1010 PRINTING GROUP LIMITED
匯星印刷集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 1127)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

AUDITED RESULTS

The board of directors (the "Board") of 1010 Printing Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	4	700,065	640,102
Direct operating costs		(542,791)	(518,393)
Gross profit		157,274	121,709
Other income	6	26,554	31,191
Selling and distribution costs		(70,696)	(56,223)
Administrative expenses		(21,417)	(16,525)
Other expenses		(7,620)	(4,863)
Finance costs	7	(2,263)	(2,288)
Profit before income tax	8	81,832	73,001
Income tax expense	9	(13,682)	(10,647)
Profit for the year		68,150	62,354
Other comprehensive income			
Exchange (loss)/gain on translation of financial statements of foreign operations		(225)	43
Other comprehensive income for the year, net of tax		(225)	43
Total comprehensive income for the year		67,925	62,397

* *For identification purpose only*

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012 (Continued)

	Notes	2012 HK$'000	2011 HK$'000
Profit for the year attributable to:			
Owners of the Company		68,298	62,307
Non-controlling interests		(148)	47
		68,150	62,354
Total comprehensive income attributable to:			
Owners of the Company		68,075	62,350
Non-controlling interests		(150)	47
		67,925	62,397
Earnings per share for profit attributable to owners of the Company during the year	11		
Basic		HK13.66 cents	HK14.50 cents
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	213,382	223,127
Intangible assets	13	66,487	9,614
Deferred tax assets		3,803	-
		283,672	232,741
Current assets			
Inventories	14	73,523	63,874
Trade and other receivables and deposits	15	399,738	266,013
Financial assets at fair value through profit or loss	16	-	1,023
Pledged cash and bank balances		7,297	-
Cash and cash equivalents		96,193	77,339
		576,751	408,249
Current liabilities			
Trade and other payables	17	189,435	85,531
Financial liabilities at fair value through profit or loss	16	718	-
Bank borrowings	18	112,327	111,251
Finance lease liabilities	19	6,227	6,060
Loan from intermediate holding company		33,500	-
Provision for taxation		32,157	8,912
		374,364	211,754
Net current assets		202,387	196,495
Total assets less current liabilities		486,059	429,236
Non-current liabilities			
Other payable		32,000	-
Finance lease liabilities	19	526	6,750
Deferred tax liabilities		1,576	13,454
		34,102	20,204
Net assets		451,957	409,032
EQUITY			
Share capital		5,000	5,000
Reserves		446,161	403,086
Equity attributable to owners of the Company		451,161	408,086
Non-controlling interests		796	946
Total equity		451,957	409,032

Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

	Attributable to owners of the Company								Non-controlling interest	Total equity
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000	Contributed surplus HK$'000	Proposed final dividend HK$'000	Retained earnings HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 1 January 2011	81,000	96,000	(790)	-	-	-	121,293	297,503	(35)	297,468
Reorganisation	(81,000)	(96,000)	-	(136,875)	-	-	-	(313,875)	-	(313,875)
Issue of shares pursuant to the Group Reorganisation	3,750	310,125	-	-	-	-	-	313,875	-	313,875
Issue of shares upon listing	1,250	86,250	-	-	-	-	-	87,500	-	87,500
Share issue expenses	-	(9,267)	-	-	-	-	-	(9,267)	-	(9,267)
2011 interim dividend paid (Note 10)	-	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	780	780
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	154	154
Transactions with owners	(76,000)	291,108	-	(136,875)		-	(30,000)	48,233	934	49,167
Profit for the year	-	-	-	-	-	-	62,307	62,307	47	62,354
Other comprehensive income Currency translation	-	-	43	-	-	-	-	43	-	43
Total comprehensive income for the year	-	-	43	-	-	-	62,307	62,350	47	62,397
Proposed final dividend (Note 10)	-	-	-	-	-	15,000	(15,000)	-	-	-
Balance at 31 December 2011 and 1 January 2012 as previously reported	5,000	387,108	(747)	(136,875)	-	15,000	138,600	408,086	946	409,032
Correction of prior period classifications (Note)	-	(310,125)	-	-	310,125	-	-	-	-	-
Balance as at 31 December 2011 and 1 January 2012 as restated	5,000	76,983	(747)	(136,875)	310,125	15,000	138,600	408,086	946	409,032
Final 2011 dividend paid (Note 10)	-	-	-	-	-	(15,000)	-	(15,000)	-	(15,000)
2012 interim dividend paid (Note 10)	-	-	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Transactions with owners	-	-	-	-	-	(15,000)	(10,000)	(25,000)	-	(25,000)
Profit for the year	-	-	-	-	-	-	68,298	68,298	(148)	68,150
Other comprehensive income Currency translation	-	-	(223)	-	-	-	-	(223)	(2)	(225)
Total comprehensive income for the year	-	-	(223)	-	-	-	68,298	68,075	(150)	67,925
Balance at 31 December 2012	5,000	76,983	(970)	(136,875)	310,125	-	196,898	451,161	796	451,957

