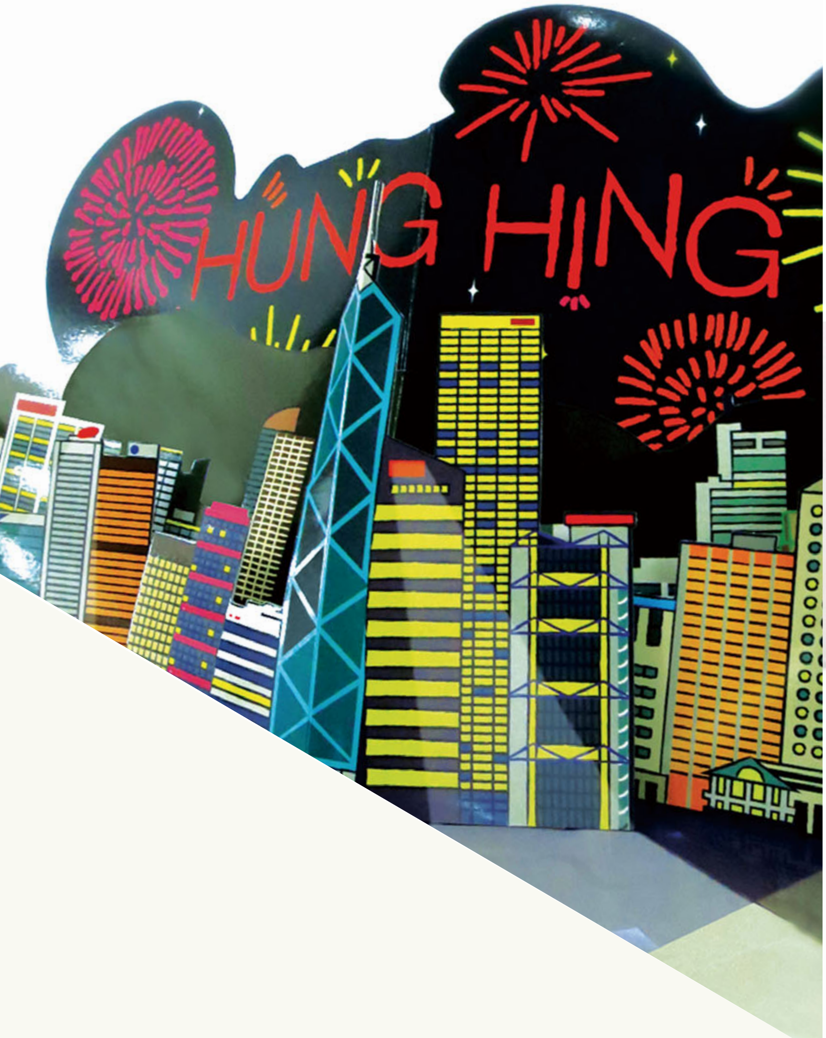


2014

ANNUAL REPORT

STOCK CODE : 0450

鴻興印刷集團有限公司
HUNG HING PRINTING GROUP LIMITED
HUNG HING

CONTENT

CORPORATE PROFILE

Founded in 1950 as a small printing shop in Hong Kong, Hung Hing has developed over the past six decades into one of the largest and most trusted printers in Asia, with significant operations in book and packaging printing, consumer product packaging, corrugated box manufacturing and paper trading.

Headquartered at the Tai Po Industrial Estate in Hong Kong, Hung Hing has plants at four locations across China, including three in the Guangdong province in Shenzhen, Zhongshan and Heshan, and one in Wuxi, near Shanghai. Its total production floor space reaches 500,000 square meters, with a workforce of around 10,000 in Hong Kong and China.

With a strong emphasis on providing reliable and value-added services to achieve customers' success, Hung Hing harnesses the latest in technology and ideas to create print solutions through sustainable operating practices, and services multinational corporations from the US and Europe as well as companies from Hong Kong and China.

Hung Hing's financial objective is to deliver consistent and superior returns to shareholders from a leading position in its industry. The strategy to achieve this involves long-term investments in fixed and human assets, and an unwavering focus on quality, efficiency and customer service.

CORPORATE INFORMATION

Executive Directors	Yum Chak Ming, Matthew, Executive Chairman Sung Chee Keung
Non-Executive Directors	Hirofumi Hori Sadatoshi Inoue Katsuaki Tanaka Yam Hon Ming, Tommy
Independent Non-Executive Directors	Lo Chi Hong Luk Koon Hoo Yap, Alfred Donald
Company Secretary	Shek Kwok Man (Appointed on 27 March 2015)

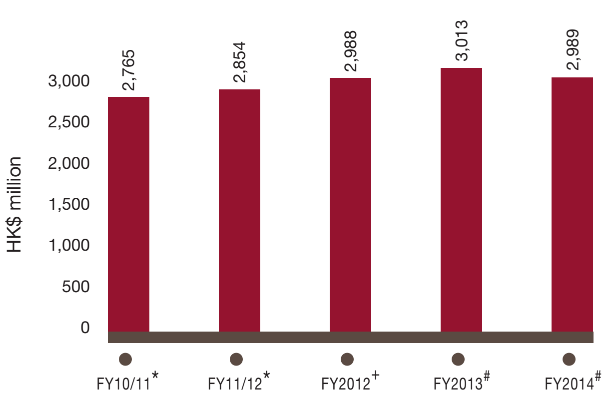
Registered Office	Hung Hing Printing Centre 17–19 Dai Hei Street Tai Po Industrial Estate New Territories, Hong Kong Tel: (852) 2664 8682 Fax: (852) 2664 2070 E-mail: info@hunghingprinting.com
Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. BNP Paribas
Auditor	PricewaterhouseCoopers
Share Registrar	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen’s Road East Hong Kong

FINANCIAL HIGHLIGHTS

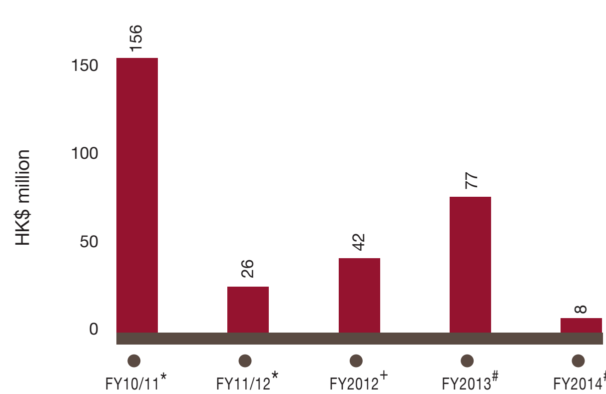
	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Revenue	**2,989,333**	3,013,490
Profit	**9,393**	82,159
Profit Attributable to Owners of the Company	**7,914**	77,209
Basic Earnings per Share (HK cents)	**0.9**	8.5
Dividends per Share (HK cents)		
Interim Dividend	**1.0**	1.7
Final Dividend	**2.0**	5.3
	3.0	7.0

	At 31 December 2014 HK$'000	At 31 December 2013 HK$'000
Property, Plant and Equipment	**1,256,678**	1,307,708
Net Current Assets	**1,666,654**	1,665,887
Total Assets	**3,814,477**	3,818,042
Equity Attributable to Owners of the Company	**2,685,249**	2,753,808

Revenue



Profit Attributable to Owners of the Company



* Year ended 31 March
\+ Year ended 31 December 2012 (Unaudited)
\# Year ended 31 December

EXECUTIVE CHAIRMAN
YUM CHAK MING, MATTHEW

Despite the challenging market situation, Hung Hing continues to build strength and capability, while striving towards strong medium- to long-term growth as a diversified, value-added printer of choice to our business partners.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to present to you the 2014 financial results for Hung Hing Printing Group. Despite facing a very challenging market environment for much of the year, the Group was able to achieve steady revenue of HK$2,989 million, which represents a slight decrease of 0.8% compared to 2013. Profit declined by 89% to HK$9 million, which was primarily due to exchange losses resulting from the translation of assets held in renminbi, and fair value losses resulting from forward contracts to hedge against currency fluctuations.

