tax | (8,808)                  | 6,251       |

## 6. REVENUE AND OTHER INCOME

An analysis of the revenue, which is also the Group's turnover and other income is as follows:

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2012                     | 2011        |
|   | HK\$'000                 | HK\$'000    |
|   | (Unaudited)              | (Unaudited) |
| <b>Revenue</b>  |                          |             |
| Sales of goods  | 97,419                   | 97,702      |
| <b>Other income</b>   |                          |             |
| Interest income on financial assets not at fair value<br>through profit or loss | 25                       | 6           |
| Reversal of impairment loss on trade receivables                                | -                        | 226         |
| Sundry income   | 1,419                    | 516         |
|   | 1,444                    | 748         |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 7. FINANCE COSTS

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2012                     | 2011        |
|  | HK\$'000                 | HK\$'000    |
|  | (Unaudited)              | (Unaudited) |
| Interest charges on:   |                          |             |
| Bank borrowings repayable on demand or wholly within five years                    | 800                      | 188         |
| Finance charges on obligations under finance lease                                 | 53                       | 559         |
| Interest expense on financial liabilities not at fair value through profit or loss | 853                      | 747         |

## 8. (LOSS)/PROFIT BEFORE INCOME TAX

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2012                     | 2011        |
|   | HK\$'000                 | HK\$'000    |
|   | (Unaudited)              | (Unaudited) |
| (Loss)/profit before income tax is arrived at after charging/(crediting): |                          |             |
| Amortisation of leasehold land and land use rights                        | 66                       | 56          |
| Depreciation of property, plant and equipment                             | 5,373                    | 5,894       |
| Depreciation of investment property                                       | 161                      | –           |
| Reversal of impairment losses on trade receivables                        | –                        | (226)       |
| Net loss on disposals of property, plant and equipment                    | 382                      | 127         |
| Operating lease charges on:   |                          |             |
| – premises  | 198                      | 198         |
| – motor vehicles  | 168                      | 168         |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in the financial statements for the six months ended 30 June 2012 as the Group did not derive any assessable profits in Hong Kong for the period. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising for the six months ended 30 June 2011. Taxation on overseas profits has been calculated on the estimated assessable profits, if any, for the period at the rates of taxation prevailing in the countries in which the Group operates.

|                                 | Six months ended 30 June |             |
|---------------------------------|--------------------------|-------------|
|                                 | 2012                     | 2011        |
|                                 | HK\$'000                 | HK\$'000    |
|                                 | (Unaudited)              | (Unaudited) |
| <b>Current tax</b>              |                          |             |
| Hong Kong profits tax           | –                        | 1,055       |
| Elsewhere                       | –                        | –           |
| <b>Total income tax expense</b> | –                        | 1,055       |

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 are 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 return based on the above income 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. DIVIDEND

The Board did not recommend a payment of interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

## 11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HK\$8,808,000 (six months ended 30 June 2011: profit of approximately HK\$5,196,000) and on the weighted average number of 159,341,241 (six months ended 30 June 2011: 122,209,373) ordinary shares in issue during the period.

Diluted (loss)/earnings per share for the periods ended 30 June 2012 and 2011 are not presented as there is no dilutive potential ordinary share.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of approximately HK\$22,908,000 (six months ended 30 June 2011: approximately HK\$10,391,000).

Property, plant and equipment with net book value of approximately HK\$409,000 (six months ended 30 June 2011: HK\$227,000) and HK\$19,280,000 (six months ended 30 June 2011: Nil) were disposed of and transferred to investment property during the six months ended 30 June 2012, respectively.

## 13. TRADE AND OTHER RECEIVABLES

|   | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|---|--|--|
| Trade receivables                           | <b>59,286</b>  | 87,628                                       |
| Less: Provision for impairment loss         | <b>(3,459)</b>                                       | (3,459)                                      |
| Trade receivables – net                     | <b>55,827</b>  | 84,169                                       |
| Deposits, prepayments and other receivables | <b>5,841</b>   | 5,503  |
|   | <b>61,668</b>  | 89,672                                       |

The Group generally allows a credit period of 30 to 120 days to its trade customers. Based on invoice dates, aging analysis of trade receivables (net of provision for impairment loss) is as follows:

|                | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|----------------|--|--|
| 0 – 90 days    | <b>44,490</b>  | 53,474                                       |
| 91 – 120 days  | <b>4,464</b>   | 12,805                                       |
| 121 – 180 days | <b>3,145</b>   | 13,977                                       |
| 181 – 365 days | <b>2,865</b>   | 2,918  |
| Over 365 days  | <b>863</b>   | 995  |
|                | <b>55,827</b>  | 84,169                                       |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 14. TRADE AND OTHER PAYABLES

|                                     | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|-------------------------------------|--|--|
| Trade payables                      | 24,504   | 21,954                                       |
| Accrued charges and other creditors | 13,926   | 12,687                                       |
| Construction payable                | –  | 4,743  |
| Trade deposits received             | 404  | 39   |
|                                     | <b>38,834</b>  | <b>39,423</b>                                |

