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1010 PRINTING GROUP LIMITED

匯星印刷集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1127)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The Board of Directors (the “Board”) of 1010 Printing Group Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

| | | (Unaudited) Six months ended 30 June | |
|---|-------|--|------------------|
| | Notes | 2012 HK\$'000 | 2011 HK\$'000 |
| Turnover | 3 | 311,797 | 284,627 |
| Direct operating costs | | (242,890) | (232,533) |
| Gross profit | | <u>68,907</u> | <u>52,094</u> |
| Other income | | 14,715 | 25,514 |
| Selling and distribution costs | | (31,549) | (24,087) |
| Administrative expenses | | (9,845) | (11,778) |
| Other expenses | | (4,534) | (4,959) |
| Finance costs | 4 | (1,284) | (1,148) |
| Profit before income tax | 5 | <u>36,410</u> | <u>35,636</u> |
| Income tax expense | 6 | (7,015) | (4,598) |
| Profit for the period | | <u>29,395</u> | <u>31,038</u> |
| Other comprehensive income | | | |
| Exchange gain/ (loss) on translation of financial statements of foreign operations | | 70 | (311) |
| Other comprehensive income for the period, net of tax | | <u>29,465</u> | <u>(311)</u> |
| Total comprehensive income for the period | | <u>29,465</u> | <u>30,727</u> |

* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CONT'D)**

| | | (Unaudited) | |
|--|----------|-----------------------------|----------------------|
| | | Six months ended | |
| | | 30 June | |
| | | 2012 | 2011 |
| | | HK\$'000 | HK\$'000 |
| | | <i>Notes</i> | |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 30,226 | 31,058 |
| Non-controlling interests | | (831) | (20) |
| | | <u>29,395</u> | <u>31,038</u> |
| | | <u><u>29,395</u></u> | <u><u>31,038</u></u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 30,295 | 30,751 |
| Non-controlling interests | | (830) | (24) |
| | | <u>29,465</u> | <u>30,727</u> |
| | | <u><u>29,465</u></u> | <u><u>30,727</u></u> |
| Earnings per share for profit attributable to owners of the Company during the period | | | |
| | <i>7</i> | | |
| - Basic | | HK6.05 cents | HK8.28 cents |
| | | <u>HK6.05 cents</u> | <u>HK8.28 cents</u> |
| - Diluted | | N/A | N/A |
| | | <u>N/A</u> | <u>N/A</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

| | | (Unaudited) At 30 June 2012 <i>HK\$'000</i> | (Audited) At 31 December 2011 <i>HK\$'000</i> |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 224,600 | 223,127 |
| Goodwill | | 9,614 | 9,614 |
| | | <u>234,214</u> | <u>232,741</u> |
| Current assets | | | |
| Inventories | | 88,513 | 63,874 |
| Trade and other receivables | 9 | 208,417 | 266,013 |
| Financial assets at fair value through profit or loss | | - | 1,023 |
| Cash and cash equivalents | | 81,585 | 77,339 |
| | | <u>378,515</u> | <u>408,249</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 68,686 | 85,531 |
| Financial liabilities at fair value through profit or loss | | 35 | - |
| Bank borrowings | 11 | 84,836 | 111,251 |
| Finance lease liabilities | 12 | 6,142 | 6,060 |
| Provision for taxation | | 22,919 | 8,912 |
| | | <u>182,618</u> | <u>211,754</u> |
| Net current assets | | <u>195,897</u> | <u>196,495</u> |
| Total assets less current liabilities | | <u>430,111</u> | <u>429,236</u> |
| Non-current liabilities | | | |
| Finance lease liabilities | 12 | 3,660 | 6,750 |
| Deferred tax liabilities | | 2,954 | 13,454 |
| | | <u>6,614</u> | <u>20,204</u> |
| Net assets | | <u>423,497</u> | <u>409,032</u> |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012 (CONT'D)**

| | | (Unaudited) At 30 June 2012 HK\$'000 | (Audited) At 31 December 2011 HK\$'000 |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| EQUITY | | | |
| Share capital | <i>13</i> | 5,000 | 5,000 |
| Reserves | | 418,381 | 403,086 |
| Equity attributable to owners of the Company | | 423,381 | 408,086 |
| Non-controlling interests | | 116 | 946 |
| Total equity | | 423,497 | 409,032 |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

