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Management Discussion and Analysis

BUSINESS REVIEW

The two key performance drivers: sales turnover and net profit attributed to owners declined in the first half of 2016 versus same period last year. Sales turnover dropped by 5% (HK\$39.1 million) and net profit by 10% (HK\$5.7 million). The decrease in net profit was the result of higher tax expenses incurred by OPUS Group Limited (“OPUS”), as the tax loss benefits enjoyed in 2015 were fully utilized.

There is a silver lining though. Our gross profit margin in the first half improved by 1.6% versus last year, helped by lower direct operating costs. Both operating profits and profits before taxation showed a marginal increase.

Our Australian subsidiary, OPUS saw first half sales turnover declined by HK\$48.6 million due mainly to the disposal of our wide format printing business in New Zealand and the poor performance of Cactus, our Australian entity. On 1 August 2016, the Cactus business was sold, marking the total exit from this sector by the Group. This will allow OPUS to focus its resources on its core business: meeting to the printing needs of our publishing customers in Australia.

The 1010 business unit in China got off to a good start in the first quarter with the adult coloring books continuing its strong sales momentum. However, the demand of the latter quickly tapered off in the second quarter. The trading environment will be difficult for 1010 China in the second half and margin will continue to be under strong downward pressure, particularly in the UK market where Sterling has suffered a 10% drop vs the US dollars since “Brexit”. This has already affected the buying power of our UK based publishers.

The continued weakness of the currencies in South America, a key market for the Group, has resulted in lower sales turnover. However, operating margin of Asia Pacific Offset Limited (“APOL”), the subsidiary which handle sales to our South American based publishers managed to hold its ground and turned in satisfactory performance.

Now into its second year of the joining 1010, OPUS continues to make steady progress. It provides the third pillar in the 1010 Group.

Revolutionary changes in technology, mainly in the pre-press and press areas will happen in the next two years, ushered in by the launch of a series of digital printing presses using nanotechnology developed ink. Book printers, including 1010, are postponing our press replacement till the full benefits of the digital presses are known. It is possible that massive write down in the value of printing presses in the industry will be made in the near future.



PROSPECTS

Trading environment in the second half of 2016 for the Group will be difficult as the relentless pricing pressure continues and costs of raw material are starting to increase. Our order book for the rest of year shows a single digit decline. However, the proceeds from the disposal of Cactus, an OPUS subsidiary in Australia completed on 1 August 2016, together with the winning of a number of high profile customers is paving the way for a strong OPUS performance in 2016.

Our operating results in the past two years have been supported by the contribution from OPUS. Our acquisition of APOL and OPUS has been proven success and management continues to be on the lookout for growth through merger and acquisition activities.

FINANCIAL REVIEW

Turnover for the six months ended 30 June 2016 decreased by 5% to approximately HK\$798.2 million (2015: HK\$837.3 million). The decrease was mainly the result of the decrease in sales contribution from OPUS Group Limited (“OPUS”) upon the disposal of the outdoor printing business in New Zealand in late 2015 and the depreciation of Australian dollar sales compared to the same period in 2015.

Gross profit ratio increased slightly from 27% to 28%. The increase was mainly due to lower material and outsourced subcontracting costs.

Other income decreased by HK\$7.6 million was mainly due to 1) decrease in sales of scrap materials of approximately HK\$4.3 million; 2) decrease in bad debt recovery of approximately HK\$2.2 million; and 3) decrease in gain on disposal of property, plant and equipment of approximately HK\$4.0 million. Such decrease was partly offset with the increase in gain on financial assets at fair value through profit or loss for the period.

Selling and distribution costs increased by 2% to approximately HK\$93.9 million (2015: HK\$92.1 million) with the selling and distribution costs to sales ratio increased from 11% to 12%. The increase was mainly due to higher freight charges compared with same period in last year.

Administrative expenses decreased from approximately HK\$69.7 million in 2015 to approximately HK\$63.6 million for the first six-month period in 2016. The decrease was primarily due to the substantial decrease in corporate expenses in OPUS following the cost control measures implemented in the middle of 2015 and also the exclusion of the overhead expenses after the disposal of New Zealand outdoor printing business. The effect of the decrease in administrative expenses was partly offset by loss on disposal of property, plant and equipment of HK\$10.0 million in the current period.

