CHINA PRINT

CHINA PRINT POWER GROUP LIMITED
(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2013

HONG KONG STOCK CODE: 6828
SINGAPORE STOCK CODE: B3C

WWW.POWERPRINTING.COM.HK

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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 74,398 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 Ltd. in the UK, Phoenix Offset Productions and World Print Limited in Hong Kong.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sze Chun Lee *(Chief Executive Officer)*
Mr. Chan Wai Ming *(Chief Operation Officer)*
Mr. Kwan Wing Hang *(resigned on 3 August 2013)*
Mr. Lam Shek Kin
Ms. Chung Oi Ling, Stella

Independent Non-executive Directors

Mr. Lim Siang Kai *(Chairman)*
Mr. Wee Piew
Mr. Liu Kwong Chi, Nelson *(resigned on 15 July 2013)*
Ms. Wong Fei Tat

NOMINATING COMMITTEE

Ms. Wong Fei Tat *(Chairman with effect from 15 July 2013)*
Mr. Liu Kwong Chi, Nelson *(Chairman until resigned on 15 July 2013)*
Mr. Lim Siang Kai
Mr. Wee Piew

REMUNERATION COMMITTEE

Mr. Lim Siang Kai *(Chairman)*
Mr. Wee Piew
Mr. Liu Kwong Chi, Nelson *(resigned on 15 July 2013)*
Ms. Wong Fei Tat

AUDIT COMMITTEE

Mr. Wee Piew *(Chairman)*
Mr. Lim Siang Kai
Mr. Liu Kwong Chi, Nelson *(resigned on 15 July 2013)*
Ms. Wong Fei Tat

AUTHORISED REPRESENTATIVES

Mr. Sze Chun Lee
Mr. Tsui Kan Chun

JOINT COMPANY SECRETARIES

Mr. Tsui Kan Chun, CPA, CPA (Aust), HKICS, ICS
Ms. Gn Jong Yuh Gwendolyn, LLB (Hons)

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

SINGAPORE SHARE TRANSFER AGENT

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

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR

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

JOINT AUDITORS

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Engagement Director: Mr. Au Yiu Kwan

BDO LLP
Public Accountants and Certified Public Accountants
21 Merchant Road
#05-01, Royal Merukh S.E.A. Building Singapore 058267
Engagement Partner: Mr. Chay Yiowmin

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.powerprinting.com.hk

STOCK CODES

Hong Kong: 6828
Singapore: B3C

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	6	**63,391**	97,419
Cost of sales		**(52,170)**	(86,460)
Gross profit		**11,221**	10,959
Other income	6	**1,049**	1,444
Selling and distribution costs		**(3,833)**	(5,439)
Administrative expenses		**(12,134)**	(13,044)
Other operating expenses		**(1,902)**	(1,875)
Finance costs	7	**(534)**	(853)
Loss before income tax	8	**(6,133)**	(8,808)
Income tax expense	9	**(687)**	–
Loss for the period and attributable to owners of the Company		**(6,820)**	(8,808)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		**2,258**	1,585
Other comprehensive income for the period		**2,258**	1,585
Total comprehensive income for the period and attributable to owners of the Company		**(4,562)**	(7,223)
Loss per share for loss attributable to owners of the Company for the period	11		
– Basic and diluted (HK cents)		**(3.51)**	(5.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights		**5,613**	5,590
Property, plant and equipment	12	**144,418**	140,833
Investment properties		**29,791**	29,834
Intangible assets		**530**	527
Other non-current assets		**467**	512
Deposit		**2,000**	–
		182,819	177,296
Current assets			
Inventories		**34,733**	27,436
Trade and other receivables	13	**40,937**	49,367
Current tax assets		**1,590**	1,590
Cash and bank balances		**43,148**	23,688
		120,408	102,081
Current liabilities			
Trade and other payables	14	**24,329**	23,843
Bank borrowings, secured	15	**29,369**	35,486
Current tax liabilities		**1,640**	812
		55,338	60,141
Net current assets		**65,070**	41,940
Total assets less current liabilities		**247,889**	219,236
Non-current liabilities			
Deferred tax liabilities		**1,744**	1,885
		1,744	1,885
Net assets		**246,145**	217,351
EQUITY ATTRIBUTABLE TO COMPANY'S OWNERS			
Share capital	16	**114,977**	95,815
Reserves		**131,168**	121,536
Total equity		**246,145**	217,351