Note:

In 2011 financial statements, the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange thereof of HK$310,125,000 was credited to share premium account. Pursuant to the directors' resolution dated 20 June 2011, this amount should be credited to the contributed surplus account of the Company. Accordingly, a correction of prior year classifications is made as at 1 January 2012. This correction do not have any impact to the Group's net profit for the years ended 31 December 2011 and 2012 and the Group's and the Company's net assets as at 31 December 2011 and 2012.

1. General information

1010 Printing Group Limited (the "Company") was incorporated in Bermuda under the Bermuda Companies Act as an exempted limited liability company on 9 March 2011. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Units 2&3, 5/F, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 25 July 2011.

As at 31 December 2012, the Company's ultimate holding company is ER2 Holdings Limited which was incorporated in Hong Kong and the Company's intermediate holding company is Cinderella Media Group Limited ("Cinderella Media"), which was incorporated in the Cayman Islands and redomiciled to Bermuda and is also a listed company on the Main Board of the SEHK.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

2. Group Reorganisation and Basis of Presentation

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company on the Main Board of the SEHK and for the purpose of rationalising the Group's structure on 20 June 2011, the Company became the holding company of the subsidiaries comprising the Group on 20 June 2011. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2011. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group was regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, the consolidated financial statements for year ended 31 December 2010 were prepared by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5, "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. Adoption of new or amended HKFRSs

During the year, the Group has adopted all the amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these amended HKFRSs did not result in material changes to the Group's accounting policies.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

New/amended HKFRSs that have been issued but are not yet effective

At the date of this results announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors of the Company (the "Directors") anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

Amendments to HKAS 1 (Revised) - Presentation of Items of Other Comprehensive Income

This standard is effective for accounting periods beginning on or after 1 July 2012. The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to "Statement of profit or loss and other comprehensive income". However, HKAS 1 permits entities to use other titles.

3. Adoption of new or amended HKFRSs (Continued)

New/amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 9 - Financial Instruments

This standard is effective for accounting periods beginning on or after 1 January 2015. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 - Consolidated Financial Statements

This standard is effective for accounting periods beginning on or after 1 January 2013. HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

4. Turnover

Turnover represents the revenue from printing income earned by the Group during the year.

5. Segment information

The executive directors have identified that, the Group has only one reportable segment, which is the provision of printing services.

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas.

	Revenue from external customers		Non-current assets	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
People's Republic of China ("PRC")	-	-	194,720	204,044
United States	289,390	233,504	92	111
United Kingdom	160,140	141,295	13	15
Australia	135,951	160,198	42	48
Hong Kong (domicile)	22,260	15,554	88,805	28,523
Germany	36,328	29,820	-	-
New Zealand	19,227	18,393	-	-
Netherland	5,375	10,639	-	-
Belgium	4,402	8,309	-	-
France	2,878	3,321	-	-
Others	24,114	19,069	-	-
	700,065	640,102	283,672	232,741

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) the physical location of the assets (for property, plant and equipment) and (2) location of operations (for intangible assets).

No customer attributed more than 10% of the Group's total revenue (2011: Nil).