BUILDING A BETTER PRINTING COMPANY THROUGH TEAMWORK, MORE INNOVATION AND EXPANDED CAPABILITIES

The first half of the year was difficult due to soft demand in China, as well as extreme cold weather in North America that substantially impacted many of our customers' business activities. The market situation improved in the second half, but customer orders and retail sentiment remained slow. During this time, Hung Hing strove to reduce costs and boost its competitive edge by enhancing its offerings, customer services and efficiency.

During the year we introduced several initiatives to enhance our capabilities along the value chain. We introduced our "Innovation Hub", a refurbished, modernised space where our expanded design and digital team – who oversees the Group's BelugaBloo e-bookstore for children – can enjoy better collaboration and communication.

Growth through teamwork and partnership has become a key strategic business theme for the Group. We believe that by leveraging partnerships with leading companies from diverse industries, our team can gain access to an even wider range of new ideas, technologies and business development opportunities, eventually bringing value-added benefits to mutual customers. This also allows Hung Hing to go beyond what a traditional printer can offer, creating additional business channels and long-term growth.

The Group continued to develop the Bridging Book technology under its licensing agreement with the University of Minho in Portugal, adding new designs and unique features. The technology uses a special app that allows children to refresh digital content with the flip of a physical book page, and we expect the first Bridging Book title to be launched in the latter part of 2015.

The Little Musician series uses Touchcode technology to offer an innovative printed musical product that can interact with mobile devices to provide music-related entertainment and education. Hung Hing launched this offering in partnership with a renowned children's choral and performing arts centre, which sells Little Musician products at its venue to provide a further expansion of the Group's sales channels. Little Musician also won recognition in the Best Lifestyle (Learning and Living) category of the Hong Kong ICT Awards. We plan on exploring more partnership opportunities like Bridging Book and Little Musician, and will continue to strengthen our capabilities in the future.

We are also working with Rengo Co. Ltd., Japan, the Group's second-largest shareholder, to expand our unique range of point-of-sale paper display products. These require a high level of craftsmanship and help demonstrate the Group's capabilities in design and production.

BUILDING LONG-TERM SHAREHOLDER VALUE THROUGH STRATEGIC INVESTMENTS IN PEOPLE AND TECHNOLOGY

Hung Hing aims to deliver long-term value. To this end, the Group is regularly making strategic investments in its future. One of our key investments during the year was improved automation through printing equipment upgrades. We also introduced new processes aimed at streamlining our production flow. These have helped the Group maximise productivity, efficiency and quality, which are especially important at a time of high operating and labour costs. The BelugaBloo team's new Innovation Hub was another long-term investment.

The Group also remained committed to developing its employees' skills and efficiency through training and advanced equipment. These measures helped the Group realign its resources and rationalise its headcount by approximately 7.5%.

Customers benefit from Hung Hing's vertically integrated structure, which helps the Group fulfill orders with short delivery deadlines. In 2014 we saw a great deal of collaboration and cross-selling between our business units, and we will continue to explore more synergies in the coming year.

GROUP'S CASH POSITION, BALANCE SHEET REMAIN STRONG

One of Hung Hing's strongest attributes is that we have a healthy balance sheet with net cash on hand of HK$563 million, which represents a year-on-year increase of 19%. Our success in this area comes from a prudent approach to financial management with effective cost controls.

Hung Hing's financial position, experience and skills are real differentiators in the market to communicate strength, stability and reliability. The Group believes that this solid foundation will keep it well positioned to capture opportunities as market conditions improve.

RESULTS AND DIVIDENDS

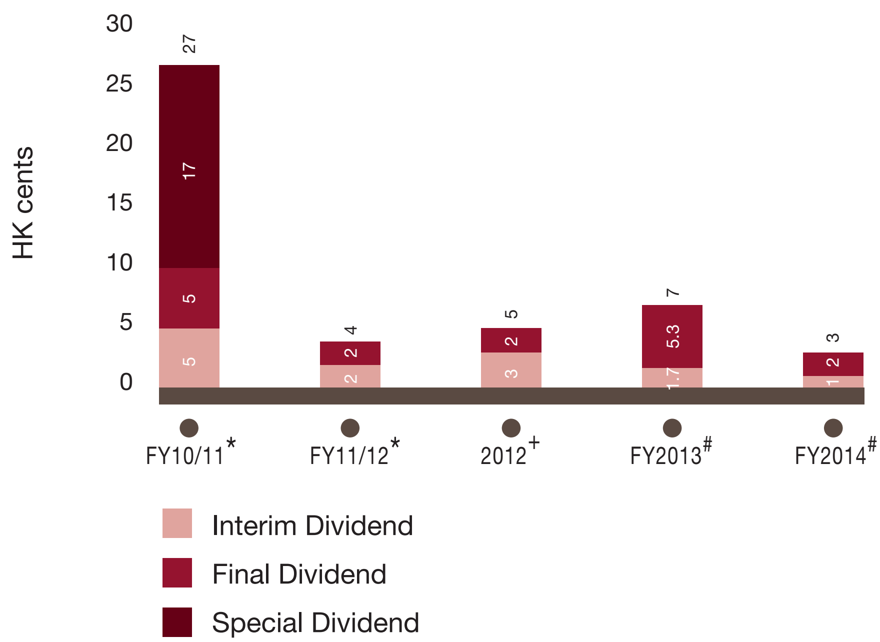
Group revenue for 2014 remained stable at HK$2,989 million, compared to HK$3,013 million in 2013.

Profit from the Group's operating activities declined by 63% to HK$41 million. Profit attributable to equity holders of the Company declined by 90% to HK$8 million.

Basic earnings per share during the year was HK0.9 cents, compared to HK8.5 cents for the previous year.

Based on our confidence in the Group's long-term business performance, and backed by our strong cash and financial positions, the Board of Directors has proposed a final dividend of HK2 cents. This, together with the interim dividend of HK1 cent, brings the total dividend for the year to HK3 cents, compared to HK7 cents in the previous period. Subject to shareholders' approval, the dividend will be paid to shareholders whose names appeared on the Register of Members of the Company as of 12 June 2015.

Dividend Per Share



* Year ended 31 March
\+ Period from 1 April to 31 December 2012
\# Year ended 31 December

BUSINESS OUTLOOK

We expect weak market conditions to drag through the early part of 2015. On a macroeconomic level, the recoveries of the regional and global economies remain uncertain, but the Group is optimistic about the printing and packaging industries' long-term growth prospects. We will continue to further diversify our geographies by placing additional emphasis on the domestic market of mainland China, which still offers significant potential despite its current economic slowdown. As always, we will also emphasise prudent financial management and cost controls.

Hung Hing's key focus for 2015 is nurturing its growth as a printing company that goes beyond the role of a traditional OEM. This involves fostering a culture that values finding proactive, innovative solutions for business partners. We have seen encouraging results from the development of our own value-added technology and products. By enhancing our capabilities in these areas, we can attract companies all along the value chain who want to partner with Hung Hing to explore mutually beneficial business ventures. The Group will also support these objectives by continuing to strengthen its personnel and infrastructure, and by leveraging its agility and creativity to enhance the user experience.