Based on invoice dates, the aging analysis of trade payables is as follows:

|                | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|----------------|--|--|
| 0 – 90 days    | 17,869   | 13,280                                       |
| 91 – 180 days  | 5,753  | 8,274  |
| 181 – 365 days | 797  | 371  |
| Over 365 days  | 85   | 29   |
|                | <b>24,504</b>  | <b>21,954</b>                                |

## 15. BANK BORROWINGS, SECURED

The Group's bank borrowings bear interest at floating rates and are denominated in HK\$. Based on the scheduled repayment dates set out in the loan agreements, the Group's bank borrowings were repayable as follows:

|                            | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|----------------------------|--|--|
| Within one year            | 19,421   | 39,147                                       |
| In the second year         | 9,801  | 9,801  |
| In the third to fifth year | 9,422  | 14,322                                       |
|                            | <b>38,644</b>  | <b>63,270</b>                                |

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.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 16. OBLIGATIONS UNDER FINANCE LEASES

The Group's obligations under finance leases bear interest at floating rate and are denominated in HK\$. Based on the scheduled repayment dates set out in the leases agreements, the Group's obligations under finance leases were repayable within one year.

Finance lease liabilities are secured by the underlying assets where the lessor had the rights to revert in the events of default in repayment by the Group.

## 17. SHARE CAPITAL

|   | 2012                        |                 | 2011                        |                 |
|---|-----------------------------|-----------------|-----------------------------|-----------------|
|   | <i>Number<br/>of shares</i> | <i>HK\$'000</i> | <i>Number<br/>of shares</i> | <i>HK\$'000</i> |
| <i>Authorised:</i>                      |                             |                 |                             |                 |
| Ordinary shares of HK\$0.55 each        | <b>909,090,909</b>          | <b>500,000</b>  | 909,090,909                 | 500,000         |
| <i>Issued and fully paid:</i>           |                             |                 |                             |                 |
| At 1 January                            | <b>152,209,373</b>          | <b>83,715</b>   | 122,209,373                 | 67,215          |
| Issue of ordinary shares                | <b>22,000,000</b>           | <b>12,100</b>   | 30,000,000                  | 16,500          |
| At 30 June 2012/<br>At 31 December 2011 | <b>174,209,373</b>          | <b>95,815</b>   | 152,209,373                 | 83,715          |

## 18. COMMITMENTS

### Capital commitments

|  | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|--|--|--|
| Contracted but not provided for in respect of: |  |  |
| – property, plant and equipment                | <b>22,504</b>  | 10,783                                       |
| – intangible assets                            | <b>662</b>   | 662  |
|  | <b>23,166</b>  | 11,445                                       |

### Operation 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:

|                             | <b>30 June<br/>2012<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2011<br>HK\$'000<br>(Audited) |
|-----------------------------|--|--|
| Within one year             | <b>435</b>   | 231  |
| In the second to fifth year | <b>474</b>   | –  |
|                             | <b>909</b>   | 231  |

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 renegotiate the terms at the expiry date as mutually agreed between the Group and the landlord. The lease does not include contingent rentals.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 19. RELATED PARTY TRANSACTIONS

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

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2012                     | 2011        |
|   | HK\$'000                 | HK\$'000    |
|   | (Unaudited)              | (Unaudited) |
| <b>Key management personnel:</b>  |                          |             |
| Short-term employee benefits  | 3,375                    | 2,881       |
| Post employment benefits  | 48                       | 36          |
| Key management personnel remuneration   | 3,423                    | 2,917       |
| <b>A company in which certain directors of the Company have controlling interest:</b> |                          |             |
| Rental expenses   | 168                      | 168         |

## 20. PLEDGE OF ASSETS

Trade receivables as at 30 June 2012 of HK\$5,207,000 (31 December 2011: HK\$5,310,000) have been pledged to secure bank borrowings utilised by the Group.

In addition to the above, the Group's obligations under finance leases (note 16) are secured by plant and machinery with net carrying amount of HK\$6,787,000 (31 December 2011: HK\$7,338,000) as at 30 June 2012.