Income tax expenses for the period increased to approximately HK\$19.5 million for the six months ended 30 June 2016. The lower income tax expense of HK\$10.2 million in 2015 was mainly due to the utilisation of tax losses in OPUS entities at the early of 2015.

Profit attributable to owners of the Company amounted to approximately HK\$52.0 million in 2016, a 10% drop compared with the same period in 2015.





LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2016, the Group had net current assets of approximately HK\$553.0 million (31 December 2015: HK\$500.7 million) of which the cash and bank deposits were approximately HK\$324.0 million (31 December 2015: HK\$262.9 million). The Group's current ratio was approximately 2.4 (31 December 2015: 2.2).

Total bank borrowings and finance lease liabilities were HK\$112.9 million (31 December 2015: HK\$132.6 million). As at 30 June 2016, bank borrowings of HK\$106.8 million and HK\$5.8 million were denominated in Hong Kong dollars and US dollars respectively and finance lease liabilities of HK\$0.2 million and HK\$0.1 million were denominated in US dollars and Australian dollars respectively. All bank borrowings are at floating rates and finance leases are in fixed rates with all borrowings repayable within five years. The Group's gearing ratio as at 30 June 2016 was 12.7% (31 December 2015: 15.2%), 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 property, plant and equipment at approximately HK\$13.7 million. The purchase was financed by internal resources. As at 30 June 2016, the net book amount of property, plant and equipment included net carrying amount of approximately HK\$0.2 million (31 December 2015: HK\$1.8 million) in respect of assets held under finance lease.

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 2016, the Group had committed to acquire machinery of approximately HK\$1.1 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 2016.



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 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	(Unaudited) Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	798,208	837,306
Direct operating costs		(571,359)	(612,826)
Gross profit		226,849	224,480
Other income		17,224	24,862
Selling and distribution costs		(93,921)	(92,055)
Administrative expenses		(63,553)	(69,742)
Other expenses		(5,334)	(7,252)
Finance costs	4	(1,575)	(1,917)
Profit before income tax	5	79,690	78,376
Income tax expense	6	(19,493)	(10,202)
Profit for the period		60,197	68,174
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		12,040	(8,437)
Other comprehensive income for the period, net of tax		12,040	(8,437)
Total comprehensive income for the period		72,237	59,737
Profit for the period attributable to:			
Owners of the Company		52,027	57,680
Non-controlling interests		8,170	10,494
		60,197	68,174
Total comprehensive income attributable to:			
Owners of the Company		62,061	52,520
Non-controlling interests		10,176	7,217
		72,237	59,737
Earnings per share for profit attributable to owners of the Company during the period	7		
– Basic		HK6.76 cents	HK7.49 cents
– Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	(Unaudited) At 30 June 2016 HK\$'000	(Audited) At 31 December 2015 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	151,659	194,492
Intangible assets		153,507	150,462
Other non-current assets		8,371	8,079
Deferred tax assets		34,150	29,615
		347,687	382,648
Current assets			
Inventories		117,577	123,458
Trade and other receivables and deposits	9	468,484	536,013
Financial assets at fair value through profit or loss	19	8,481	–
Cash and bank balances		324,028	262,895
		918,570	922,366
Assets classified as held for sale	10	28,114	–
		946,684	922,366
Current liabilities			
Trade and other payables	11	226,481	247,341
Financial liabilities at fair value through profit or loss	19	–	220
Bank borrowings	12	112,604	131,487
Finance lease liabilities	13	148	896
Provisions		23,724	27,920
Provision for taxation		17,709	13,780
		380,666	421,644
Liabilities directly associated with assets classified as held for sale	10	13,065	–
		393,731	421,644
Net current assets		552,953	500,722
Total assets less current liabilities		900,640	883,370
Non-current liabilities			
Provisions		7,543	7,500
Finance lease liabilities	13	139	174
Deferred tax liabilities		3,585	845
		11,267	8,519
Net assets		889,373	874,851
EQUITY			
Share capital	14	7,700	7,700
Reserves		826,855	809,177
Equity attributable to owners of the Company		834,555	816,877
Non-controlling interests		54,818	57,974
Total equity		889,373	874,851