| | (Unaudited) | |
|--|---------------------------------|-----------------|
| | For the six months ended | |
| | 30 June | |
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Net cash generated from operating activities | 66,078 | 31,122 |
| Investing activities | | |
| Purchases of property, plant and equipment | (16,196) | (5,406) |
| Interest received | 71 | 51 |
| Proceeds from disposals of property, plant and equipment | - | 131 |
| Net cash used in investing activities | (16,125) | (5,224) |
| Financing activities | | |
| Decrease in amount due to intermediate holding company | - | (1,704) |
| Bank borrowings raised | 46,529 | 27,048 |
| Repayment of bank borrowings | (72,944) | (20,812) |
| Interest on bank borrowings paid | (1,126) | (722) |
| Capital element of finance lease liabilities paid | (3,008) | (4,035) |
| Interest element of finance lease payments | (158) | (231) |
| Dividends paid | (15,000) | (20,000) |
| Net cash used in financing activities | (45,707) | (20,456) |
| Net increase in cash and cash equivalents | 4,246 | 5,442 |
| Cash and cash equivalents at the beginning of the period | 77,339 | 16,134 |
| Cash and cash equivalents at the end of the period | 81,585 | 21,576 |
| Analysis of balances of cash and cash equivalents | | |
| Bank balances and cash | 81,585 | 21,576 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2012

| | Attributable to owners of the Company | | | | | | | Non- | Total |
|--|---------------------------------------|--------------------------------------|---|---------------------------------------|---|--|---------------------------|--|------------------|
| | Share capital <i>HK\$ '000</i> | Share premium <i>HK\$ '000</i> | Exchange reserve <i>HK\$ '000</i> | Merger reserve <i>HK\$ '000</i> | Proposed final dividend <i>HK\$ '000</i> | Retained earnings <i>HK\$ '000</i> | Total <i>HK\$ '000</i> | controlling interests <i>HK\$ '000</i> | <i>HK\$ '000</i> |
| Balance at 1 January 2012 (Audited) | 5,000 | 387,108 | (747) | (136,875) | 15,000 | 138,600 | 408,086 | 946 | 409,032 |
| Dividend paid | - | - | - | - | (15,000) | - | (15,000) | - | (15,000) |
| Transactions with owners | - | - | - | - | (15,000) | - | (15,000) | - | (15,000) |
| Profit for the period | - | - | - | - | - | 30,226 | 30,226 | (831) | 29,395 |
| Other comprehensive income | | | | | | | | | |
| Currency translation | - | - | 69 | - | - | - | 69 | 1 | 70 |
| Total comprehensive income for the period | - | - | 69 | - | - | 30,226 | 30,295 | (830) | 29,465 |
| Balance at 30 June 2012 (Unaudited) | 5,000 | 387,108 | (678) | (136,875) | - | 168,826 | 423,381 | 116 | 423,497 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2012 (CON'D)

| | Attributable to owners of the Company | | | | | | | Non-controlling interests | Total |
|--|---------------------------------------|-----------------------------------|--------------------------------------|------------------------------------|---|---------------------------------------|---------------------------|---------------------------|-----------------------|
| | Share capital <i>HK\$ '000</i> | Share premium <i>HK\$ '000</i> | Exchange reserve <i>HK\$ '000</i> | Merger reserve <i>HK\$ '000</i> | Proposed final dividend <i>HK\$ '000</i> | Retained earnings <i>HK\$ '000</i> | Total <i>HK\$ '000</i> | <i>HK\$ '000</i> | <i>HK\$ '000</i> |
| Balance at 1 January 2011 (Audited) | 81,000 | 96,000 | (790) | - | - | 121,293 | 297,503 | (35) | 297,468 |
| Share swap pursuant to group reorganisation | (77,250) | 214,126 | - | (136,876) | - | - | - | - | - |
| Dividend paid | - | - | - | - | - | (20,000) | (20,000) | - | (20,000) |
| Transactions with owners | <u>(77,250)</u> | <u>214,126</u> | <u>-</u> | <u>(136,876)</u> | <u>-</u> | <u>(20,000)</u> | <u>(20,000)</u> | <u>-</u> | <u>(20,000)</u> |
| Profit for the period | - | - | - | - | - | 31,058 | 31,058 | (20) | 31,038 |
| Other comprehensive income | | | | | | | | | |
| Currency translation | - | - | (307) | - | - | - | (307) | (4) | (311) |
| Total comprehensive income for the period | <u>-</u> | <u>-</u> | <u>(307)</u> | <u>-</u> | <u>-</u> | <u>31,058</u> | <u>30,751</u> | <u>(24)</u> | <u>30,727</u> |
| Balance at 30 June 2011(Unaudited) | <u>3,750</u> | <u>310,126</u> | <u>(1,097)</u> | <u>(136,876)</u> | <u>-</u> | <u>132,351</u> | <u>308,254</u> | <u>(59)</u> | <u>308,195</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