## 21. EVENT AFTER THE REPORTING PERIOD

There was no material event after the six months period ended 30 June 2012.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Having its manufacturing plant located in He Yuan, Guangdong Province, PRC, the Group is principally engaged in book printing and manufacturing of high quality specialised products such as pop-up children's books, board books and leather and fabric-bound diaries, etc. It provides a full suite of services including pre-press, printing to finishing or binding services, as well as skilfully combining specialised printing skills with leather manufacturing technologies to produce high-value added composite products for its customers.

As one of the leading book and specialised product printing groups serving markets across Europe, North America and Asia, the Group continued to face a myriad of domestic and external challenges that adversely affected its profitability. Domestically, like other manufacturers based in the PRC, the Group suffered from notable increases in production costs caused by RMB appreciation, high inflation, and structural PRC labour shortages mixed with rising wages and rentals. Meanwhile, due to the economic uncertainties fuelled by the European debt crisis and the weakened US economy, customers were increasingly cautious in placing orders during the period under review.

As a result of these combined factors, the Group recorded a slight decrease in revenue to approximately HK\$97.4 million (HY2011: approximately HK\$97.7 million) and its gross profit margin was eroded from approximately 25.6% in HY2011 to approximately 11.2% in HY2012, given its labour intensive business nature. Although the Group actively sought alternative initiatives to grow profitable income streams during the period under review and leased out one of the two new four-storey factory workshops to recognise a gain of HK\$0.3 million from the lease, the Group posted a loss attributable to shareholders for the period of approximately HK\$8.8 million (HY2011: profit attributable to shareholders of approximately HK\$5.2 million). Basic loss per share was HK 5.53 cents (HY2011: basic earnings per share was HK 4.25 cents).

### Book Products Segment

Due to the impact of the emerging digital printing industry as well as the growing popularity of e-books, the traditional printing industry is undergoing a big challenge. During the six months ended 30 June 2012, the book products segment, still the Group's major income stream, recorded a turnover of approximately HK\$58.8 million (HY2011: approximately HK\$60.2 million). During the period under review, the book products segment accounted for approximately 60.3% of the Group's total turnover (HY2011: approximately 61.6%).

### Specialised Products Segment

To maintain its competitiveness within the changing printing industry landscape and hence improve its profitability, the Group saw the specialised products segment become an important business arm to generate a steady stream of revenue. During the six months ended 30 June 2012, this segment generated a turnover of approximately HK\$38.7 million (HY2011: approximately HK\$37.6 million). The increase in revenue generated from the specialised products segment shows demand for products such as children's pop-up books, touch-and-feel books and board books was growing during the period under review. For the period, the specialised products segment accounted for approximately 39.7% of the Group's total turnover (HY2011: approximately 38.4%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Condensed Consolidated Statement of Comprehensive Income

#### **Revenue**

Revenue decreased slightly by approximately 0.3% from approximately HK\$97.7 million for the six months ended 30 June 2011 (“**HY2011**”) to approximately HK\$97.4 million for the six months ended 30 June 2012 (“**HY2012**”).

#### **Gross Profit Margin**

Overall gross profit margin decreased from approximately 25.6% in HY2011 to approximately 11.2% in HY2012 which was mainly due to an increase in labour and material costs.

#### **Other Income**

Other income increased by approximately 93.0% from approximately HK\$0.7 million in HY2011 to approximately HK\$1.4 million in HY2012. The increase was mainly due to proceeds of approximately HK\$0.5 million from sales of scraps and the rental income from lease of one of the two new four-storey factory workshops of HK\$0.3 million.

#### **Operating Expenses**

(a) *Selling and distribution costs*

The selling and distribution costs increased by approximately 10.4% from approximately HK\$4.9 million in HY2011 to approximately HK\$5.4 million in HY2012. This was mainly due to the increase of approximately HK\$0.2 million in transportation and freight charges and approximately HK\$0.3 million in commission paid to sales agents.

(b) *Administrative expenses*

The administrative expenses increased slightly by approximately 1.0% from approximately HK\$12.9 million in HY2011 to approximately HK\$13.0 million in HY2012.

(c) *Other operating expenses*

Other operating expenses increased by approximately 103.1% from approximately HK\$0.9 million in HY2011 to approximately HK\$1.9 million in HY2012 which was mainly due to an increase in (i) professional fees of approximately HK\$0.8 million after dual listing on The Stock Exchange of Hong Kong Limited, and (ii) net loss on disposals of plant and equipment of approximately HK\$0.3 million but was offset by the decrease in bank charges of approximately HK\$0.1 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

(d) *Finance costs*

Finance costs increased by approximately 14.2% from approximately HK\$0.7 million in HY2011 to approximately HK\$0.9 million in HY2012 which was due to the increase in utilisation of bills financing.