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

	2012	2011
	HK$'000	HK$'000
Reportable segment profit	84,095	75,641
Share-based payment	-	(352)
Finance costs	(2,263)	(2,288)
Profit before income tax	81,832	73,001
Reportable segment liabilities	294,563	107,253
Deferred tax liabilities	1,576	13,454
Borrowings	112,327	111,251
Group liabilities	408,466	231,958

6. Other income

	2012 HK$'000	2011 HK$'000
Sales of scrapped paper and by-products	19,424	23,846
Net foreign exchange gain	4,769	4,414
Gain on financial assets at fair value through profit or loss	-	1,370
Impairment of trade receivables written back	294	497
Interest income	110	116
Gain on disposal of property, plant and equipment	77	-
Sundry income	1,880	948
	26,554	31,191

7. Finance costs

	2012 HK$'000	2011 HK$'000
Interest charges on bank borrowings, which contain repayment on demand clause, wholly repayable within five years	1,977	1,667
Interest charges on other bank borrowing, wholly repayable within five years	-	4
Interest expenses payable to intermediate holding company	10	195
Finance lease charges	276	422
	2,263	2,288

8. Profit before income tax

	2012 HK$'000	2011 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	740	536
Impairment of receivables	7,620	1,267
Cost of inventories recognised as expense	377,615	338,742
Write-down of inventories	4,896	-
Reversal of write-down of inventories	(2,900)	-
Depreciation		
- Owned	29,839	25,175
- Held under finance leases	644	2,564
Net foreign exchange gain	(4,769)	(4,414)
(Gain)/Loss on disposals of property, plant and equipment	(77)	436
Loss/(Gain) on financial assets/liabilities at fair value through profit or loss	1,682	(1,370)
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	9,017	8,777
Staff costs	100,970	32,121

Notes:
Auditor's remuneration for other services paid during the year is HK$100,000 (2011: HK$542,000).

Depreciation charges of HK$27,974,000 (2011: HK$25,524,000) and HK$2,509,000 (2011: HK$2,215,000) have been included in direct operating costs and administrative expenses respectively.

9. Income tax expense

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

	2012 HK$'000	2011 HK$'000
Hong Kong profits tax		
Current year	28,155	8,218
(Over)/Under-provision in prior years	(230)	201
	27,925	8,419
Overseas tax		
Current year	753	53
(Over)/Under-provision in prior years	(79)	102
	674	155
Deferred tax		
Current year	(14,917)	2,073
	13,682	10,647

10. Dividends

(a) Dividends attributable to the year:

	2012 HK$'000	2011 HK$'000
Interim dividends (Note)	-	20,000
Interim dividend of HK$0.02 (2011: HK$0.02) per share	10,000	10,000
Proposed final dividend of Nil (2011: HK$0.03) per share	-	15,000
	10,000	45,000

Note:

Final dividends proposed after the reporting date was not recognised as a liability at the reporting date, but reflected as an appropriation of retained earnings for the years ended 31 December 2011 to the proposed final dividends reserve.

(b) Dividends approved and paid during the year:

	2012 HK$'000	2011 HK$'000
Interim dividend (Note)	-	20,000
Interim dividend of HK$0.02 (2011: HK$0.02) per share	10,000	10,000
Final dividend of HK$0.03 (2011: Nil) per share in respect of the previous financial year	15,000	-
	25,000	30,000

Note:

Interim dividends represented those declared by 1010 Group Limited to its shareholders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for these financial statements.

11. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$68,298,000 (2011: HK$62,307,000) and on the weighted average number of 500,000,000 (2011: 429,794,521 as adjusted to reflect ordinary shares issued for the Group Reorganisation) ordinary shares in issue during the year.

No diluted earnings per share are presented as the Group has no dilutive potential ordinary shares during the year (2011: Nil).