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	(Unaudited)	
	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Net cash generated from operating activities	154,764	96,158
Investing activities		
Interest received	636	694
Purchases of property, plant and equipment	(13,651)	(9,154)
Dividend received from associate	–	1,770
Proceeds from disposals of property, plant and equipment	434	4,006
Payment on acquisition of assets	–	(3,078)
Net cash used in investing activities	(12,581)	(5,762)
Financing activities		
Bank borrowings raised	–	40,000
Repayment of bank borrowings	(18,883)	(63,791)
Interest on bank borrowings paid	(1,544)	(1,503)
Capital element of finance lease liabilities paid	(497)	(3,391)
Interest element of finance lease payments	(31)	(414)
Dividends paid	(34,650)	(34,650)
Dividends paid to non-controlling interests	(22,881)	–
Purchase of shares under shares award scheme	–	(215)
Payments to employees under shares award scheme	(184)	(1,080)
Net cash used in financing activities	(78,670)	(65,044)
Net increase in cash and cash equivalents	63,513	25,352
Cash and cash equivalents at the beginning of the period	262,895	158,348
Cash and cash equivalents at the end of the period	326,408	183,700
Analysis of balances of cash and cash equivalents		
Bank balances and cash	324,028	183,700
Cash included in assets held for sale	2,380	–
	326,408	183,700

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2016

	Attributable to owners of the Company											Non-controlling interests	Total Equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Other reserve	Employee compensation reserve	Shares held under share award scheme	Proposed final dividend	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2016 (Audited)	7,700	173,078	(45,739)	(136,875)	310,125	(473)	5,172	(4,489)	34,650	473,728	816,877	57,974	874,851
2015 final dividend paid	-	-	-	-	-	-	-	-	(34,650)	-	(34,650)	-	(34,650)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(22,881)	(22,881)
Shares vested under share award scheme	-	-	-	-	-	-	(3,818)	4,330	-	(696)	(184)	-	(184)
Purchase of additional interests in a subsidiary (note)	-	-	-	-	-	(9,549)	-	-	-	-	(9,549)	9,549	-
Transactions with owners	-	-	-	-	-	(9,549)	(3,818)	4,330	(34,650)	(696)	(44,383)	(13,332)	(57,715)
Profit for the period	-	-	-	-	-	-	-	-	-	52,027	52,027	8,170	60,197
Other comprehensive income													
Currency translation	-	-	10,034	-	-	-	-	-	-	-	10,034	2,006	12,040
Total comprehensive income for the period	-	-	10,034	-	-	-	-	-	-	52,027	62,061	10,176	72,237
Balance at 30 June 2016 (Unaudited)	7,700	173,078	(35,705)	(136,875)	310,125	(10,022)	1,354	(159)	-	525,059	834,555	54,818	889,373

Note: On 10 May 2016, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of C.O.S. Printers Pte Ltd ("COS") from a 61.88% owned subsidiary of the Company at a consideration of HK\$63,845,000. As a result of the transaction, the Group effectively acquired an additional interests of 38.12% in COS from non-controlling shareholders and thereafter COS become the wholly owned subsidiary of the Company. The difference of HK\$9,549,000 between the proportionate share of the carrying amount of net assets and the consideration paid for the additional interests have been debited to other reserve.

Condensed Consolidated Statement of Changes in Equity (Unaudited) (continued)

For the six months ended 30 June 2016

	Attributable to owners of the Company											Non-controlling interests	Total Equity
	Share capital	Share premium	Exchange reserve	Merger reserve	Contributed surplus	Other reserve	Employee compensation reserve	Shares held under share award scheme	Proposed final dividend	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015 (Audited)	7,700	173,078	(2,736)	(136,875)	310,125	(473)	4,654	(621)	34,650	364,635	754,137	38,758	792,895
2014 final dividend paid	-	-	-	-	-	-	-	-	(34,650)	-	(34,650)	-	(34,650)
Recognition of equity-settled share based payment expense	-	-	-	-	-	-	982	-	-	-	982	-	982
Shares vested under share award scheme	-	-	-	-	-	-	(1,380)	548	-	(248)	(1,080)	-	(1,080)
Purchase of shares under share award scheme	-	-	-	-	-	-	-	(215)	-	-	(215)	-	(215)
Transactions with owners	-	-	-	-	-	-	(398)	333	(34,650)	(248)	(34,963)	-	(34,963)
Profit for the period	-	-	-	-	-	-	-	-	-	57,680	57,680	10,494	68,174
Other comprehensive income													
Currency translation	-	-	(5,160)	-	-	-	-	-	-	-	(5,160)	(3,277)	(8,437)
Total comprehensive income for the period	-	-	(5,160)	-	-	-	-	-	-	57,680	52,520	7,217	59,737
Balance at 30 June 2015 (Unaudited)	7,700	173,078	(7,896)	(136,875)	310,125	(473)	4,256	(288)	-	422,067	771,694	45,975	817,669