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

		Reserves					
	Share capital	**Share premium**	**Merger reserve**	**Translation reserve**	**Retained profits**	**Total reserves**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2012	83,715	35,239	(43,048)	17,328	116,982	126,501	210,216
Issue of ordinary shares	12,100	8,800	–	–	–	8,800	20,900
Transaction costs on issue of ordinary shares	–	(616)	–	–	–	(616)	(616)
Transactions with owners	12,100	8,184	–	–	–	8,184	20,284
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
Total comprehensive income for the period	–	–	–	1,585	(8,808)	(7,223)	(7,223)
Balance at 30 June 2012	95,815	43,423	(43,048)	18,913	108,174	127,462	223,277
Balance at 1 January 2013	95,815	43,423	(43,048)	18,913	102,248	121,536	217,351
Issue of ordinary shares	19,162	14,981	–	–	–	14,981	34,143
Transaction costs on issue of ordinary shares	–	(787)	–	–	–	(787)	(787)
Transactions with owners	19,162	14,194	–	–	–	14,194	33,356
Loss for the period	–	–	–	–	(6,820)	(6,820)	(6,820)
Other comprehensive income							
– Exchange gain on translation of financial statements of foreign operations	–	–	–	2,258	–	2,258	2,258
Total comprehensive income for the period	–	–	–	2,258	(6,820)	(4,562)	(4,562)
Balance at 30 June 2013	114,977	57,617	(43,048)	21,171	95,428	131,168	246,145

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**4,011**	25,712
Net cash used in investing activities	**(5,725)**	(22,856)
Net cash generated from/(used in) financing activities	**27,239**	(5,431)
Net increase/(decrease) in cash and cash equivalents	**25,525**	(2,575)
Cash and cash equivalents at the beginning of period	**17,538**	46,300
Effect of foreign exchange rate changes, on cash held	**85**	6
Cash and cash equivalents at the end of period	**43,148**	43,731

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 interim 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 2012.

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 2012, except for the adoption of the following new or amended International Financial Reporting Standards ("**new 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 2013. Information on adoption of the new IFRSs that have impact on the Group's accounting policies and methods of computation is provided below:

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

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

3. ACCOUNTING POLICIES (Continued)

IFRS 10, Consolidated Financial Statements

IFRS 10 replaces the requirements in IAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial statements as a result of adopting IFRS 12.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("**CODM**") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and now also discloses segment liabilities in note 5.

Amendments to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

3. ACCOUNTING POLICIES (Continued)

Amendments to IFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Continued)

The adoption of the amendments does not have an impact on the Group's interim financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

At the date of authorisation of this interim 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 pronouncements.

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 the 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 and no operating segments have been aggregated to form 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 2013, there have been no change in the measurement policies used for reporting segment results.

5. SEGMENT REPORTING (Continued)

The segment revenue below represents revenue from external customers. There were no inter-segment sales for the six months ended 30 June 2013 and 2012. The segment revenue and results for the six months ended 30 June 2013 and 2012 and the segment assets and liabilities as at 30 June 2013 and 31 December 2012 are as follows:

	Segment revenue Six months ended 30 June		Segment profit Six months ended 30 June		Segment assets		Segment liabilities	
					As at 30 June	As at 31 December	As at 30 June	As at 31 December
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Book products	**35,236**	58,767	**7,341**	6,026	**92,285**	97,286	**7,095**	6,635
Specialised products	**28,155**	38,652	**3,880**	4,933	**22,372**	22,339	**8,692**	5,043
Segment total	**63,391**	97,419	**11,221**	10,959	**114,657**	119,625	**15,787**	11,678

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Reportable segment profit	**11,221**	10,959
Interest income	**90**	25
Unallocated corporate income	**959**	1,419
Directors' remuneration	**(2,710)**	(2,815)
Amortisation of leasehold land and land use rights	**(67)**	(66)
Depreciation of investment properties	**(528)**	–
Unallocated corporate expenses	**(14,564)**	(17,477)
Finance costs	**(534)**	(853)
Loss before income tax	**(6,133)**	(8,808)

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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**63,391**	97,419
Other income		
Interest income on financial assets not at fair value through profit or loss	**90**	25
Rental income from investment properties	**622**	548
Sundry income	**337**	871
	1,049	1,444