12. Property, plant and equipment

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Computer equipment and systems HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
At 1 January 2011								
Cost	-	3,452	3,191	40,643	8,522	1,521	217,832	275,161
Accumulated depreciation	-	(1,804)	(1,499)	(17,145)	(5,389)	(531)	(49,276)	(75,644)
Net book amount	-	1,648	1,692	23,498	3,133	990	168,556	199,517
Year ended 31 December 2011								
Opening net book amount	-	1,648	1,692	23,498	3,133	990	168,556	199,517
Exchange differences	-	5	-	1	1	1	(3)	5
Additions	5,790	281	662	1,486	333	-	32,415	40,967
Acquisition of subsidiaries	10,800	278	-	138	262	10	-	11,488
Disposals	-	(5)	-	(2)	(4)	-	(1,100)	(1,111)
Depreciation	(101)	(568)	(628)	(4,475)	(1,836)	(282)	(19,849)	(27,739)
Closing net book amount	16,489	1,639	1,726	20,646	1,889	719	180,019	223,127
At 31 December 2011								
Cost	16,590	4,016	3,853	42,266	9,118	1,537	248,837	326,217
Accumulated depreciation	(101)	(2,377)	(2,127)	(21,620)	(7,229)	(818)	(68,818)	(103,090)
Net book amount	16,489	1,639	1,726	20,646	1,889	719	180,019	223,127
Year ended 31 December 2012								
Opening net book amount	16,489	1,639	1,726	20,646	1,889	719	180,019	223,127
Exchange differences	-	1	4	-	2	(1)	63	69
Additions	-	288	629	859	616	-	19,540	21,932
Acquisition of subsidiaries	-	56	18	1	97	14	-	186
Disposals	-	-	(10)	-	-	-	(1,439)	(1,449)
Depreciation	(447)	(649)	(708)	(4,664)	(1,747)	(258)	(22,010)	(30,483)
Closing net book amount	16,042	1,335	1,659	16,842	857	474	176,173	213,382
At 31 December 2012								
Cost	16,590	4,365	4,494	43,126	9,835	1,554	266,950	346,914
Accumulated depreciation	(548)	(3,030)	(2,835)	(26,284)	(8,978)	(1,080)	(90,777)	(133,532)
Net book amount	16,042	1,335	1,659	16,842	857	474	176,173	213,382

Net book amount of property, plant and equipment as at 31 December 2012 includes the net carrying amount of HK$20,876,000 (2011: HK$21,520,000) held under finance leases.

As at 31 December 2012, the Group's leasehold land and buildings were situated, which located on medium-term leasehold land in Hong Kong.

As at 31 December 2012, the Group's leasehold land and buildings with net book amount of HK$16,042,000 (2011: Nil) were pledged to secure general bank facilities granted to the Group and certain of the Group's property, plant and equipment with net book amount of HK$186,000 (2011: Nil) were collateralised against the banking facilities granted to the Group.

13. Intangible assets

	Goodwill HK$'000	Non competition covenants HK$'000	Total HK$'000
Carrying amount at 1 January 2011	-	-	-
Acquired through business combination	9,614	-	-
Carrying amount at 31 December 2011 and 1 January 2012	9,614	-	9,614
Acquired through business combination	56,132	741	56,873
Carrying amount at 31 December 2012	65,746	741	66,487

14. Inventories

	2012 HK$'000	2011 HK$'000
Raw materials	55,209	46,265
Work-in-progress	23,002	20,256
Finished goods	1,290	1,335
	79,501	67,856
Less : Provision for net realisable value	(5,978)	(3,982)
	73,523	63,874

As at 31 December 2012, the Group's inventories of HK$11,529,000 (2011: Nil) were collateralised against the banking facilities granted to the Group.

15. Trade and other receivables and deposits

Ageing analysis of trade receivables, net of provision as at 31 December 2012, based on the invoice date, is as follows:

	2012 HK$'000	2011 HK$'000
0 - 30 days	85,956	60,262
31 - 60 days	82,351	44,427
61 - 90 days	71,619	31,924
91 - 120 days	63,214	45,024
121 - 150 days	57,525	36,295
Over 150 days	30,246	37,747
Total trade receivables	390,911	255,679
Other receivables and deposits	8,827	10,334
	399,738	266,013

The Group allows a credit period from 45 to 180 days (2011: 45 to 180 days) to its trade customers. As at 31 December 2012, the Group's trade and other receivables of HK$151,383,000 (2011: Nil) were collateralised against the banking facilities granted to the Group.