The Group's healthy balance sheet gives it solid financial standing relative to an industry that will likely see further consolidation. By taking advantage of the opportunity in a weak market to strengthen our operations, introduce innovative new products and services, and expand synergies across the Group's divisions, we are confident that we are well positioned to capture future opportunities.

I would like to thank Hung Hing's Board, senior management and staff, whose hard work and dedication enable us to maintain our status as one of Asia's leading printing companies.

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP MAINTAINS REVENUE AT APPROXIMATELY HK$3 BILLION WITH PAPER TRADING CONTRIBUTING A HIGHER PROPORTION OF BUSINESS MIX

The Group's aggregate revenues for 2014 remained stable at HK$2,989 million, a slight decline of 0.8% compared to 2013. Soft domestic and export activities during the year impacted the manufacturing sector of China in general. Despite the adverse market conditions, shipments for our Paper Trading business grew significantly, by HK$121 million, and maintained strong momentum throughout 2014. This largely helped offset the total sales decline of HK$145 million for the Group's core businesses of book and packaging printing, consumer product packaging and corrugated box manufacturing.

2ND HALF GROSS MARGIN IMPROVES SUBSTANTIALLY BY 3.4% OVER 1ST HALF, REACHING 13.4% FOR FULL YEAR

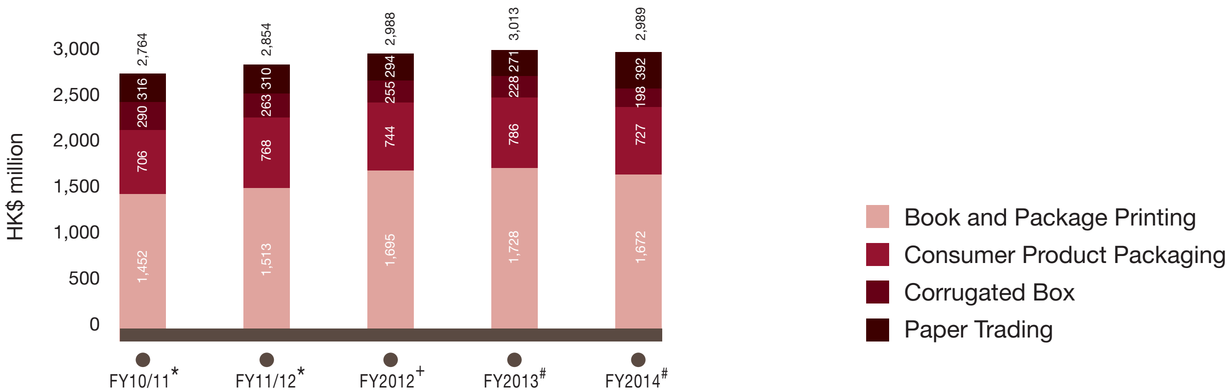
During the first half of 2014, the Group's gross margin (11.6%) was affected by extreme weather in key export markets, which caused interruptions to capacity utilisation. There was also a shift in sales mix as increased Paper Trading sales resulted in higher direct material consumption. Gross margin in the second half improved substantially over the first half, increasing by 3.4% to 15.0%. This reflected significant improvement in our capacity utilisation and labour productivity, which we facilitated through effective automation initiatives. Full-year gross margin was 13.4%, representing a slight drop of 0.8% compared to 2013. The Group reported a total headcount of 9,990 at the end of 2014. The year-on-year average headcount reduced by 7.5%.

NET PROFIT DECLINES BY 89%; SAVINGS FROM OVERHEADS PARTIALLY OFFSET THE IMPACT OF UNFAVOURABLE EXCHANGE FLUCTUATIONS AND ABSENCE OF DISPOSAL GAINS

In line with the profit warning issued on 3 February 2015, the Group recorded a year-on-year decrease of 89% in net profit to HK$9 million for the year ended 31 December 2014.

In response to the intensified market uncertainties experienced in 2014, the Group took a number of measures to minimise their impact on profitability. Controls over distribution, sales and administrative expenses contributed to substantial savings of more than HK$22 million. Operating working capital also improved by HK$99 million; this was driven mainly by a HK$34 million reduction in inventory and a HK$52 million in receivables. The additional liquidity allowed the Group to derive an additional gain of HK$7 million in interest income compared to 2013. All these initiatives helped offset the 0.8% decline in gross margin (i.e. HK$25 million in gross profit) and partially the impact of the absence of the HK$17 million gain recognized in 2013 from the disposal of a 7.5% equity stake in paper mill entities.

Revenue by Business Unit



*	Year ended 31 March
+	Year ended 31 December 2012 (Unaudited)
#	Year ended 31 December

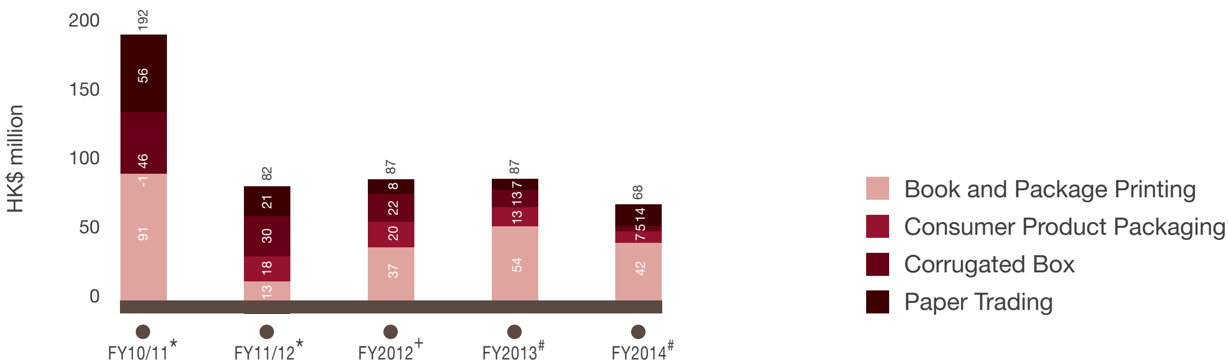
Revenue by Business Unit in Year 2014

Compared to 2013, abrupt currency fluctuations unavoidably caused the most significant impact to the Group's net profit performance in 2014. These mainly included:

(i) exchange losses of HK$18 million due to exchange rate volatility in Euro, GBP and CNY (arising mainly from the translation of foreign currency assets from the Group's core operations) in contrast to the exchange gains of HK$11 million in 2013;

(ii) fair value losses of HK$15 million arising from forward contracts for hedging against the Group's currency exposure to fluctuations in the renminbi, in contrast to the fair value gains of HK$14 million in 2013.

Profit Contribution by Business Unit



* Year ended 31 March
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\# Year ended 31 December

STRONG LIQUIDITY POSITION; NET CASH INCREASES 19% TO HK$563 MILLION

Out of the total of HK$33 million in exchange and fair value losses incurred during the year, over HK$23 million are unrealised losses that do not have any cash flow impact on the Group. As at 31 December 2014, the Group continued to maintain strong net cash on hand (total cash net of bank borrowings) of HK$563 million, which represents an increase of 19% (or HK$92 million) in net cash compared to 2013. With a robust liquidity position, the Group was able to attain higher returns from short-term deposits, generating HK$7 million more in income from interest than in 2013.