7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest charges on:		
Bank borrowings repayable on demand or wholly within five years	**534**	800
Finance charges on obligations under finance leases	**–**	53
Interest expense on financial liabilities not at fair value through profit or loss	**534**	853

8. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Amortisation of leasehold land and land use rights	**67**	66
Amortisation of intangible assets	**26**	–
Depreciation of property, plant and equipment	**4,529**	5,373
Depreciation of investment properties	**528**	161
Net losses on disposals of property, plant and equipment	**570**	382
Operating lease charges on:		
– premises	**219**	198
– motor vehicles	**168**	168

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2013. No Hong Kong profits tax has been provided for the six months ended 30 June 2012 as the Group did not derive any assessable profits in Hong Kong for that period. 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax	**687**	–
Elsewhere	**–**	–
Total income tax expense	**687**	–

10. DIVIDEND

The Board did not recommend a payment of interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$6,820,000 (six months ended 30 June 2012: approximately HK$8,808,000) and on the weighted average number of 194,227,936 (six months ended 30 June 2012: 159,341,241) ordinary shares in issue during the period.

Diluted loss per share for the six months ended 30 June 2013 and 2012 was the same as basic loss per share as there is no dilutive potential share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with a cost of approximately HK$7,809,000 (six months ended 30 June 2012: approximately HK$22,908,000).

Property, plant and equipment with net book value of approximately HK$1,853,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: HK$409,000).

13. TRADE AND OTHER RECEIVABLES

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Trade receivables	**40,717**	51,941
Less: Provision for impairment losses	**(4,734)**	(4,734)
Trade receivables – net	**35,983**	47,207
Deposits, prepayments and other receivables	**4,954**	2,160
	40,937	49,367

13. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
0 – 90 days	**29,497**	34,392
91 – 120 days	**3,630**	5,825
121 – 180 days	**1,602**	4,479
181 – 365 days	**624**	1,529
Over 365 days	**630**	982
	35,983	47,207

14. TRADE AND OTHER PAYABLES

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Trade payables	**15,787**	12,038
Accrued charges and other creditors	**6,987**	7,768
Construction payable	**588**	3,998
Trade deposits received	**967**	39
	24,329	23,843

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
0 – 90 days	**12,802**	8,298
91 – 180 days	**2,853**	3,583
181 – 365 days	**60**	111
Over 365 days	**73**	46
	15,787	12,038

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 are repayable as follows:

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Within one year	**19,947**	21,164
In the second year	**7,501**	8,801
In the third to fifth year	**1,921**	5,521
	29,369	35,486

The Group's bank loan agreements contain clauses which give the banks the right at their 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.

16. SHARE CAPITAL

	2013		2012	
	Number of ordinary shares of HK$0.55 each **(Unaudited)**	***HK$'000*** **(Unaudited)**	*Number of ordinary shares of HK$0.55 each* (Audited)	*HK$'000* (Audited)
Authorised:				
At 1 January and 31 December	**909,090,909**	**500,000**	909,090,909	500,000
Issued and fully paid:				
At 1 January	**174,209,373**	**95,815**	152,209,373	83,715
Issue of ordinary shares by way of placing	**34,840,000**	**19,162**	22,000,000	12,100
At 30 June 2013/ At 31 December 2012	**209,049,373**	**114,977**	174,209,373	95,815

16. SHARE CAPITAL (Continued)

In May 2012, the Company issued, by way of placing, 22,000,000 ordinary shares of HK$0.55 each at HK$0.95 and the net proceeds from such issue amounted to approximately HK$20,284,000. An amount of HK$8,184,000 in excess of par value was credited to the share premium during the year ended 31 December 2012.

In March 2013, the Company issued, by way of placing, 34,800,000 ordinary shares of HK$0.55 each at HK$0.98 and the net proceeds from such issue amounted to approximately HK$33,356,000. An amount of HK$14,981,000 in excess of par value was credited to the share premium during the six months ended 30 June 2013.

All shares issued rank pari passu with the existing shares of the Company in all respects.

17. COMMITMENTS

Capital commitments

At the reporting date, commitments in respect of capital expenditure are as follows:

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Contracted but not provided for:		
– property, plant and equipment	**162**	585

Operation lease commitments as lessee

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

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Within one year	**438**	438
In the second to fifth year	**37**	256
	475	694

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 or at dates as mutually agreed between the Group and the landlord. The lease does not include contingent rentals.