16. Financial assets/(liabilities) at fair value through profit or loss

This relates to the forward foreign exchange contracts which are considered by management to be part of economic hedging arrangements but have not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value.

17. Trade and other payables

As at 31 December 2012, ageing analysis of trade payables based on invoice date is as follows:

	2012 HK$'000	2011 HK$'000
0 – 30 days	39,250	30,482
31 – 60 days	24,100	12,177
61 – 90 days	17,752	4,654
91 - 120 days	1,444	208
Over 120 days	3,342	350
	85,888	47,871
Other payables and accruals	103,547	37,660
	189,435	85,531

Credit terms granted by the suppliers are generally 0 – 90 days (2011: 0 - 90 days). All amounts are short term and hence the carrying values of trade and other payables are considered to be a reasonable approximation to their fair values.

18. Bank borrowings

	2012 HK$'000	2011 HK$'000
Current portion		
- Bank loans due for repayment within one year	24,636	47,824
- Bank loans due for repayment after one year which contain a repayment on demand clause	87,691	63,427
Total bank borrowings	112,327	111,251

Assuming that the banks do not request the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings are due for repayments, as at each of the reporting dates, as follows:

	2012 HK$'000	2011 HK$'000
Within one year	47,760	72,004
In the second year	23,124	18,256
In the third to fifth year	37,263	20,991
Wholly repayable within 5 years	108,147	111,251
After five years	4,180	-
	112,327	111,251

19. Finance lease liabilities

	2012 HK$'000	2011 HK$'000
Total minimum lease payments:		
Due within one year	6,335	6,326
Due in the second to fifth years	527	6,854
	6,862	13,180
Future finance charges on finance leases	(109)	(370)
Present value of finance lease liabilities	6,753	12,810

	2012 HK$'000	2011 HK$'000
Present value of minimum lease payments:		
Due within one year	6,227	6,060
Due in the second to fifth years	526	6,750
	6,753	12,810
Less: Portion due within one year included under current liabilities	(6,227)	(6,060)
Non-current portion included under non-current liabilities	526	6,750

The Group entered into finance lease for various items of machineries. The lease runs for an initial period of four years (2011: three to five years) and does not have options to renew or any contingent rental provisions.

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

20. Business Combination

On 12 December 2012, the Group entered into the share transfer agreement with independent third parties to acquire the entire issued share capital of Asia Pacific Offset Limited ("APOL") at a consideration of HK$160 million. APOL is engaged in the business of printing, binding, colour separation and other printed and non-printed books, magazines and other printed material. The acquisition of this company allowed the Group to broaden its clientele base in the Europe and the United States of America.

The acquisition was completed on 28 December 2012. On 28 December 2012, the Group owned 93.33% equity interest in APOL whilst the remaining equity interest in APOL will be transferred to the Group on 28 December 2013. According to the share transfer agreement, the Group has already obtained all the rights for the entire equity interest of APOL (including the right to all dividends declared) since 28 December 2012. Goodwill of HK$56,132,000 arose on the acquisition of APOL, reflecting the benefits of revenue growth and future market development of APOL contributed to the Group's existing printing services. An amount of HK$100 million was paid during the year whilst the remaining considerations of HK$28 million and HK$32 million are payable on 28 February 2013 and 28 December 2014 respectively.