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”) are 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 2016 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 condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values.

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 2015 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 which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2016.

The adoption of these new and revised HKFRSs had no material impact on the unaudited condensed consolidated financial statements of the Group for the current and prior accounting period.

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:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Australia	319,685	346,936
United States of America	217,089	217,540
United Kingdom	135,185	111,637
Spain	67,299	59,338
Mexico	16,659	26,446
Germany	13,273	14,972
New Zealand	8,005	30,614
Singapore	6,270	10,155
Hong Kong (domicile)	3,107	4,762
Canada	2,553	374
Brazil	2,215	3,951
Others	6,868	10,581
	798,208	837,306

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reportable segment profit	81,265	81,275
Equity-settled share-based payments	–	(982)
Finance costs	(1,575)	(1,917)
Profit before income tax	79,690	78,376

4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	1,544	1,503
Finance lease charges	31	414
	1,575	1,917

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation (Note)	40,153	27,086
Employee benefit expenses	157,470	179,849
Minimum lease payments paid under operating leases in respect of rented premises and production facilities	17,026	17,898
Loss/(Gain) on disposals of property, plant and equipment	9,948	(3,991)
Gain on financial assets at fair value through profit or loss	(3,070)	(734)
Net foreign exchange loss	2,669	3,163
Interest income	(636)	(694)

Note:

During the period, the Company has revisited the estimated useful lives of printing and prepress machineries. The useful lives of printing machineries were estimated from 15 years to 10 years and the useful lives of prepress machineries were estimated from 10 years to 4 years. As a result, additional depreciation of approximately HK\$18,232,000 was charged to profit and loss for the period. The additional depreciation was included in direct operating costs.

6. INCOME TAX EXPENSE

The amount of income tax expense charged/(credited) to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong profits tax		
– Current year	13,623	8,767
Overseas tax		
– Current year	10,513	3,799
Deferred taxation – current year	(4,643)	(2,364)
	19,493	10,202

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share for the period	52,027	57,680
	Number of shares ('000)	
	2016	2015
Weighted average number of ordinary shares for the purposes of basic earnings per share	770,000	770,000

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Furniture and fixtures	Office equipment	Leasehold improve- ments	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016								
Cost	11,031	5,105	7,593	55,006	14,315	3,566	345,145	441,761
Accumulated depreciation	(1,825)	(4,514)	(4,935)	(40,930)	(12,735)	(1,594)	(180,736)	(247,269)
Net book amount	9,206	591	2,658	14,076	1,580	1,972	164,409	194,492
Period ended 30 June 2016								
Opening net book amount	9,206	591	2,658	14,076	1,580	1,972	164,409	194,492
Exchange differences	283	–	52	23	30	9	1,074	1,471
Additions	–	–	835	405	273	–	12,138	13,651
Disposals	–	–	(369)	–	(317)	–	(9,696)	(10,382)
Depreciation	(479)	(139)	(424)	(3,191)	(683)	(351)	(34,886)	(40,153)
Reclassified to assets held for sale (note 10)	–	–	(124)	(398)	(105)	(37)	(6,756)	(7,420)
Closing net book amount	9,010	452	2,628	10,915	778	1,593	126,283	151,659
At 30 June 2016								
Cost	11,392	5,085	6,824	55,049	13,633	3,501	309,496	404,980
Accumulated depreciation	(2,382)	(4,633)	(4,196)	(44,134)	(12,855)	(1,908)	(183,213)	(253,321)
Net book amount	9,010	452	2,628	10,915	778	1,593	126,283	151,659