17. COMMITMENTS (Continued)

Operating lease commitments as lessor

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Within one year	**1,252**	1,223
In the second to fifth year	**3,701**	4,257
	4,953	5,480

The Group leases its investment properties under operating leases. The leases run for an initial period of 5 years and require the tenants to pay security deposits. The leases do not include contingent rentals.

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Key management personnel		
Short-term employee benefits	**3,284**	3,375
Post employment benefits	**53**	48
Key management personnel remuneration	**3,337**	3,423
A company in which certain directors of the Company have controlling interest		
Rental expenses	**168**	168

19. PLEDGE OF ASSETS

Trade receivables as at 30 June 2013 of HK$4,671,000 (31 December 2012: HK$3,767,000) have been pledged to secure bank borrowings utilised by the Group.

20. EVENT AFTER THE REPORTING PERIOD

There was no material event after the six months period ended 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With an emphasis on both product quality and cost efficiency, the Group provides top-level services to customers across Europe, North America and Asia. It boasts rich experience and remarkable expertise in printing books – from pre-press to printing to finishing & binding services – as well as manufacturing specialised products including pop-up children's books, photo albums and stationery, etc.

For the six months ended 30 June 2013 ("**HY2013**"), the Group's revenue amounted to approximately HK$63.4 million, down by approximately 34.9% when compared with the first half of 2012 ("**HY2012**"). The weaker performance was due to deteriorating sales as a result of gloomy market sentiment. Furthermore, market demand was adversely affected by the Group's strategic move of selectively increasing average selling price for certain customers. This decision, on the other hand, contributed to an improved gross profit margin, up from approximately 11.2% for HY2012 to approximately 17.7% for HY2013. Narrower income streams along with escalating operating costs led to a loss attributable to owners of the Company for the period of approximately HK$6.8 million (HY2012: HK$8.8 million).

Book Products Segment

The printing industry is undergoing a reshuffle as digital printing becomes a stronger player and e-books are gaining increasing popularity. Impacted by fierce competition together with the strategic move of selectively increasing average selling price, the Group's core business – the book products segment – posted a drop of 40.1% in revenue to approximately HK$35.2 million in HY2013 (HY2012: approximately HK$58.8 million). Being the major revenue contributor, the book products segment accounted for 55.6% of the Group's turnover.

Specialised Products Segment

Striving to maintain a leading market position, the Group has devoted continuous efforts to developing business channels to create a more diversified revenue base. During the period under review, 44.4% of the Group's total turnover was contributed by the specialised products segment, totaling approximately HK$28.2 million (HY2012: approximately HK$38.7 million), a 27.1% decrease resulting from weaker order intake.

FINANCIAL REVIEW

Condensed Consolidated Statement of Comprehensive Income

Revenue

Revenue decreased by approximately 34.9% from approximately HK$97.4 million for HY2012 to approximately HK$63.4 million for HY2013 which was mainly due to (i) persistent uncertainty over the global economy which had affected the sales and (ii) a selective increase in average selling price for certain customers which had affected the sales orders.

Gross Profit Margin

Overall gross profit margin improved from approximately 11.2% for HY2012 to approximately 17.7% for HY2013 which was mainly due to an increase in average selling price for certain customers.

Other Income

Other income decreased by approximately 27.4% from approximately HK$1.4 million for HY2012 to approximately HK$1.0 million for HY2013. The decrease was mainly due to the proceeds of approximately HK$0.5 million from sale of scraps by the Group's He Yuan factory for HY2012. In the absence of such sale of scraps for HY2013, other income has decreased to approximately HK$1.0 million.

Operating Expenses

(a) *Selling and distribution costs*

Selling and distribution costs decreased by approximately 29.5% from approximately HK$5.4 million for HY2012 to approximately HK$3.8 million for HY2013. This was mainly due to a decrease of approximately HK$1.5 million in transportation and freight charges and approximately HK$0.1 million in commission paid to sales agents.

(b) *Administrative expenses*

Administrative expenses decreased by approximately 7.0% from approximately HK$13.0 million for HY2012 to approximately HK$12.1 million for HY2013 mainly due to a decrease in directors' emoluments, administrative employees' salaries, statutory contributions and welfare expense of approximately HK$0.5 million and a decrease in management fee of approximately HK$0.2 million paid to a PRC agent under the Group's processing arrangement with our PRC factory.

(c) *Other operating expenses*

Other operating expenses increased slightly by approximately 1.4% for HY2013.