THE BUSINESS ENVIRONMENT: OPPORTUNITIES AND UNCERTAINTIES

China's economic growth rate has been gradually adjusting to a "new normal", softening but staying within a reasonable range. The country's latest Purchasing Managers Index (PMI) signalled a decline in manufacturing, with modest growth momentum in industrial output and weaker domestic demand as at the beginning of 2015. Exports, which constitute about 30% of China's GDP, continued to slow in 2014 as cautiousness about the country's outlook increased alongside a policy shift toward a less industry – and export-dependent economy. Meanwhile, Chinese imports and retail sales growth have been lacklustre, reflecting clear weaknesses in domestic demand and consumption in 2014. In sum, China's trade and manufacturing sectors will likely continue to face difficulties in the foreseeable future given the current international and domestic complications.

Anticipating increased uncertainty in the recovery of the regional and global economies, the Group continued to strengthen its customer service team and international sales network, adding wider geographic coverage and more product diversity to help grow its client base. Initiatives included enhancing customer support through high-quality collaboration, and expanding network resources in the US – which is showing signs of recovery – and other new developing markets.

Another major initiative involves the Group engaging in more partnerships with its toy and cosmetic packaging clients. During the year the Group made good progress across several key projects, further demonstrating Hung Hing's ability to embrace new technologies*[1] and product designs*[2]. Initial feedback from key customers and business partners is encouraging. With our growing ability and agility, we are confident that we can continue to delight our customers with innovative printing solutions, serving their needs with enhanced product offerings. We also believe our extended support can help us capture opportunities in new service and geographic areas.

Operating costs, labour wages and employee benefits in China are expected to see regular upward adjustments, although at more disciplined rates. Like its industry colleagues, Hung Hing continues to enhance efficiency through automation, process re-engineering and product rationalisation. During the year the Group was successful in controlling its human resources costs to help ease the pressure of rising labour costs. This also contributed to an improvement in profit margin in the second half, and partially offset the impact of business interruptions due to extreme weather in the first half. On the other hand, key material prices, including paper, fluctuated during the year. The Group had procurement efforts in place to manage input costs in 2014, and we foresee no major deviations from current price levels in the near future.

Challenges and opportunities also arose from changes in government policies. The Chinese government's stricter enforcement in de-registering suppliers and printers with sub-standard manufacturing processes and inferior equipment means that the trend toward consolidation is expected to accelerate.

Hung Hing has a long track record of implementing best compliance practices to satisfy or exceed the requirements of its international clients, and to support the government's environmental policy. For instance, our facilities in Shenzhen participated in a government-organised carbon trade program in 2014, and they outperformed their carbon emission target by 14%, with a quota surplus of over 6,000 tonnes of emissions. Also, Hung Hing received a number of recognitions from the PRC government in 2014, garnering more awards and subsidies for its environmental protection efforts, importation of modern equipment, and development of products with advanced technology and applications.

The abrupt currency movements of the CNY, Euro and GBP against the USD unavoidably became a major uncertainty for the Group in 2014, as they did for many other export businesses with large manufacturing operations in China. Geopolitical instabilities also posed serious threats to importers and exporters in terms of currency volatility. There is no doubt that these issues will continue to hinder world trade and delay the global economic recovery, at least in the short term.

As China continues to push through the internationalisation of its currency, it has taken actions that some have perceived as policy interventions. This has resulted in sporadic market reactions, leading to more frequent exchange fluctuations for the CNY on a wider scale. The Group is cautiously monitoring the situation, which could stretch into 2015 and intensify. Our hedging practice for foreign currencies will be constantly reviewed and adjusted accordingly.

*[1]: e.g. Technologies such as Touch Code and Bridging Book

*[2]: e.g. New creative team and additional facilities for new product initiatives including sales promotion (SP) products with unparalleled support from our major shareholder Rengo Japan

LIQUIDITY AND CAPITAL RESOURCES

With a HK$99 million improvement in our operating working capital, and net new loan financing of HK$86 million – which was largely due to cheaper interest rates for trade loan financing – the Group's cash position improved significantly during the year under review. As at 31 December 2014 the Group had net cash on hand (total cash net of bank borrowings) of HK$563 million, which is 19% higher than last year.

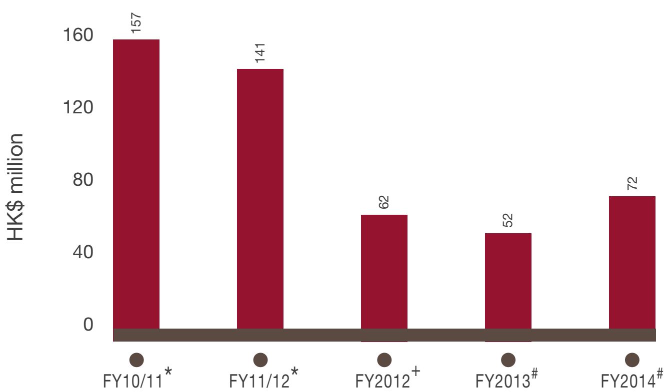
The Group's total cash on hand was HK$1,048 million. Most of the Group's cash is held in renminbi to support the Group's core operations in the PRC. Of the Group's total cash on hand, 80% was held in renminbi, 15% in Hong Kong dollars (HKD), 3% in US dollars (USD) and 2% in pound sterling and Euros. With the significant interest differential, renminbi cash not in immediate use was placed in short-term time deposits, earning higher interest income. For the year under review, interest income increased HK$7 million to HK$20 million, which is 52% higher than last year.

As at 31 December 2014, the Group had total bank borrowings of HK$485 million. When comparing total bank borrowings with total equity, the Group's gearing ratio was 17%, compared to 14% as at 31 December 2013. Per the loan repayment schedules in the Group's loan agreements with banks, HK$279 million is repayable within one year, HK$90 million is repayable within one to two years, and HK$116 million is repayable within two to three years.

Out of the Group's total bank borrowings, 85% was borrowed in HKD and 15% in USD. In terms of funding sources, 95% was borrowed by the Group's operating subsidiaries with banks in Hong Kong and 5% by a PRC subsidiary with a foreign bank in China.

During the year the Group made use of its trade loan facilities, which offered cheaper interest rates at LIBOR plus a lower mark-up and were all borrowed in USD. The bank loans as owed to banks in Hong Kong in HKD were charged with interest rates at HIBOR or the banks' cost of funds plus a certain mark-up. The PRC subsidiary also borrowed HKD with the bank at an interest rate with reference to the bank's cost of funds, plus a certain mark-up. With the higher level of bank borrowing, in particular the trade loan financing, the Group's interest expense for the year went up by 42% to HK$10 million, an increase of HK$3 million over last year. As at 31 December 2014, the Group had available but unutilised bank loan and trade facilities of HK$205 million and HK$259 million respectively.

Capital Expenditure



* Year ended 31 March
\+ Period from 1 April to 31 December 2012
\# Year ended 31 December

The Group's total capital expenditure for 2014 amounted to HK$72 million, which was mainly spent to strengthen automation and enhance production efficiency. During the year the Group installed a high-speed large-format offset printing press at its Shenzhen plant to upgrade capacity.

ENVIRONMENTAL SUSTAINABILITY

Hung Hing is committed to sustainable manufacturing, and it continues to invest in energy-efficient machines and equipment. After a period of testing, we began replacing fluorescent lights at some of our manufacturing plants with LED versions, which consume less energy and are longer-lasting. In addition, by automating more processes with energy-efficient machines, the Group was able to further enhance its resource usage at the manufacturing plants, reducing electricity and water consumption to less than 61,000 Mwh (2013: 62,000 Mwh) and 971,000 M^3 (2013: 1,220,000 M^3) respectively.