The Company was incorporated in Bermuda on 9 March 2011 under the Bermuda Companies Act as an exempted limited liability company. The Company and its subsidiaries (the “Group”) is principally engaged in the provision of printing services. The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 25 July 2011.

2. Basis of preparation

The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The interim financial statements are unaudited but have been reviewed by the Company’s audit committee.

The accounting policies used in preparing the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations as disclosed below in this note.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values. In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations issued by the HKICPA:

HKAS 12 (Amendments) Deferred Tax: Recovery of Underlying Assets

HKFRS 7 (Amendments) Financial Instruments: Disclosures – Transfers of financial assets

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated interim financial statements and/ or disclosures set out in these condensed consolidated interim financial statements.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s results of operations and financial position.

3. Segment information

The executive directors have identified that the Group has only one reportable segment, which is the provision of printing services. The analysis of the Group's revenue by geographical location is as follows:

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

| | 30.6.2012 (Unaudited) HK\$'000 | 30.6.2011 (Unaudited) HK\$'000 |
|----------------------|---|--------------------------------------|
| United States | 135,188 | 85,424 |
| Australia | 62,640 | 71,048 |
| United Kingdom | 56,974 | 54,972 |
| Hong Kong (domicile) | 16,000 | 24,200 |
| Germany | 14,925 | 20,159 |
| Netherlands | 4,624 | 7,687 |
| Belgium | 3,945 | 6,965 |
| New Zealand | 5,493 | 5,824 |
| Sweden | 3,390 | 5,006 |
| Canada | 3,773 | 1,637 |
| Others | 4,845 | 1,705 |
| | 311,797 | 284,627 |

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

| | Six months ended 30 June | |
|---------------------------|--|---------------------------------|
| | 2012 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 |
| Reportable segment profit | 37,694 | 37,136 |
| Share-based payment | - | (352) |
| Finance costs | (1,284) | (1,148) |
| Profit before income tax | 36,410 | 35,636 |

4. Finance costs

| | Six months ended 30 June | |
|---|--|--|
| | 2012 (Unaudited) <i>HK\$'000</i> | 2011 (Unaudited) <i>HK\$'000</i> |
| Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years | 1,126 | 722 |
| Interest expenses payable to intermediate holding company | - | 195 |
| Finance lease charges | 158 | 231 |
| | <u>1,284</u> | <u>1,148</u> |

5. Profit before income tax

Profit before income tax has been arrived at after charging/(crediting):

| | Six months ended 30 June | |
|--|--|--|
| | 2012 (Unaudited) <i>HK\$'000</i> | 2011 (Unaudited) <i>HK\$'000</i> |
| Depreciation | 14,779 | 13,212 |
| Employee benefit expenses | 42,692 | 10,867 |
| Loss on financial assets at fair value through profit or loss | 994 | 6,010 |
| Minimum lease payments paid under operating leases or leases in respect of rented premises and production facilities | 4,437 | 4,354 |
| Loss on disposals of property, plant and equipment | - | 31 |
| Net foreign exchange gain | (1,614) | (14,489) |
| Interest income | (71) | (51) |
| | <u></u> | <u></u> |