(d) *Finance costs*

Finance costs decreased by approximately 37.4% from approximately HK$0.9 million for HY2012 to approximately HK$0.5 million for HY2013 which was due to a decrease in utilisation of bills financing and interest charges for long term bank borrowings.

(e) *Income tax expense*

Income tax expense of approximately HK$0.7 million was calculated at 16.5% of the estimated assessable profits of its Hong Kong subsidiary, Power Printing Products Limited, for HY2013. No income tax expense had been provided for HY2012 as the Company and its subsidiaries did not derive any assessable profits for that period.

As a result of the above, loss for the period attributable to owners of the Company was arrived at approximately HK$6.8 million. The loss attributable to owners of the Company for HY2012 amounted to approximately HK$8.8 million.

Condensed Consolidated Statement of Financial Position

Assets

As at 30 June 2013, non-current assets amounted to approximately HK$182.8 million or represented approximately 60.3% of our total assets, an increase of approximately HK$5.5 million as compared to approximately HK$177.3 million as at 31 December 2012. This was mainly due to payment for a four-storey workshop in He Yuan which, was under construction since 2012 and is expected to be completed in the second half of 2013; and a payment of an earnest money of HK$2 million upon signing of a supplemental memorandum of understanding for a proposed acquisition. Please refer to our announcement dated 11 June 2013 for details of the proposed acquisition.

As at 30 June 2013, current assets amounted to approximately HK$120.4 million, comprised mainly of the following:

(a) Inventories of approximately HK$34.7 million; an increase by approximately HK$7.3 million as compared to approximately HK$27.4 million as at 31 December 2012. This was mainly due to an increase in production in June 2013 and more finished goods pending on delivery in July 2013;

(b) Trade and other receivables of approximately HK$40.9 million; a decrease by approximately HK$8.5 million from approximately HK$49.4 million as at 31 December 2012 which was attributable to the decrease in goods delivery at the period end; and

(c) Cash and bank balances of approximately HK$43.1 million, representing an increase by approximately HK$19.4 million from approximately HK$23.7 million as at 31 December 2012, mainly from net proceeds from issue of new shares.

Liabilities

As at 30 June 2013, our current liabilities amounted to approximately HK$55.3 million and comprised mainly of the following:

(a) Trade and other payables of approximately HK$24.3 million, representing an increase by approximately HK$0.5 million from approximately HK$23.8 million as at 31 December 2012; and

(b) Bank borrowings of approximately HK$29.4 million, representing a decrease by approximately HK$6.1 million from approximately HK$35.5 million as at 31 December 2012 mainly due to the repayment of bank borrowings.

Equity

As at 30 June 2013, total equity stood at approximately HK$246.1 million as compared to approximately HK$217.4 million as at 31 December 2012. The increase by approximately HK$28.7 million was due to the net proceeds from issue of ordinary shares of approximately HK$33.3 million and the exchange gain on translation of financial statements of foreign operations of approximately HK$2.2 million which was offset by the loss attributable to owners of the Company for HY2013 of approximately HK$6.8 million.

FUTURE DEVELOPMENT AND PROSPECTS

The first half of 2013 saw chill winds in the printing industry, resulting from the challenging operating environment. The World Bank downgraded the growth forecast of the global economy this year to 2.2% from 2.4%, citing continuing weakness over global economies with Europe experiencing a deeper than expected recession while China lacking momentum to sustain its high growth rate. There are also concerns that uncertainties of the US economy might be caused if the government withdraws the accommodative monetary policy. Serving a customer base across Europe, North America and Asia, the Group suffered from such persistent uncertainty global condition.

Production costs escalated along with higher labor cost as a result of the structural tightening in the Chinese labour market. Furthermore, the central parity of RMB against US dollar has appreciated 1.73% in the first half of 2013, which not only led to increasing raw material expenses, but also had a considerable impact on export demand. To reduce the risk of bad-debt as well as partly offset the operating cost pressure, the Group selectively increased the average selling price for certain customers, as a strategy targeting for a healthy financial position.

Despite the difficulties mentioned above, the Group will strive to strengthen its market position with improved operation efficiency and enhanced cost management. The Group is confident to build loyalty among existing customers by consistently delivering premium products with value added features; and at the same time, attract new ones by conducting active promotion campaigns. Keeping in mind the interests of our shareholders, the Group will spare no efforts to continuously explore investment opportunities and take prudent steps to maximise their returns.