Since 2013 the Group's Shenzhen plant has participated in a government-organized carbon trade program. The year 2014 was the second year that the Shenzhen plant was able to outperform its carbon emission target, this time by 14% (2013: 18%). The Group also achieved an emission index of 0.76 (2013: 0.84) compared to its target of 0.89 (2013: 0.95), which translates to around 4,500 tons fewer of carbon dioxide emitted.

Hung Hing continued to support green initiatives in 2014. Our Shenzhen and Heshan plants were awarded Hang Seng Pan Pearl River Delta Environmental Awards for the fifth and third years, respectively. Also this past year, the Zhongshan plant was awarded the China Environmental Labelling Certificate, meaning all Group manufacturing plants in southern China now have this important designation.

The Group also increased its support of responsible forestry, increasing its consumption of paper certified by the FSC (Forest Stewardship Council) and the PEFC (Programme for the Endorsement of Forest Certification) from 62,000 tons in 2013 to 68,000 tons in 2014. The certified paper together with recycled paper now accounts for up to 90% of the Group's manufacturing consumption.

OUR PEOPLE

Our employees are our most valuable asset. As at 31 December 2014 the Group had a total headcount of 9,990, which is down 4.5% compared to 10,457 at the end of the previous year (a year-on-year average reduction of 7.5%).

We offer our skilled employees above average remuneration packages that are very competitive in the market. Remuneration packages are reviewed annually with reference to market conditions and the performance of the individual, as well as companies within the Group.

Staff safety is our top concern. We provide both internal and external training covering aspects including employees' rights, health and safety, and skill development. In 2014 we provided 272,000 hours of training to 45,000 attendees. Some of the training programs were organized by non-government organization and sponsored by well-known brands. This year we also invited an external party to reassess our training content to ensure that our employees gain as much as possible from it. We continue to perform well in health and safety, with a low total incident rate (TIR) of 0.19 (2013: 0.17). TIR is calculated as the number of accidents per 200,000 man-hours of working time.

BUSINESS UNIT REPORTS

BOOK AND PACKAGING PRINTING (BPP)

Book and Packaging Printing (BPP) remains the Group's largest business unit and accounts for approximately 56% of total sales (2013: 57%). Hung Hing is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products. We are also one of the world's largest manufacturers of conventional and children's novelty books.

Production of folding cartons, packaging, conventional books and children's books is carried out at the Group's ISO 9001, ISO 14001 and ICTI-COBP certified plants in Shenzhen and Heshan, both in China's Guangdong province, as well as a plant in Hong Kong. These three plants have a combined production space of 300,000 square metres, and they employed around 8,300 workers on average in 2014. The business unit's client base includes many of the world's most recognised toy, cosmetics and consumer goods producers, as well as leading international publishers.

The BPP business reported the following results in 2014:

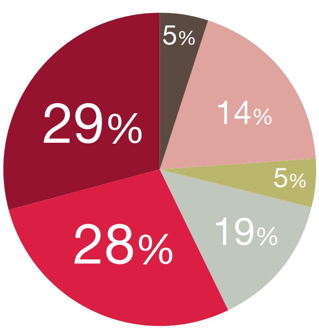
- Revenues of HK$1,672 million, down 3% from the HK$1,728 million recorded in the previous year
- Profit contribution of HK$42 million, vs. HK$54 million the previous year

Review of Operations

The BPP business unit was directly affected by delays in customer activities due to the extreme cold weather in North America during the first half of 2014. In response, the Group realigned its BPP workforce and achieved an average reduction of approximately 7% in headcount compared to 2013. As a result of these measures, plus efficiency improvements and other cost-saving initiatives, the Group was able to keep overall labour costs under control in early 2014 despite an increase in wage levels. Capacity utilisation was less than optimal due to the interruptions to sales in the first half.

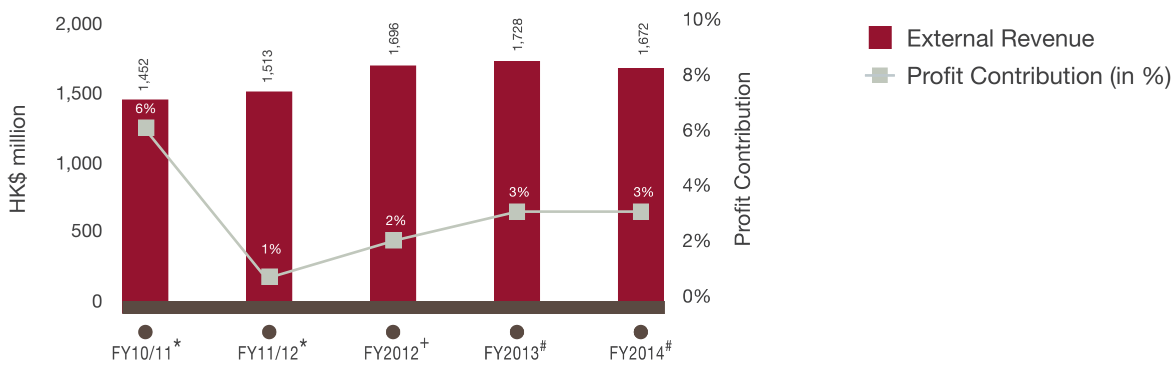
Looking forward, the consolidation of the print industry is expected to continue. Through ongoing new business and project development activities, and by building an in-depth knowledge of clients' needs, the BPP business has successfully strengthened its relationships with a growing number of key customers and stands to benefit from consolidation. Furthermore, the Group's partnership with shareholder Rengo Japan is expanding to cover more well-known brands with point-of-purchase print and display accessories for both the export and domestic China market.

Revenue by Region in Year 2014



- Hong Kong
- The PRC
- United Kingdom
- Other European Countries
- United States of America
- Others

Revenue & Profit Contribution (in %)



* Year ended 31 March
\+ Year ended 31 December 2012 (Unaudited)
\# Year ended 31 December

CONSUMER PRODUCT PACKAGING (CPP)

Hung Hing provides high-quality packaging solutions for customers through its production plants at Zhongshan (in southern China) and Wuxi (near Shanghai). With a combined production space of 180,000 square metres, and a skilled workforce of approximately 2,100 on average during the year, the Group's CPP business is well positioned to capture the growing consumer market in China.

The CPP business reported the following results in 2014:

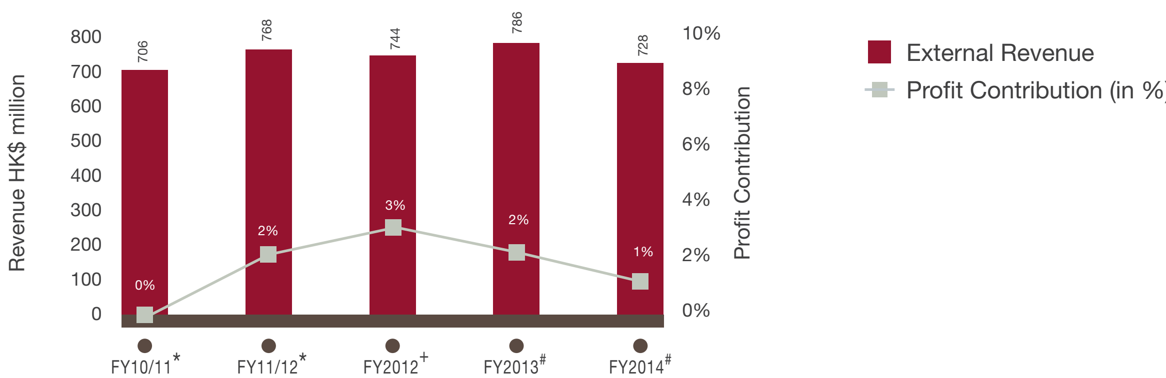
- Revenue of HK$728 million, down 7% from the HK$786 million recorded in the previous year
- Profit contribution of HK$7 million, vs. HK$13 million the previous year

Review of Operations

The China domestic consumer packaging market continues to be large but highly fragmented. Consumer sentiment was mostly down in 2014, as the government's economic reform measures to combat corruption and stabilise property prices resulted in sluggish year-on-year imports and slower retail sales growth. Analyst reports released during the year, such as PMI reports from HSBC/Markit, also signalled a decline in the Chinese manufacturing economy in 2014, detailing modest industrial output growth and weaker domestic demand.