(e) *Income tax expense*

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits for HY2012. Hong Kong Profits Tax of approximately HK\$1.1 million was calculated at 16.5% of the estimated assessable profits for HY2011.

As a result of the above, loss for the period attributable to owners of the Company was arrived at approximately HK\$8.8 million. The profit attributable to owners of the Company for HY2011 amounted to approximately HK\$5.2 million.

## Condensed Consolidated Statement of Financial Position

### Assets

As at 30 June 2012, non-current assets amounted to approximately HK\$168.3 million or represented approximately 55.0% of our total assets, an increase of approximately HK\$18.6 million as compared to approximately HK\$149.7 million as at 31 December 2011. This was mainly due to the construction of the two new four-storey factory workshops in He Yuan and one of which was leased out during the period.

As at 30 June 2012, current assets amounted to approximately HK\$137.8 million, comprised mainly of the followings:

- (a) Inventories of approximately HK\$31.4 million; a decrease of approximately HK\$2.0 million as compared to HK\$33.4 million as at 31 December 2011. No significant change during the period;
- (b) Trade and other receivables of approximately HK\$61.7 million; a decrease of approximately HK\$28.0 million from approximately HK\$89.7 million as at 31 December 2011 which was attributable to better debt management;
- (c) Current tax assets of approximately HK\$1.0 million; an increase of approximately HK\$0.7 million from approximately HK\$0.3 million as at 31 December 2011 which was attributable to tax pre-paid during the period; and
- (d) Cash and cash equivalents of approximately HK\$43.7 million; a decrease of approximately HK\$2.6 million from approximately HK\$46.3 million as at 31 December 2011.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Liabilities**

As at 30 June 2012, our current liabilities amounted to approximately HK\$79.4 million and were comprised mainly of the followings:

- (a) Trade and other payables of approximately HK\$38.8 million; a decrease of approximately HK\$0.6 million from approximately HK\$39.4 million as at 31 December 2011. No significant change during the period;
- (b) Bank borrowings of approximately HK\$38.6 million; a decrease of approximately HK\$24.7 million from approximately HK\$63.3 million as at 31 December 2011. This was mainly due to repayment of bank borrowings of approximately HK\$8.4 million and decrease in trust receipt loans of approximately HK\$16.2 million; and
- (c) Obligations under finance leases of approximately HK\$0.9 million; a decrease of approximately HK\$1.1 million from approximately HK\$2.0 million as at 31 December 2011.

## **Equity**

As at 30 June 2012, total equity stood at approximately HK\$223.3 million as compared to approximately HK\$210.2 million as at 31 December 2011. The increase of approximately HK\$13.1 million was due to the net proceeds from issue of ordinary shares of approximately HK\$20.3 million and the exchange gain on translation of financial statements of foreign operations of approximately HK\$1.6 million but was offset by the loss attributable to owners of the Company for HY2012 of approximately HK\$8.8 million.

## **FUTURE DEVELOPMENT AND PROSPECTS**

The challenges such as RMB appreciation, PRC labour shortages and rising wages continued in the first half of 2012 and will exert pressure on the PRC printing industry.

In addition, with the current debt and financial conditions in the United States and Europe, the Group expects business conditions to be challenging in the second half of 2012. The Group is adopting a cautious stance as it views the current operating environment for the printing industry to be increasingly competitive. Therefore, the Group will continue to tighten cost control and improve management efficiency in order to maintain its market competitiveness.

The Group will also continue to explore new business opportunities for existing products in different markets in order to have a diversified quality customer base through enhanced marketing efforts. At the same time, it will also cautiously explore viable investment and acquisition opportunities that can enhance shareholders' value.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES AND GEARING

The Group maintained a healthy statement of financial position as at 30 June 2012.

Cash and cash equivalents amounted to approximately HK\$43.7 million; a decrease of approximately HK\$2.6 million from approximately HK\$46.3 million as at 31 December 2011.

The Group's total bank borrowings and obligations under finance leases amounted to approximately HK\$39.6 million which, bear interest at floating rate, were secured by assets pledged as set out in note 20 to the condensed consolidated interim financial statements, corporate guarantee issued by the Company and undertakings from its subsidiaries.

Equity attributable to owners of the Company was approximately HK\$223.3 million, approximately 6.2% higher than the approximately HK\$210.2 million as at 31 December 2011.