8. Property, plant and equipment

| | Leasehold land and buildings <i>HK\$'000</i> | Furniture and fixtures <i>HK\$'000</i> | Office equipment <i>HK\$'000</i> | Leasehold improve- ments <i>HK\$'000</i> | Computer equipment and systems <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Machinery <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|-----------------------------|---|---|--|---|--|--------------------------------------|------------------------------|--------------------------|
| At 1 January 2012 | | | | | | | | |
| 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 | <u>16,489</u> | <u>1,639</u> | <u>1,726</u> | <u>20,646</u> | <u>1,889</u> | <u>719</u> | <u>180,019</u> | <u>223,127</u> |
| Period ended 30 June 2012 | | | | | | | | |
| Opening net book amount | 16,489 | 1,639 | 1,726 | 20,646 | 1,889 | 719 | 180,019 | 223,127 |
| Exchange differences | - | - | 1 | - | - | - | 55 | 56 |
| Additions | - | 139 | 197 | 592 | 344 | - | 14,924 | 16,196 |
| Disposals | - | - | - | - | - | - | - | - |
| Depreciation | (172) | (326) | (344) | (2,322) | (897) | (130) | (10,588) | (14,779) |
| Closing net book amount | <u>16,317</u> | <u>1,452</u> | <u>1,580</u> | <u>18,916</u> | <u>1,336</u> | <u>589</u> | <u>184,410</u> | <u>224,600</u> |
| At 30 June 2012 | | | | | | | | |
| Cost | 16,590 | 4,155 | 4,052 | 42,858 | 9,462 | 1,537 | 263,818 | 342,472 |
| Accumulated depreciation | (273) | (2,703) | (2,472) | (23,942) | (8,126) | (948) | (79,408) | (117,872) |
| Net book amount | <u>16,317</u> | <u>1,452</u> | <u>1,580</u> | <u>18,916</u> | <u>1,336</u> | <u>589</u> | <u>184,410</u> | <u>224,600</u> |

The net book amount of property, plant and equipment includes the net carrying amount of HK\$20,588,000 (31 December 2011: HK\$21,520,000) in respect of assets held under finance leases.

9. Trade and other receivables

The Group allows a credit period from 45 to 180 days to its trade customers.

Aging analysis of trade receivables, as at 30 June 2012 based on sales invoice date and net of provisions at the reporting date, is as follows:

| | At 30 June 2012 (Unaudited) HK\$'000 | At 31 December 2011 (Audited) HK\$'000 |
|--------------------------------|---|---|
| 0 - 30 days | 62,142 | 60,262 |
| 31 - 60 days | 45,119 | 44,427 |
| 61 - 90 days | 33,301 | 31,924 |
| 91 - 120 days | 25,151 | 45,024 |
| 121 - 150 days | 17,145 | 36,295 |
| Over 150 days | 18,077 | 37,747 |
| Total trade receivables | <u>200,935</u> | <u>255,679</u> |
| Other receivables and deposits | 7,482 | 10,334 |
| | <u><u>208,417</u></u> | <u><u>266,013</u></u> |

10. Trade and other payables

The following is the aging analysis of trade payables based on invoice date:

| | At 30 June 2012 (Unaudited) HK\$'000 | At 31 December 2011 (Audited) HK\$'000 |
|-----------------------------|---|---|
| 0 - 30 days | 14,049 | 30,482 |
| 31 - 60 days | 12,995 | 12,177 |
| 61 - 90 days | 7,433 | 4,654 |
| 91 - 120 days | 1,576 | 208 |
| Over 120 days | 406 | 350 |
| Total trade payables | <u>36,459</u> | <u>47,871</u> |
| Other payables and accruals | 32,227 | 37,660 |
| | <u><u>68,686</u></u> | <u><u>85,531</u></u> |

11. Bank borrowings

During the six months ended 30 June 2012, repayments of bank loans amounting to HK\$72,944,000 (2011: HK\$20,812,000) were made in line with the relevant repayment terms. New bank borrowings of HK\$46,529,000 were raised for the six months period ended 30 June 2012 (2011: HK\$27,048,000).

12. Finance lease liabilities

The analysis of the obligations under finance lease is as follows:

| | At 30 June 2012 (Unaudited) HK\$'000 | At 31 December 2011 (Audited) HK\$'000 |
|---|---|---|
| Total minimum lease payments: | | |
| Due within one year | 6,335 | 6,326 |
| Due in the second to fifth years | 3,694 | 6,854 |
| | <u>10,029</u> | <u>13,180</u> |
| Future finance charges on finance lease | (227) | (370) |
| | <u>9,802</u> | <u>12,810</u> |
| Present value of finance lease liabilities | 9,802 | 12,810 |
| | <u>9,802</u> | <u>12,810</u> |
| Present value of minimum lease payments: | | |
| Due within one year | 6,142 | 6,060 |
| Due in the second to fifth years | 3,660 | 6,750 |
| | <u>9,802</u> | <u>12,810</u> |
| Less: Portion due within one year included under current liabilities | (6,142) | (6,060) |
| | <u>3,660</u> | <u>6,750</u> |
| Non-current portion included under non-current liabilities | 3,660 | 6,750 |
| | <u>3,660</u> | <u>6,750</u> |

13. Share capital

| | No. of shares (‘000) | Amount HK\$'000 |
|------------------------------------|---------------------------------|----------------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each | 1,000,000 | 10,000 |
| | <u>1,000,000</u> | <u>10,000</u> |
| Issued and fully paid: | | |
| At 1 January 2012 and 30 June 2012 | 500,000 | 5,000 |
| | <u>500,000</u> | <u>5,000</u> |

14. Capital commitments

As at 30 June 2012, the Group had capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$1,310,000 (31 December 2011: HK\$9,746,000).