Some customers took a very cautious approach toward stocking and ordering. Order intake was delayed during the early part of the year until customers were able to catch up on their own sales with special promotions later in the year. The Group was able to minimise the impact of lower sales on capacity utilisation, labour productivity and profit by realigning its workforce.

Revenue & Profit Contribution (in %)



*	Year ended 31 March
+	Year ended 31 December 2012 (Unaudited)
#	Year ended 31 December

CORRUGATED BOX (CB)

Hung Hing operates a competitive corrugated box manufacturing business that supplies to companies in a wide range of industries, including toys, food and beverage, electronics and household products. Over 60% of the CB business is generated from exports out of mainland China. The business operates a manufacturing facility in Shenzhen and a distribution centre in Hong Kong.

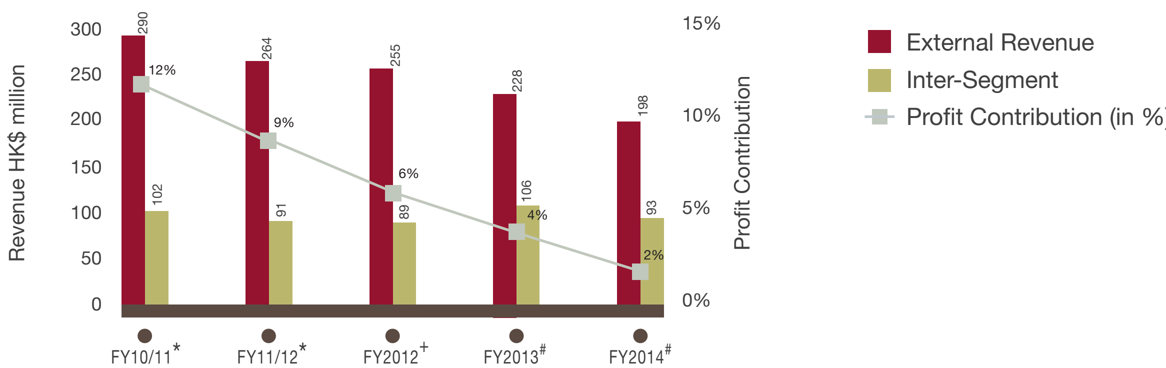
The CB business reported the following results in 2014:

- External revenues of HK$198 million, down 13% from the HK$228 million recorded in the previous year
- Profit contribution of HK$5 million, vs. HK$13 million the previous year

Review of Operations

The CB business faced the same challenges as BPP and CPP, with slowdowns in exports and Chinese domestic demand in 2014. Some customers relocated their facilities, causing additional strains on sales and logistics costs. In response, the CB business focused on growing existing key customers and securing new ones by leveraging Hung Hing's corrugated capability in various manufacturing locations to provide extended coverage and cost synergy. The Group also leveraged cost control initiatives such as work-shift rescheduling to generate savings and reduce the impact of lower sales on profit.

Revenue & Profit Contribution (in %)



* Year ended 31 March
\+ Year ended 31 December 2012 (Unaudited)
\# Year ended 31 December

PAPER TRADING (PT)

Hung Hing is one of the largest paper trading operators in Asia outside Japan. The PT business unit is centred on the Group's 60,000-tonne paper storage facility in Shenzhen, and it is able to supply a large variety of paper types and quantities with short lead times at competitive prices. It also serves a strategic purpose as an integral part of the Group's supply chain, acting as a stable, economical source of paper supply for the Group's core printing and packaging businesses.

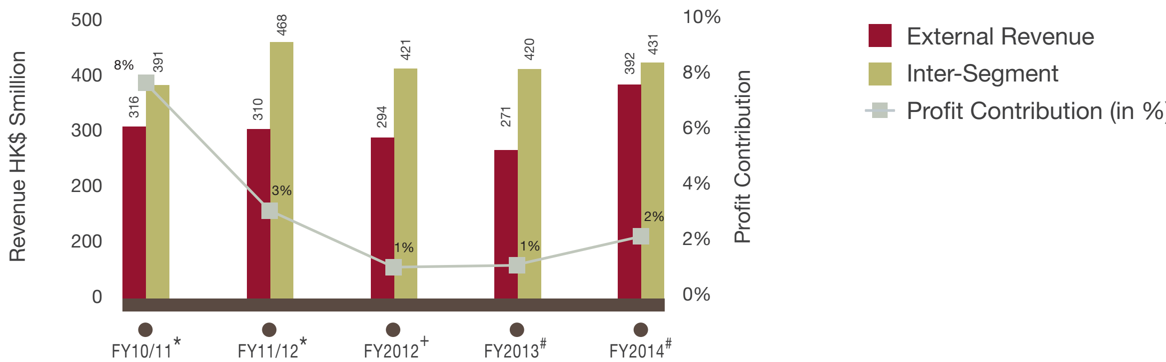
The PT business reported the following results in 2014:

- External revenues of HK$392 million, up 44% from the HK$271 million recorded in the previous year
- Profit contribution of HK$14 million, vs. HK$7 million the previous year

Review of Operations

We estimate that around 80% of the PT business comes from export manufacturers in southern China, with the balance coming from the China domestic market. The Group maintained strong momentum in its shipment growth throughout 2014, driven by expanded market coverage of direct export channels to additional Southeast Asian countries, and the strengthening of its value-added partnerships with existing customers. The operating working capital of the PT business also improved compared to the previous year.

Revenue & Profit Contribution (in %)



* Year ended 31 March
\+ Year ended 31 December 2012 (Unaudited)
\# Year ended 31 December

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year consisted of investment holding and the provision of management services.

The principal activities of the Group during the year consisted of the book and package printing, the consumer product packaging, the corrugated box and the trading of paper. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 45 to 128.

An interim dividend of HK1 cent per share was paid on 28 October 2014. The directors recommend the payment of a final dividend of HK2 cents per share to shareholders on the register of members on 12 June 2015. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the equity section of the statement of financial position.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years/period is set out below. This summary does not form part of the audited financial statements.