At 30 June 2016 and 31 December 2015, the Group's freehold land and buildings were situated in Australia. Net book amount of property, plant and equipment as at 30 June 2016 includes the net carrying amount of HK\$232,000 (31 December 2015: HK\$1,830,000) held under finance lease.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS

The Group allows a credit period from 30 to 150 days to its trade customers. Ageing analysis of trade receivables as at 30 June 2016, based on sales invoice date and net of provisions, is as follows:

	At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
	HK\$'000	HK\$'000
0 – 30 days	140,564	133,402
31 – 60 days	94,634	96,385
61 – 90 days	79,851	88,978
91 – 120 days	78,511	71,319
121 – 150 days	16,878	62,514
Over 150 days	4,955	53,807
Total trade receivables	415,393	506,405
Other receivables and deposits	53,091	29,608
	468,484	536,013

10. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 30 June 2016, the 61.88% owned subsidiaries of the Group, Cactus Imaging Holdings Pty Limited (“Cactus”) and Cactus Imaging Pty Ltd (“Cactus Imaging”), were available for immediate sale in its present condition. As the sale was highly probable and was subject only to terms that are usual and customary, the assets and liabilities attributable to Cactus and Cactus Imaging (“Cactus Group”) have thereby been classified as a disposal group held for sales and are presented separately in the condensed consolidated statement of financial position.

The major classes of assets and liabilities of Cactus Group classified as held for sale are as follows:

	30 June 2016 (Unaudited)
	HK\$'000
Property, plant and equipment (note 8)	7,420
Deferred tax assets	2,246
Inventories	2,450
Trade and other receivables and deposits	13,618
Cash and bank balances	2,380
Total assets classified as held for sale	28,114
Trade and other payables	7,298
Finance lease liabilities	256
Provisions	5,097
Provision for taxation	414
Total liabilities classified as held for sale	13,065

11. TRADE AND OTHER PAYABLES

As at 30 June 2016, the ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
0 – 30 days	69,363	59,254
31 – 60 days	13,672	36,437
61 – 90 days	8,710	11,670
91 – 120 days	1,048	2,648
Over 120 days	5,411	1,094
Total trade payables	98,204	111,103
Other payables and accruals	128,277	136,238
	226,481	247,341

12. BANK BORROWINGS

During the six months ended 30 June 2016, no bank borrowing was raised (30 June 2015: HK\$40,000,000) and repayments of bank loans amounting to HK\$18,883,000 (30 June 2015: HK\$63,791,000) were made in line with the relevant repayment terms.

All bank borrowings as at 30 June 2016 are secured by the corporate guarantees from the Company.

13. FINANCE LEASE LIABILITIES

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

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Total minimum lease payments:		
Due within one year	158	939
Due in the second to fifth years	145	184
	303	1,123
Future finance charges on finance lease	(16)	(53)
Present value of finance lease liabilities	287	1,070
Present value of minimum lease payments:		
Due within one year	148	896
Due in the second to fifth years	139	174
	287	1,070
Less: Portion due within one year included under current liabilities	(148)	(896)
Non-current portion included under non-current liabilities	139	174

The Group entered into finance lease for various items of machineries. The lease runs for an initial period of five years (2015: 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.

14. SHARE CAPITAL

	No. of shares (^{'000})	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	1,000,000	10,000
Issued and fully paid:		
At 1 January 2016 and 30 June 2016	770,000	7,700

15. CAPITAL COMMITMENTS

As at 30 June 2016, the Group had capital commitment contracted but not provided for in respect of the acquisition of property, plant and equipment of approximately HK\$1,063,000 (31 December 2015: HK\$4,733,000).

16. DIVIDENDS

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

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the year ended 31 December 2015, approved and paid during the interim period of HK\$0.045 (2015:HK\$0.045) per share	34,650	34,650

(b) Dividends attributable to the interim period

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK\$'000	HK\$'000
Interim dividends declared – HK\$0.025 (2015: HK\$0.025) per share (note)	19,250	19,250

Note:

The amount of the interim dividend declared for the six months ended 30 June 2016, which will be payable in cash, has been calculated by reference to the 770,000,000 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 2016.