15. Dividends

(a) Dividends attributable to the previous financial year, approved and paid during the interim period

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2012 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 |
| Final dividend in respect of the year ended 31 December 2011, approved and paid during the interim period, of HK\$0.03 per share | 15,000 | - |

(b) Dividends attributable to the interim period

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2012 (Unaudited) HK\$'000 | 2011 (Unaudited) HK\$'000 |
| Interim dividends paid (note i) | - | 20,000 |
| Interim dividends declared - HK\$0.02 (2011: HK\$0.02) per share (note ii) | 10,000 | 10,000 |

Notes:

- (i) The dividends paid represented those declared by 1010 Group Limited prior to the listing of the Company. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for this report.
- (ii) The amount of the interim dividend declared for the six months ended 30 June 2012, which will be payable in cash, has been calculated by reference to the 500,000,000 issued ordinary shares outstanding as at the date of this report. The interim dividend is not reflected as dividend payable in the condensed consolidated interim financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

16. Related party transactions

(a) Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of significant transactions between the Group and other related parties for the six months ended 30 June 2012 are disclosed as follows:

| | Six months ended 30 June | |
|--|---------------------------------|--------------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Rental expenses paid to a related company | 156 | - |
| Administration service fee paid to a fellow subsidiary | - | 50 |
| Computer service fee paid to fellow subsidiaries | - | 30 |
| Interest expense paid to intermediate holding company | - | 195 |
| | <u>156</u> | <u>275</u> |

In the opinion of the directors, the related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms.

(b) Compensation of key management personnel

The directors of the Company were considered to be key management personnel of the Group. The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

| | Six months ended 30 June | |
|------------------------------|---------------------------------|--------------------|
| | 2012 | 2011 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Short-term employee benefits | 1,479 | 775 |
| Post-employment benefit | 6 | 5 |
| | <u>1,485</u> | <u>780</u> |

17. Contingent liabilities

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover for the six months ended 30 June 2012 was approximately HK\$311.8 million (2011: HK\$284.6 million) which increased by HK\$27.2 million, a 9.6% increase over the same period last year.

Other income decreased from approximately HK\$25.5 million to HK\$14.7 million mainly due to the decrease in exchange gains of HK\$12.9 million compared with the same period last year. Such decrease was a result of the more stable movements in exchange rate in this period. As the Group entered into forward contracts to partially hedge against foreign currency risk exposures, the stable foreign currency rate in this period resulted in the decrease in fair value loss of forward contracts of approximately HK\$5 million in the current period which was included under administrative expenses.

Selling and distribution costs increased from approximately HK\$24.1 million to HK\$31.5 million mainly as a result of the increase in staff costs.

Other operating expenses decreased by 8.5% to HK\$4.5 million (2011: HK\$5.0 million) due to the one-off charge related to listing expenses in 2011 being set off by the increase in allowance for doubtful debts during the period.

The increase in income tax expenses from approximately HK\$4.6 million to HK\$7.0 million was mainly attributable to the increase in the 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\$30.3 million (2011: HK\$30.8 million).

BUSINESS REVIEW

Much has been talked about the difficult of the business environment for the manufacturing industry in the Pearl River Delta: 30% plus annual increase in labour costs since 2009, more onerous rules on working conditions and the difficulty of hiring and keeping labour. The traditional provinces for exporting labour to Guangzhou: Hunan and Sichuan are going through modernization and employing more workers for factories that have recently been established there. Added to these is the reluctance of workers in China to work in the manufacturing industry where prospects are regarded as dim, conditions harsh and working hours long. Against this back drop is the weak demand from Europe. The book publishing industry in Australia, one of the Group's key markets, is running into strong head wind as retail prices of books have collapsed due to the popularity of internet book retailers like Amazon and Book Depository.