Given 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 2013. Despite this, the Directors will cautiously explore viable investment and acquisition opportunities that can enhance shareholders' value.

On 7 February 2013, a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding in relation to the proposed acquisition of a wholly-owned subsidiary of New Times Corporation Limited (stock code: 00166.HK). For more details, please refer to the Company's announcements dated 8 February 2013 and 11 June 2013.

On 19 July 2013, a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding in relation to the proposed acquisition of certain interests in respect of certain natural gas assets from Mr. Xiao Gangming. For more details, please refer to the Company's announcement dated 19 July 2013.

On 29 July 2013, a wholly-owned subsidiary of the Company entered into a non-legally binding memorandum of understanding in relation to the proposed acquisition of a wholly-owned subsidiary of New Topic Limited. For more details, please refer to the Company's announcement dated 29 July 2013.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING

The Group maintained a healthy statement of financial position as at 30 June 2013.

Cash and bank balances of approximately HK$43.1 million; representing an increase by approximately HK$19.4 million from approximately HK$23.7 million as at 31 December 2012, mainly from net proceeds from issue of new shares.

The Group's total bank borrowings amounted to approximately HK$29.4 million which, bearing interest at floating rate, were secured by assets pledged as set out in note 19 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$246.1 million, approximately 13.2% higher than the approximately HK$217.4 million as at 31 December 2012.

The Group's current ratio, calculating by dividing current assets with current liabilities as at the end of the period is approximately 2.18. Net gearing ratio, defined as total loans and borrowings less cash and bank balances to equity attributable to owners of the Company was not applicable as the Group's cash and bank balances are greater than its loans and borrowings.

CAPITAL STRUCTURE

On 19 March 2013, the Company issued 34,840,000 new ordinary shares of HK$0.55 each at the Placing Price of HK$0.98 per share by way of Placing (such capitalised terms, as defined in the announcement made by the Company on 19 March 2013 in relation to the Placing).

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. During the period, the Group's He Yuan Processing Arrangement with He Yuan factory was terminated and additional workers were employed by the Group's subsidiary, Power Printing (He Yuan) Co., Ltd., to satisfy the Group's production requirement. As at 30 June 2013, there were 894 (30 June 2012: 212) 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 2013 were approximately HK$22.0 million (six months ended 30 June 2012: approximately HK$6.1 million).

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 continuing appreciation of Renminbi ("**RMB**") may lead to an increase of 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 2013, the Group had no material contingent liabilities (31 December 2012: Nil).

CHARGES ON GROUP ASSETS

Details of the Group's assets pledged are set out in note 19 to the unaudited condensed consolidated interim financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2013, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2013, the Group was not involved in any material litigation or arbitration.

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

As at 30 June 2013, 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	0.09%
	Interest of controlled corporation *(note 1)*	66,060,848	31.60%
Mr. Lam Shek Kin	Beneficial owner	100,000	0.05%
Ms. Chung Oi Ling, Stella	Interest of controlled corporation *(note 2)*	20,634,000	9.87%

Notes:

1. China Print Power Limited holds 66,060,848 Shares and is beneficially owned by Mr. Sze Chun Lee, Mr. Chan Wai Ming, Mr. Kwan Wing Hang *(note 3)* 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 20,634,000 shares of the Company by virtue of her 100% control in Flame Capital Limited.

3. Mr. Kwan Wing Hang resigned as an executive Director of the Company with effect from 3 August 2013.

(ii) Interest in associated corporations

Name of Director	Nature 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 *(note 1)*	China Print Power Limited	2,000	20%
Mr. Lam Shek Kin	China Print Power Limited	1,500	15%

Note 1: Mr. Kwan Wing Hang resigned as an executive Director of the Company with effect from 3 August 2013.

Save as disclosed above, as at 30 June 2013, 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 2013, 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	66,060,848	31.60%
Flame Capital Limited	Beneficial owner	20,634,000	9.87%

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 2013, 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.

OTHER INFORMATION

SHARE OPTION SCHEME

During the six months ended 30 June 2013, 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 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the 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 Rules Governing the Listing of Securities on SEHK ("**Listing Rules**") and The Singapore Code of Corporate Governance 2012 throughout the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules and its amendments from time to time 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 2013, 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 2013.

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

Hong Kong, 10 August 2013