SUMMARY FINANCIAL INFORMATION (CONTINUED)

Results

	Year ended 31 December			Period from 1 April to 31 December	Year ended 31 March	
	2014 (Audited) HK$'000	2013 (Audited) HK$'000	2012 (Unaudited) HK$'000	2012 (Audited) HK$'000	2012 (Audited) HK$'000	2011 (Audited) HK$'000
Revenue	**2,989,333**	3,013,490	2,988,257	2,406,673	2,854,459	2,764,789
Operating profit	**41,038**	111,757	84,912	89,022	72,891	223,066
Finance costs	**(9,538)**	(6,729)	(10,372)	(7,214)	(10,973)	(10,341)
Share of losses of associates	**–**	–	(14,312)	(10,669)	(16,423)	(15,616)
Profit before income tax	**31,500**	105,028	60,228	71,139	45,495	197,109
Income tax expense	**(22,107)**	(22,869)	(14,968)	(15,232)	(16,383)	(37,053)
Profit for the year/period	**9,393**	82,159	45,260	55,907	29,112	160,056
Profit attributable to:						
Owners of the Company	**7,914**	77,209	42,482	53,930	25,539	156,493
Non-controlling interests	**1,479**	4,950	2,778	1,977	3,573	3,563
	9,393	82,159	45,260	55,907	29,112	160,056
Earnings per share						
Basic	**HK0.9 cents**	HK8.5 cents	HK4.7 cents	HK6.0 cents	HK2.8 cents	HK17.3 cents
Diluted	**HK0.9 cents**	HK8.5 cents	HK4.7 cents	HK6.0 cents	HK2.8 cents	HK17.2 cents

SUMMARY FINANCIAL INFORMATION (CONTINUED)

Assets, liabilities and non-controlling interests

	At 31 December			At 31 March	
	2014	2013	2012	2012	2011
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**1,256,678**	1,307,708	1,352,430	1,366,117	1,330,903
Land use rights	**87,249**	105,069	107,162	109,215	110,951
Intangible assets	**9,438**	8,501	8,940	11,140	9,405
Available-for-sale financial assets	**43,929**	42,929	22,463	8,034	8,653
Properties under construction	**1,910**	10,084	12,262	19,391	35,255
Interests in associates	**–**	–	–	41,080	54,018
Trade receivables	**–**	1,797	7,006	–	–
Deferred income tax assets	**12,050**	14,090	9,664	14,103	10,926
Deposits paid for acquisition of non-current assets	**17,669**	8,744	–	3,064	8,492
Current assets	**2,385,554**	2,319,120	2,109,296	2,214,422	2,076,316
Total assets	**3,814,477**	3,818,042	3,629,223	3,786,566	3,644,919
Current liabilities	**718,900**	653,233	538,812	624,437	775,917
Borrowings	**194,667**	195,000	228,937	313,614	10,714
Deferred income tax liabilities	**56,858**	54,412	47,749	44,568	46,117
Total liabilities	**970,425**	902,645	815,498	982,619	832,748
Non-controlling interests	**158,803**	161,589	149,190	142,064	138,427
Equity attributable to owners of the Company	**2,685,249**	2,753,808	2,664,535	2,661,883	2,673,744

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 30 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities during the year.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in Note 31 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

The Company's distributable reserve as at 31 December 2014, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and with reference to the "Guidance on the Determination of Realised Profit and Losses in the Context of Distributions under the Hong Kong Companies Ordinance" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), amounted to HK$24,621,000, of which HK$18,157,000 has been proposed as a final dividend for the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$146,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 31% of the total purchases for the year and purchases from the largest supplier included therein amounted to 8%.

None of the directors; their close associates; or any shareholder (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Yum Chak Ming, Matthew
Sung Chee Keung

Non-executive directors:

Hirofumi Hori	(Appointed on 26 November 2014)
Sadatoshi Inoue	(Appointed on 26 November 2014)
Shigechika Ishida	(Resigned on 25 November 2014)
Yoshitaka Ozawa	(Resigned on 25 November 2014)
Katsuaki Tanaka	
Yam Hon Ming, Tommy	

Independent non-executive directors:

Lo Chi Hong
Luk Koon Hoo
Yap, Alfred Donald

In accordance with the Company's articles of association, the following directors will retire by rotation:

Yum Chak Ming, Matthew
Hirofumi Hori
Sadatoshi Inoue
Luk Koon Hoo
Yap, Alfred Donald

All the retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Alfred Donald Yap, Mr. Luk Koon Hoo and Mr. Lo Chi Hong and as at the date of this report still considers them to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive directors

Mr. Yum Chak Ming, Matthew, aged 57, is the Executive Chairman of the Group. He has been a director of the Company since 1991. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto, Canada. He is responsible for the overall management of the Group. He has been with the Group since 1983.

Mr. Sung Chee Keung, aged 56, is the Executive Director, Consumer Product Packaging. He is responsible for overseeing the operation of the Group's Consumer Product Packaging business in the People's Republic of China ("the PRC"). He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A. He has over 25 years of experience in the printing industry and has been with the Group since 1986. He became a director of the Company in September 2008.

Non-executive directors

Mr. Hirofumi Hori, aged 56, is a member of the board of directors of Rengo Co., Ltd. ("Rengo"), a substantial shareholder of the Company, and is the Executive Officer with responsibility of overseeing the Overseas Business Group of Rengo. He holds a Bachelor of Economics from Wakayama University, Japan. Mr. Hori joined Rengo in 1981 and since then has held various positions in Rengo. He has been a member of the board of directors of Rengo since June 2014.

Mr. Sadatoshi Inoue, aged 53, is a member of the board of directors of Rengo and is the Managing Executive Officer of Rengo with responsibility of overseeing the Folding Carton and Flexible Packaging Business Unit, Packaging Division. He holds a Bachelor of Education from Ashiya University, Japan. Mr. Inoue joined Rengo in 1985 and since then has held various positions in Rengo. Mr. Inoue has been a member of the board of director of Rengo since June 2012.

Mr. Katsuaki Tanaka, aged 64, is a Senior Adviser of Rengo and Rengo's Overseas Unit. He holds a Bachelor of Agricultural Sciences from the University of Tokyo, Japan. Mr. Tanaka joined Rengo on 1 August 2011 and was between June 2010 and July 2011 the corporate auditor of Sumisho Mitsuibussan Kenzai Co., Ltd. Before that he worked for Sumisho Paper Co., Ltd. where he was a director between 2003 and 2010.

Mr. Yam Hon Ming, Tommy, aged 51, holds a Bachelor of Arts degree in Economics from York University, Canada. Mr. Yam has significant management experience in the printing industry. He was a non-executive director of the Company from 1991 to 1996. He rejoined the Company in 1999 and served as an executive director of the Company from July 2000 to July 2008. He was also the general manager of Hung Hing Packaging (Wuxi) Company Limited, a subsidiary of the Company, and was responsible for its general management between 2002 and 2008. He is a brother of Mr. Yum Chak Ming, Matthew.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (CONTINUED)

Independent non-executive directors

Mr. Lo Chi Hong, aged 68, was a Board Director and Vice President of Sino United Publishing (Holdings) Limited and is an advisor to the group chairman of the Hung's Food Group which runs the restaurant and bakery chain under the "Yoshinoya" and "Maria's Bakery" brand names respectively. He has held senior managerial roles in the publishing industry over the last 30 years. From 1996 to 2007, he served as the chief executive officer of C&C Joint Printing (HK) Limited. Mr. Lo has also held a number of public posts in Hong Kong and China including acting as a vice president of the Printing Technology Association of China, the chairman of the Advisory Board of the Hong Kong Institute of Print-media Professionals, a member of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications and a member of the SME Development Fund Vetting Committee, an honorary president of the Chinese Manufacturers' Association of Hong Kong and an honorary president of the Hong Kong Printers Association. In 2005, Mr. Lo was awarded the Medal of Honour by the HKSAR Government. Mr. Lo was a PHD Candidate of Peking University in China in 1985.

Mr. Luk Koon Hoo, aged 64, has been an independent non-executive director of the Company since August 2008. He is a retired banker and has 30 years of comprehensive experience in accounting and financial management. He joined Hang Seng Bank in 1975 and became the bank's Chief Financial Officer in 1989. He was appointed Executive Director and Deputy Chief Executive in 1994 and was subsequently re-designated as Managing Director until his retirement in 2005. Mr. Luk is currently an independent non-executive director of three publicly-listed companies in Hong Kong, namely, China Properties Group Limited, Computime Group Limited and i-Cable Communications Limited. Mr. Luk also serves as a council member and the treasurer of The Chinese University of Hong Kong and a member of Town Planning Board. Mr. Luk graduated with a Bachelor of Social Sciences Degree in Statistics from The University of Hong Kong and also holds a Master of Business Administration Degree granted by The Chinese University of Hong Kong. He is a Fellow of the Hong Kong Institute of Bankers. Mr. Luk is a Non-official Justice of the Peace and was awarded the honour of Bronze Bauhinia Star in 2004 in recognition of his contributions to public services.