BUSINESS REVIEW (CONT'D)

Our industry is facing unique challenges ushered in by the internet. Conventional printers for novels are facing a bleak time as tablet computers and dedicated ebook readers continue to gain traction in this area. Educational text books, which account for approximately 15% of the revenue of 1010, are forecast to be the next category to be widely adopted on electronic format. Book publishers are facing tough challenges with several medium sized publishers up for sale.

Despite the sea of red ink suffered recently by most book printers, 1010 has performed well in the first half of 2012. Our sales turnover during the period increased by 10% against the same period in 2011. Our net profit, however declined by 5%. There are two major reasons for this: 1) Credit problems, with an increasing number of publishers experiencing cash flow difficulties. Management has taken the conservative approach in making additional provisions for doubtful receivables; and 2) Pricing pressures, the book printing industry in China has far too many players to wield any pricing power.

In spite of the difficulties, management is proud that through strategic procurement of key raw materials, such as paper, ink and aluminum plates, we have been able to reap significant cost savings. Further, our proprietary ERP System, Mercury, has enabled us to optimize the utilization of our facilities whilst at the same time deliver books on time. Our facilities utilization rate has consistently exceeded 95% throughout the first half.

PROSPECTS

Our order book for the third quarter is solid and will result in a satisfactory financial performance. While, it is too early to predict the sales revenue for the fourth quarter but we are cautiously optimistic of the prospects.

The financial difficulties faced by medium sized book printers will force many owners to consider their futures. Many operations are family businesses and are likely to experience succession issues as the second generation of the founders are typically reluctant to take over such businesses. Furthermore, in an effort to upgrade its economy, the Guangdong government is offering incentives to factory owners to purchase land currently occupied by low value added industries, such as printing, and replace them with higher value added industries. Our forecast is that many medium sized book printers owned by Hong Kong-based individuals, who represent the lion's share of the book printers which export to overseas markets from the PRC, will exit the factory and/or sell their factories and the land. As much as HKD1 billion or 15% of the total output capacity for the export market will likely be eliminated by 2015. Hopefully, by then, pricing power will revert to the book printers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2012, the Group had net current assets of approximately HK\$195.9 million (31 December 2011: HK\$196.5 million) of which the cash and bank deposits were approximately HK\$81.6 million (31 December 2011: HK\$77.3 million). The Group's current ratio was approximately 2.1 (31 December 2011: 1.9).

Total bank borrowings and finance lease liabilities were HK\$94.6 million (31 December 2011: HK\$124.1 million). All the borrowings as at 30 June 2012 are denominated in Hong Kong dollars, at floating rates and repayable within five years. For the bank borrowings as at 31 December 2011, approximately HK\$24.4 million of bank borrowing 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 30 June 2012 was 22.3% (31 December 2011: 30.3%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest.

During the period, the Group had acquired machinery for printing division at approximately HK\$14.9 million. The purchase is financed by internal resources. The net book amount of property, plant and equipment includes net carrying amount of HK\$20.6 million (31 December 2011: HK\$21.5 million) in respect of assets held under finance leases.

The Group's policy is to 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.

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 COMMITMENTS AND CONTINGENT LIABILITY

As at 30 June 2012, the Group had committed to acquire machinery of approximately HK\$1.3 million. The acquisition will be financed by bank borrowings and the Group's internal resources.

The Group had no significant contingent liability as at 30 June 2012.

OTHER DISCLOSURES

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of an interim dividend of HK\$0.02 per ordinary share for the six months ended 30 June 2012 (2011: HK\$0.02) to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 7 September 2012. The register of shareholders will be closed from 4 September 2012 to 7 September 2012, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited whose share registration public offices are located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 3 September 2012. The relevant dividend warrants will be despatched to shareholders on or around 14 September 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(i) Long Position in the shares and underlying shares of the Company

| Name of Directors | Personal Interests (Shares) | Family Interests (Shares) | Corporate Interests (Shares) | Total Interests (Shares) | Percentage to the issued share capital of the Company (%) |
|---------------------------|--------------------------------|------------------------------|---------------------------------|-----------------------------|---|
| Mr. Lau Chuk Kin (Note 1) | 111,628 | Nil | 307,157,400 | 307,269,028 | 61.45 |