20. Business Combination (Continued)

Details of net assets acquired were as follows:

	HK$'000
Purchase consideration – cash paid	100,000
Other payables (included in trade and other payables under current liabilities)	28,000
Other payable (under non-current liabilities)	32,000
Fair value of net assets acquired (see below)	(103,868)
Goodwill	56,132
Purchase consideration settled in cash	(100,000)
Cash and cash equivalents acquired	4,298
Cash outflow on acquisition of subsidiaries	(95,702)

Assets and liabilities arising from this acquisition were as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	186	186
Intangible assets – non competition covenants	741	-
Deferred tax assets	886	886
Inventories	11,444	11,444
Trade and other receivables	153,165	153,165
Cash and cash equivalents	4,298	4,298
Trade and other payables	(56,950)	(56,950)
Bank borrowings	(12)	(12)
Provision for taxation	(9,768)	(9,768)
Deferred tax liabilities	(122)	-
Net assets acquired	103,868	103,249

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to announce that our group registered a record increase in operating profits in the year 2012. This was propelled by a strong second half with improved sales turnover and operating profit margin.

The results are especially significant, considering most of our competitors are suffering from reduced orders, decreasing operating margin, insufficient orders and lower plant utilization.

The adverse business environment that we have highlighted before is here to stay and it is up to us to rise above these challenges and make 1010 the leading service provider in the book printing trade.

During the past year, the Group out performed the competition in strategic sourcing of paper, the single most critical component in our costs. The enhancements that we have made in our ERP system enables us to fine-tune our pricing for core customers. As a result, our plant at Yuanzhou has achieved over 95% machine utilization throughout the year.

Following our successful integration of OG Printing Productions Limited which was acquired in September, 2011, we also merged with Asia Pacific Offset Limited ("APOL") in late December 2012. APOL is one of the largest print management companies in the world with annual sales of HKD$486 million in 2011. We are bullish of the prospects of APOL and view this a game changer for the Group to become a key player in the global print management industry. Our proven record in managing production, supply chain and customers credit will enable us to compete in advantaged position. The APOL merger has already taken off to an impressive start and we are working with a number of major publishers on improving their supply chain management. We are also cooperating with our customers, paper mills and other key vendors to identify areas for cost improvement and supply chain efficiency.

Appreciation

When the Group was founded in 2005, we defined 1010 Printing as a service company, not a manufacturer. Our forecast of the commoditization of the book printing industry has proven accurate, thus our focus on supply chain has reaped significant operating margin. Being able and willing to understand the needs of our customers and to solve their problems have become our DNA, which is carried in our team of professional and engaging staff. On behalf of the board, I would like to express our gratitude to all our Employees who have made 1010 a premier service provider.

Yeung Ka Sing
Chairman
Hong Kong, 21 February 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's 2012 operating profit margin ranks among the best in the industry. It was achieved against a very strong headwind trust by ever decreasing prices and escalating labor and transportation costs. The global book publishing industry is undergoing a paradigm shift-book publishers are consolidating or downsizing to survive. The merger of Penguin with Random House will not be the last of its kind.

2012 saw changes in ownership or management in a few of our key customers. Accredited with our service quality and price competitiveness, we managed to pass the "stress" tests and able to maintain, if not increase, share of their print spend.

The survival need for publishers to further reduce printing costs will continue to exert pressure. In 2012, a number of book publishers were unexpectedly let down by vendors, mostly small to medium size printers in China, which went out of business in the peak production season. Having experienced scrambling for alternative suppliers at the eleventh hour, book publishers are becoming even more prudent in choosing printers and this trend of aligning with reputable print partners will stay in the coming few years. Large printers with financial stability like our Group will benefit from this stringent selection process.

Having the economy of scale is a key success factor in our industry. Our new subsidiary APOL, with its substantial paper procurement budget, will add to the Group's concolidated purchase as one of the largest in the industry. We will enjoy even better pricing from the paper mills, which will translate to our price offering. Whilst the APOL merger took place only in late December 2012, it has already been well received by our key customers and we are extremely bullish of our prospects in becoming the leader in the global print management industry.

PROSPECTS

2013 has started off well and our order in hand is in line with our forecast. The announced increase in minimum wage in China will force the printers to pass on the costs to customers. Our strong balance sheet and supply chain expertise will empower us to gain further market share in 2013.

FINANCIAL REVIEW

Turnover for the year ended 31 December 2012 was approximately HK$700.1 million and represented an increase of 9% from the previous corresponding year (2011: HK$640.1 million). The increase in revenue was mainly attributable to continuous order growth from establishment of sales office in United States.