17. 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 2016 are disclosed as follows:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)
	HK\$'000	HK\$'000
Rental expenses paid to a related company	–	330

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. The above related party transactions also constitute exempted connected transactions as defined in Chapter 14A of the Listing Rule.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(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	
	2016 (Unaudited)	2015 (Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	3,939	4,284
Post-employment benefit	82	58
	4,021	4,342

18. CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no significant contingent liabilities (31 December 2015: Nil).

19. FAIR VALUE MEASUREMENT

(i) Recurring fair value measurements

	At 30 June 2016 (unaudited)		At 31 December 2015 (audited)	
	Level 1	Level 2	Level 1	Level 2
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Held for trading				
Equity securities, listed in Hong Kong	8,021	–	–	–
Forward foreign exchange contracts	–	460	–	(220)
Fair value	8,021	460	–	(220)

(ii) Fair values of financial instruments carried at other than fair value

Trade and other receivables, trade and other payables, bank borrowings and finance lease liabilities are carried at cost or amortised cost which are not materially different from their fair values as at 30 June 2016 and 31 December 2015.

(iii) Measurement of fair values

The fair value of equity securities is measured using the quoted prices in the market at the reporting date. The fair value of forward foreign exchange contracts is measured using the forward exchange market rates at the reporting date.

20. POST BALANCE SHEET EVENT

On 26 July 2016, OPUS Group Limited (“OPUS”), being an indirect subsidiary of the Company, entered into a share sale agreement with an independent buyer, pursuant to which OPUS has conditionally agreed to sell the entire issued share capital of Cactus. The transaction was completed on 1 August 2016. Thereafter, Cactus and its wholly owned subsidiary, Cactus Imaging, were no longer subsidiaries of the Company.

Other Disclosures

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2016, 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:

Long Position in the 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)	35,371,906	Nil	266,432,717	301,804,623	39.20
Mr. Li Hoi David	6,160,000	Nil	Nil	6,160,000	0.80
Ms. Lam Mei Lan	3,408,688	Nil	Nil	3,408,688	0.44
Mr. Lam Wing Yip (Note 2)	1,060,048	Nil	Nil	1,060,048	0.14
Mr. Guo Junsheng (Note 3)	Nil	Nil	52,299,804	52,299,804	6.79

Note 1: Of 266,432,717 shares, 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Limited and ER2 Holdings Limited ("ER2 Holdings") respectively. As at 30 June 2016, 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: Included 416,000 shares awarded to Mr. Lam which was fully vested on 31 December 2014. The said shares will be transferred to directors in 2016.

Note 3: The shares are beneficially owned by Dragon Might Global Limited ("Dragon Might"). As at 30 June 2016, Dragon Might is 100% directly owned by Mr. Guo Junsheng and therefore Mr. Guo is deemed to be interested in the said shares.

Saved as disclosed above, as at 30 June 2016, 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 2016, 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 Shareholders	Nature of interest			Percentage to the issued share capital of the Company (%)
	Beneficial Owner	Interest in controlled corporation	Total Interests	
	(Shares)	(Shares)	(Shares)	
ER2 Holdings Limited (Note 1)	8,297,391	258,135,326	266,432,717	34.60
City Apex Limited (Note 1)	258,135,326	Nil	258,135,326	33.52
Mr. Webb David Michael (Note 2)	19,975,168	41,665,808	61,640,976	8.00
JobStreet Corporation Berhad	54,112,030	Nil	54,112,030	7.03
Dragon Might Global Limited (Note 3)	52,299,804	Nil	52,299,804	6.79
Preferable Situation Assets Limited (Note 2)	41,665,808	Nil	41,665,808	5.41

Note 1: 258,135,326 shares and 8,297,391 shares are beneficially owned by City Apex Limited and ER2 Holdings respectively. 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 61,640,976 shares, 41,665,808 shares are beneficially owned by Preferable Situation Assets Limited. As at 30 June 2016, Preferable Situation Assets Limited is 100% directly owned by Mr. Webb David Michael and therefore Mr. Webb is deemed to be interested in the said shares held by Preferable Situation Assets Limited.