(ii) Long Position in the shares of Cinderella Media Group Limited ("Cinderella Media"), an associated corporation of the Company

| Name of Directors | Personal Interests (Shares) | Family Interests (Shares) | Corporate Interests (Shares) | Total Interests (Shares) | Percentage to the issued share capital of Cinderella Media (%) |
|---------------------------|--------------------------------|------------------------------|---------------------------------|-----------------------------|--|
| Mr. Lau Chuk Kin (Note 2) | Nil | Nil | 183,124,000 | 183,124,000 | 56.46 |
| Ms. Choi Ching Kam, Dora | 600,000 | Nil | Nil | 600,000 | 0.18 |

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (CONT'D)

(iii) Long Position in the shares of ER2 Holdings Limited (“ER2 Holdings”), an associated corporation of the Company

| Name of Directors | Personal Interests (Shares) | Family Interests (Shares) | Corporate Interests (Shares) | Total Interests (Shares) | Percentage to the issued share capital of ER2 Holdings (%) |
|-------------------|-----------------------------|---------------------------|------------------------------|--------------------------|--|
| Mr. Lau Chuk Kin | 8,375 | Nil | Nil | 8,375 | 67.00 |

(iv) Options to subscribe for shares in Cinderella Media, an associated corporation of the Company

| Name of Directors | Date of grant | Exercisable period | Exercise price HK\$ | Outstanding at 1.1.2012 | Number of share options | | | Outstanding at 30.6.2012 |
|--------------------------|---------------|------------------------|---------------------|-------------------------|---------------------------|-----------------------------|------------------------------------|--------------------------|
| | | | | | Granted during the period | Exercised during the period | Cancelled/lapsed during the period | |
| Mr. Yang Sze Chen, Peter | 23.6.2010 | 23.6.2011 to 22.6.2015 | 1.636 | 600,000 | - | - | - | 600,000 |
| | 23.6.2010 | 23.6.2012 to 22.6.2015 | 1.636 | 600,000 | - | - | - | 600,000 |
| Ms. Choi Ching Kam, Dora | 18.8.2008 | 18.8.2010 to 17.8.2013 | 0.93 | 300,000 | - | 300,000 | - | - |
| | 23.6.2010 | 23.6.2011 to 22.6.2015 | 1.636 | 300,000 | - | - | - | 300,000 |
| | 23.6.2010 | 23.6.2012 to 22.6.2015 | 1.636 | 300,000 | - | - | - | 300,000 |

Note 1: Of 307,157,400 shares, 299,894,907 shares, 6,999,524 shares and 262,969 shares are beneficially owned by Recruit (BVI) Limited, a wholly owned subsidiary of Cinderella Media, City Apex Limited and ER2 Holdings respectively. As at 30 June 2012, Cinderella Media was owned as to 54.86% by City Apex Ltd and as to 1.59% by ER2 Holdings. ER2 Holdings was the ultimate holding company of City Apex Limited of which Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Note 2: Of 183,124,000 shares, 5,170,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings and City Apex Limited respectively. As at 30 June 2012, ER2 Holdings, which is the ultimate holding company of City Apex Limited, is beneficially owned as to 67% by Mr. Lau Chuk Kin. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.

Saved as disclosed above, as at 30 June 2012, to the knowledge of the Company, none of the directors or chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the following persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name of shareholder | Nature of interest | | | Percentage to the issued share capital of the Company (%) |
|---------------------------------------|------------------------------|--|-----------------------------|---|
| | Beneficial Owner (Shares) | Interest in controlled corporation (Shares) | Total Interests (Shares) | |
| Mr. Lau Chuk Kin (Note) | 111,628 | 307,157,400 | 307,269,028 | 61.45 |
| ER2 Holdings Limited (Note) | 262,969 | 306,894,431 | 307,157,400 | 61.43 |
| City Apex Limited (Note) | 6,999,524 | 299,894,907 | 306,894,431 | 61.38 |
| Cinderella Media Group Limited (Note) | Nil | 299,894,907 | 299,894,907 | 59.98 |
| Recruit (BVI) Limited (Note) | 299,894,907 | Nil | 299,894,907 | 59.98 |
| Mr. Chen Huang Zhi | 56,818,055 | Nil | 56,818,055 | 11.36 |

Note:

Of 307,157,400 shares, 299,894,907 shares, 6,999,524 shares and 262,969 shares are beneficially owned by Recruit (BVI) Limited, a wholly owned subsidiary of Cinderella Media, City Apex Limited and ER2 Holdings respectively. As at 30 June 2012, Cinderella Media was owned as to 54.86% by City Apex Ltd, as to 1.59% by ER2 Holdings. ER2 Holdings was the ultimate holding company of City Apex Limited. Mr. Lau Chuk Kin owned 67% of the issued share capital of ER2 Holdings and accordingly, Mr. Lau is deemed to be interested in the said shares pursuant to Part XV of the Securities and Futures Ordinance.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Cinderella Media has adopted a share option scheme approved by a resolution passed by its shareholders on 13 July 2007, under which it may grant options to directors, employees, any advisors and service providers of any member of the Group to subscribe for its shares.