The Group's current ratio, calculating by dividing current assets with current liabilities as at the end of the period is approximately 1.74. Net gearing ratio, defined as total loans and borrowings less cash and cash equivalents to equity attributable to owners of the Company, was not applicable as at 30 June 2012.

## CAPITAL STRUCTURE

On 3 May 2012, the Company issued 22,000,000 new ordinary shares of HK\$0.55 each at HK\$0.95 per share by way of placing.

## EMPLOYEES' INFORMATION

### Employees of the Group

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. As at 30 June 2012, there were 212 (30 June 2011: 175) 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 and share options to eligible staff based on their performance and contributions to the Group.

Salaries of and allowances for the Group's employees for the six months ended 30 June 2012 were approximately HK\$6.1 million (six months ended 30 June 2011: approximately HK\$6.7 million).

### Employees of the 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 30 June 2012, there were 923 (30 June 2011: 1,225) employees in the He Yuan Factory.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 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 fluctuation of Renminbi ("RMB") may pose negative effect on our cost of production. The Group will keep on reviewing and monitoring the exchange fluctuation between RMB and HK\$, and considered to enter into hedging arrangement as and when appropriate.

## CONTINGENT LIABILITIES

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

## CHARGES ON GROUP ASSETS

Details of the Group's assets pledged are set out in note 20 to the unaudited condensed consolidated interim financial statements.

## FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will continue to (1) develop the market of children's booklets and stationery; (2) promote its specialised products in the PRC; and (3) explore new business opportunities for existing products in different markets as disclosed in the prospectus ("Prospectus") of the Company dated 28 June 2011.

The Group has recently completed the construction of two new factory workshops with the original objective as disclosed in page 154 of the Prospectus. Due to the economic uncertainties caused by the ongoing European debt crisis and the weak US economy, the Group has leased out one of the new factory workshops to maintain the profitability of the Group. As the lease of new factory workshop can secure a reasonable and regular income for the Group, the Group will lease out the other new factory workshop for rental income in due course. On the other hand, the Group has proceeded to construct another new factory workshop for its expansion to cover packaging business.

At the same time, the Group will also prudently explore viable investment and acquisition opportunities.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2012, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

## MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2012, the Group was not involved in any material litigation or arbitration.



## OTHER INFORMATION

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

As at 30 June 2012, 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 for Securities Transactions by Directors of Listed Companies ("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          | 0.10%                                  |
|                           | Interest of controlled corporation (note 1) | 81,060,848       | 46.53%                                 |
| Mr. Lam Shek Kin          | Beneficial owner                            | 100,000          | 0.06%                                  |
| Ms. Chung Oi Ling, Stella | Interest of controlled corporation (note 2) | 5,634,000        | 3.23%                                  |

Notes:

1. China Print Power Limited holds 81,060,848 shares of the Company 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 of the Company by virtue of her 100% control in Flame Capital Limited.

#### (ii) Interest in associated corporations

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

Save as disclosed above, as at 30 June 2012, 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.

## SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, 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       | 46.53%                     |

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 30 June 2012, 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.

## SHARE OPTION SCHEME

During the six months ended 30 June 2012, no share options have been granted nor outstanding pursuant to the Share Option Scheme which was adopted at a special general meeting held on 26 May 2011.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## USE OF HONG KONG IPO AND PLACING PROCEEDS

On 11 July 2011, the Company issued 30,000,000 new ordinary shares of HK\$0.55 each at HK\$1.48 per share by way of placing and public offer. The net proceeds from such issue amounted to approximately HK\$30.7 million after deduction of transaction costs and listing expenses. The net proceeds have been fully utilized as planned.

On 3 May 2012, the Company issued 22,000,000 new ordinary shares of HK\$0.55 each at HK\$0.95 per share by way of placing. The net proceeds from such issue, after deduction of related transaction costs, were HK\$20.3 million. Up to the date of this report, HK\$10.2 million has been used to repay short term bank borrowings and other payables. The balance of the net proceeds, being approximately HK\$10.1 million, will be partly used to repayment of bank borrowings and partly for potential acquisition activities as identified by the Group from time to time.

## OTHER INFORMATION

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, 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 2012 throughout the six months ended 30 June 2012.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Board has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, during the six months ended 30 June 2012 all Directors have complied with the required standards of the Model Code.

### **AUDIT OR REVIEW OF THE INTERIM FINANCIAL RESULTS**

The interim financial results have not been audited or reviewed by the Group's external auditors.

### **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the unaudited interim results of the Group for the six months ended 30 June 2012.

By order of the Board  
**China Print Power Group Limited**  
**Sze Chun Lee**  
*Chief Executive Officer & Executive Director*

Hong Kong, 9 August 2012