Gross profit margin for the year improved from 19% to 22%. This is driven by the decrease in cost of raw materials contributed by the effective procurement strategy implemented in the year.

Selling and distribution costs increased from approximately HK$56.2 million to HK$70.7 million. The increase is mainly caused by the establishment of sales team in United States in September 2011 as well as increased in freight related costs.

Administrative expense increased by approximately 30% was due to the general increase in corporate expenses after listing and the increment in staff costs.

Other expenses for the year represented increase in provision for impairment on trade receivables which is set off with the effect of one off charge of listing expenses of the Company in 2011.

Income tax expenses increased from HK$10.6 million to HK$13.7 million was mainly attributable to the increase in tax provision rate in this period, compared to the 50% concessionary tax rate under the old processing arrangement.

The Group's total comprehensive income attributable to owners of the Company amounted to approximately HK$68.1 million (2011: HK$62.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had net current assets of approximately HK$202.4 million (31 December 2011: HK$196.5 million) of which the cash and bank deposits were approximately HK$103.5 million (31 December 2011: HK$77.3 million). The Group's current ratio was approximately 1.5 (31 December 2011: 1.9).

Total borrowings for the Group amounted to HK$152.6 million (31 December 2011: HK$124.1 million). Borrowings of the Group comprised of bank borrowings, finance lease and loan from intermediate holding company. As at 31 December 2012, borrowings of HK$106.3 million and HK$46.3 million are denominated in Hong Kong dollars and US dollars respectively. All borrowings are at floating rates and repayable within five years except an amount of HK$4.1 million being repayable after five years. For the borrowings as at 31 December 2011, approximately HK$24.4 million is denominated in Renminbi, at a fixed rate and repayable within one year and the rest of the borrowing and finance leases are denominated in Hong Kong dollars, at floating rates and repayable within five years. The Group's gearing ratio as at 31 December 2012 was 33.8% (31 December 2011: 30.3%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity.

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

The Group adopts centralized financing and treasury policies in order to ensure the group funding is utilized efficiently. The Group also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The Board is considering a fund raising exercise in 2013 to finance any potential new investment or acquisition opportunities as and when such opportunities arise. The Company shall make further announcements on such possible fund raising exercise as and when appropriate.

FOREIGN CURRENCY MANAGEMENT

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

CAPITAL EXPENDITURE

During the year, the Group had acquired property, plant and equipment at approximately HK$21.9 million. The purchase is financed by internal resources and proceeds generated from the listing. The net book amount of property, plant and equipment includes net carrying amount of approximately HK$20.9 million (31 December 2011: HK$21.5 million) in respect of assets held under finance leases.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no material contingent liabilities.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2012, the Group had around 1,011 employees (2011: 978). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provision") during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report during the period from 1 April 2012 to 31 December 2012 contained in Appendix 14 of the Listing Rules save as disclosed below:

The code provision E.1.2 of the Code stipulates that the Chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board did not attend the annual general meeting held in 2012 due to other business engagement. An independent executive Director, who is also member of audit, remuneration and nomination committees, chaired the annual general meeting held in 2012 to answer questions and collect views of shareholders. The external auditor also attended the annual general meeting to answer questions of shareholders.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely, Mr. Yeung Ka Sing, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen with terms of reference in compliance with the Listing Rules. The audit committee has reviewed the audited financial results of the Group for the year ended 31 December 2012.

On behalf of the Board
Lau Chuk Kin
Executive Director

Hong Kong, 21 February 2013

As at the date of this announcement, the Board comprises Mr. Yang Sze Chen, Peter, Mr. Lau Chuk Kin, Mr. Li Hoi David and Mr. Lam Wing Yip as executive directors; Mr. Yeung Ka Sing, Prof. Lee Hau Leung, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen as independent non-executive directors.

This final results announcement is published on the website of Hong Kong Stock Exchange at www.hkex.com.hk and on the Company's website at www.1010printing.com. The annual report 2012 of the Company will also be published on the aforesaid websites in due course.