The following table discloses movements in the share options held by the directors of the Company and the Group's employees during the period:

| | Number of share options | | | |
|------------------|-------------------------|-----------------------------|------------------------------------|--------------------------|
| | Outstanding at 1.1.2012 | Exercised during the period | Cancelled/lapsed during the period | Outstanding at 30.6.2012 |
| Directors | 2,100,000 | 300,000 | - | 1,800,000 |
| Employees | 3,762,000 | 1,624,000 | - | 2,128,000 |
| Total | <u>5,862,000</u> | <u>1,924,000</u> | <u>-</u> | <u>3,938,000</u> |

Details of the share options granted to Directors and the Group's employees are as follows:

| Date of grant | Number of options granted | Vesting period | Exercisable period | Exercise price per share (HK\$) |
|---------------|---------------------------|--------------------------|--------------------------|---------------------------------|
| 18.8.2008 | 2,400,000 | 18.8.2008 to 17.8.2009 | 18.8.2009 to 17.8.2013 | 0.93 |
| 18.8.2008 | 2,400,000 | 18.8.2008 to 17.8.2010 | 18.8.2010 to 17.8.2013 | 0.93 |
| 29.10.2009 | 300,000 | 29.10.2009 to 28.04.2010 | 29.04.2010 to 28.10.2014 | 0.902 |
| 29.10.2009 | 300,000 | 29.10.2009 to 28.10.2011 | 29.10.2011 to 28.10.2014 | 0.902 |
| 11.6.2010 | 675,000 | 11.6.2010 to 10.6.2011 | 11.6.2011 to 10.6.2015 | 1.60 |
| 11.6.2010 | 675,000 | 11.6.2010 to 10.6.2012 | 11.6.2012 to 10.6.2015 | 1.60 |
| 23.6.2010 | 2,100,000 | 23.6.2010 to 22.6.2011 | 23.6.2011 to 22.6.2015 | 1.636 |
| 23.6.2010 | 2,100,000 | 23.6.2010 to 22.6.2012 | 23.6.2012 to 22.6.2015 | 1.636 |

Note:

As at 30 June 2012, 3,938,000 share options are exercisable and the weighted average exercise price of these share options is HK\$1.63 (31 December 2011: HK\$1.46).

PURCHASE, SALE OR REDEMPTION OF SHARES

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.

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”) contained in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2012 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 (“AGM”) of the Company. The chairman of the Board did not attend the 2011 AGM due to other business engagement. An independent non-executive director had chaired the 2011 AGM and answered questions from shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding directors’ securities transactions. Having made specific enquiry to all the Directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 June 2012.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2012, the Group had around 1010 full-time employees (30 June 2011: 36). 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 employee benefits include provident fund, insurance and medical cover. As at 30 June 2012, outstanding options to subscribe for the shares of its holding company, Cinderella Media of an aggregate of 3,938,000 shares of the Company had been granted to certain full-time employees, including two executive directors of the Company, pursuant to the share option scheme of Cinderella Media. Exercise prices of which are ranged from HK\$1.600 to HK\$1.636.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely, Dr. Ng Lai Man, Carmen, Mr. Yeung Ka Sing and Mr. Tsui King Chung, David, with terms of reference in compliance with the Listing Rules. The audit committee review the Group's financial reporting, internal controls and make relevant recommendations to the Board.

The audit committee had met with the management to review the Company's interim report for the six months ended 30 June 2012 and had the opinion that such report was compiled with the applicable accounting standards and adequate disclosures had been made.

By Order of the Board

Yeung Ka Sing

Chairman

Hong Kong, 17 August 2012

As at the date of this announcement, the Board comprises Mr. Yang Sze Chen, Peter, Mr. Lau Chuk Kin and Ms. Choi Ching Kam, Dora 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.