Note 3: As at 30 June 2016, Dragon Might is 100% directly owned by Mr. Guo Junsheng and therefore Mr. Guo is deemed to be interested in the said shares held by Dragon Might.

Save as disclosed above, as at 30 June 2016, 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 AWARD SCHEME

A share award scheme (the “1010 Share Award Scheme”) was adopted by the Company on 30 December 2013. The purpose of the 1010 Share Award Scheme is to recognize and motivate the contribution of participants and to incentivize them to further the operation and development of the Group and to attract suitable personnel for the Group. A trust has been set up and fully funded by the Company for the purpose of purchasing, administering and holding the Company’s shares for the 1010 Share Award Scheme. The total number of shares which may be granted to the selected participant under the 1010 Share Award Scheme shall not exceed 10% of the total issued share capital (i.e. 77,000,000 shares) of the Company as at the adoption date. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the issued share capital (i.e. 7,700,000 shares) of the Company as at the adoption date. The 1010 Share Award Scheme shall be valid and effective for a term of ten years commencing from the adoption date. During the six months period ended 30 June 2016, none of share awards were granted to employees. All award shares were vested on 31 December 2015 and no equity-settled share-based payment expenses was recognised in profit or loss for the period.

During the six months period ended 30 June 2016, no shares were purchased under the 1010 Share Award Scheme. 4,000,000 shares vested in 2015 were settled by shares and 150,000 shares were settled by cash of HK\$180,000. As at 30 June 2016, the Company had 1,472,000 awarded shares that were vested but yet to be transferred by shares, which represented 0.19% of the Company’s shares in issue at that date.

SHARE OPTION SCHEME

A share option scheme (the “1010 Share Option Scheme”) was adopted by the Group, pursuant to its resolution passed on 22 April 2013 and effective for a period of ten years commencing from the adoption date. During the period, there was no share option issued under the 1010 Share Option Scheme. At 30 June 2016, the Company had 70,000,000 share options available for issue under the 1010 Share Option Scheme, which represented approximately 9.1% of the Company’s shares in issue at that date.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2016, 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 Corporate Governance Code and Corporate Governance Report (the “Code Provision”) contained in Appendix 14 of the Listing Rules throughout the six months period ended 30 June 2016.

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 2016.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2016, the Group had around 1,527 full-time employees (30 June 2015: 1,606). 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 share award, provident fund, insurance and medical cover.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to recommend the payment of an interim dividend of HK\$0.025 per ordinary share for the six months ended 30 June 2016 (2015: HK\$0.025) to shareholders whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 13 September 2016. The register of shareholders will be closed from 12 September 2016 to 13 September 2016, 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 9 September 2016. The relevant dividend warrants will be despatched to shareholders on or around 26 September 2016.

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 2016 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, 25 August 2016

Corporate Information

Board of Directors

Executive Directors

Mr. Lau Chuk Kin
Mr. Li Hoi, David
Ms. Lam Mei Lan
Mr. Lam Wing Yip
Mr. Chu Chun Wan

Non-Executive Directors

Mr. Guo Junsheng

Independent Non-Executive Directors

Mr. Yeung Ka Sing (*Chairman*)
Prof. Lee Hau Leung
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

Company Secretary

Ms. Tan Lai Ming *FCCA, FCCA*

Compliance Officer

Mr. Lau Chuk Kin

Authorised Representatives

Ms. Lam Mei Lan
Ms. Tan Lai Ming

Bermuda Resident Representative

Codan Services Limited

Audit Committee

Dr. Ng Lai Man, Carmen (*Chairman*)
Mr. Yeung Ka Sing
Mr. Tsui King Chung, David

Nomination Committee

Mr. Yeung Ka Sing (*Chairman*)
Mr. Lau Chuk Kin
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

Remuneration Committee

Mr. Yeung Ka Sing (*Chairman*)
Mr. Lau Chuk Kin
Mr. Tsui King Chung, David
Dr. Ng Lai Man, Carmen

Auditor

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Certified Public Accountants
25th Floor, Wing On Centre
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Hong Kong

Legal Adviser

Cheung Tong & Rosa Solicitors
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Principal Bankers

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Share Registrars and Transfer Offices

Principal Registrar

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Hong Kong Branch Registrar

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