Mr. Yap, Alfred Donald, JP, aged 76, is presently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. He is the former president of The Law Society of Hong Kong and of The Law Association for Asia and The Pacific (LAWASIA). He has served on various public and community bodies. Mr. Yap is currently an independent non-executive director of eSun Holdings Limited, and Wong's International (Holdings) Limited, which are listed on the Stock Exchange. He became a director of the Company in March 2005.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (CONTINUED)

Senior management

Mr. Shek Kwok Man, aged 51, is the Vice President, Finance of the Group, providing financial leadership for the Group including mergers & acquisitions, investor relations, planning & reporting, and financial management of manufacturing operations. Prior to joining the Group in February 2013, Mr. Shek had over 25 years of management experience as senior executive with renowned multinational corporations stationed in various locations such as Tokyo, Guangzhou, Beijing and Shanghai in addition to Hong Kong. Mr. Shek is a chartered accountant (ACA/FCCA/CPA) and graduated from The University of Hong Kong with a BSSc (Hons) degree, and holds a MBA with Manchester Business School, UK and Master of Science – Marketing (MSc-Mktg) with Napier University, Edinburgh, Scotland.

Mr. Tung Yu Biu, aged 66, is the Financial Controller and Company Secretary of the Company and is responsible for the financial accounting and secretarial affairs of the Group. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, he worked 5 years with an international accounting firm in Hong Kong and 11 years in financial management with a multinational company in Hong Kong. He has been with the Group since 1992.

Mr. Wong Fu Cheung, Dennis, aged 55, is the General Manager, Corporate Responsibility and Compliance and is responsible for overseeing improvements in quality (assurance and control), product engineering, safety, ethics and sustainability initiatives. He holds a Bachelor of Science degree in Computational and Statistical Science from the University of Liverpool and a Master of Business Management degree from University of Bradford both in U.K.. He has been with the Group since 1992.

Mr. Song Zhi Yi, aged 54, is responsible for the management of the Group's manufacturing operations in Shenzhen and Heshan. He holds a Bachelor's degree in Forestry from the Southern China Agricultural University, the PRC. He has been with the Group since 1990. He is a brother of Mr. Sung Chee Keung.

Mr. Chan Siu Man, Alvin, aged 57, is responsible for the sales and marketing of the Group's South China printing and packaging business. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is a brother-in-law of Mr. Yum Chak Ming, Matthew.

Ms. Chong Wai Kan, Winky, aged 45, is responsible for the management of the Group's paper trading business. She has over 20 years of experience in paper trading and has been with the Group since 1992.

Mr. Lim Pheck Wan, Richard, aged 50, is responsible for the sales and marketing operations of the Group's book and package printing business. He holds a Master's Degree in International Marketing from the University of Strathclyde, Glasgow. He has over 20 years experience in the printing business and has managed operations in Singapore/Malaysia and Eastern China. He has been with the Group since July 2011.

Mr. So Ching Tung, Tony, aged 45, is responsible for the management of the corrugated box business in Hong Kong and Shenzhen. He holds a Bachelor of Science degree (Honours) in Chemistry from the Hong Kong Baptist University and a Master of Business Administration degree from The Hong Kong Polytechnic University. He has been with the Group since 2006.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (CONTINUED)

Senior management (Continued)

Mr. Yu Yan Yee, aged 45, is the Chief Information Officer of the Group. He is responsible for overseeing all aspects of information technology (IT) for the Group, and enabling its business through strategic and effective use of IT. Mr. Yu is also the General Manager of the Company's subsidiary, Beluga Limited, focuses on the creation of high-tech print products that take advantage of innovative technology and mobile devices. Mr. Yu has over 15 years of experience in driving IT transformation projects and executing change programs. Prior to joining the Company, Mr. Yu spent 10 years with IBM serving clients from a wide range of industries in both Hong Kong and USA. He holds a Bachelor of Science degree (cum laude) in Mechanical Engineering from Louisiana Tech University, USA, a Master of Business Administration degree from Boston University, USA, and a Master of Science degree in IT from the Hong Kong University of Science and Technology. He has been with the Group since May 2012.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors or remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the interests of the directors in the share capital and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest					
Name of directors	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Share award scheme	Total	Percentage of the Company's issued share capital
Yum Chak Ming, Matthew	20,709,030	–	–	–	20,709,030	2.28
Sung Chee Keung	1,423,064	60,000	–	–	1,483,064	0.16
Yap, Alfred Donald	27,504	–	–	–	27,504	–

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Save as disclosed above, as at 31 December 2014, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Restricted Share Award Scheme, the executive directors are eligible participants of the Restricted Share Award Scheme, details of which are set out in note 32 to the financial statements.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name		Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
C.H. Yam International Limited*	(Note)	Directly beneficially owned and through controlled corporation	290,834,379	32.03
C.H. Yam Holding Limited	(Note)	Through controlled corporation	199,263,190	21.95
Hung Tai Industrial Company Limited	(Note)	Directly beneficially owned	199,263,190	21.95
Rengo Co., Ltd.		Directly beneficiary owned	271,552,000	29.91

* C.H. Yam International Limited, established by the founder of the Company, was held by Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy and other immediate family members of the founder as at 31 December 2014. None of such interests renders C.H. Yam International Limited a controlled corporation (as defined in SFO) of any of Mr. Yum Chak Ming, Matthew, Mr. Yam Hon Ming, Tommy or any other members of the family.

Note: C.H. Yam International Limited owns Hung Tai Industrial Company Limited as to 100% through its wholly-owned subsidiary, C.H. Yam Holding Limited.

There is a duplication of interests of 199,263,190 shares in the Company among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Save as disclosed above, as at 31 December 2014, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year and in the normal course of business, the Company and its subsidiaries (collectively the "Group") had various commercial transactions with Rengo Co., Ltd. ("Rengo"), its subsidiaries (Rengo, together with its subsidiaries the "Rengo Group") and its 30%-held associated companies Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited ("Paper Mill Entities"). Rengo is a substantial shareholder of the Company and these transactions constitute continuing connected transactions under the Listing Rules.

Details of these transactions are as follows:

Sale of Paper Products Framework Agreement and Purchase of Paper Products Framework Agreement

On 19 December 2012, the Group and the Rengo Group entered into two new framework agreements to streamline the continuing connected transactions as follows:

(i) The Sale of Paper Products Framework Agreement pursuant to which the Group agreed to sell and the Rengo Group agreed to purchase paper products for the period from 30 January 2013 (the "Effective Date") to 31 December 2015.

(ii) The Purchase of Paper Products Framework Agreement pursuant to which the Group agreed to purchase and the Rengo Group agreed to sell paper products for the period from the Effective Date to 31 December 2015.

At the extraordinary general meeting held on 30 January 2013, the two new framework agreements were approved by the independent shareholders and became effective as from the Effective Date. The two new framework agreements replaced all the existing agreements governing the continuing connected transactions between the Group and the Rengo Group. Further details of the transactions were set out in the announcement of the Company dated 19 December 2012.

Paper Mill Entities were then subsidiaries of Rengo and they have been continuously treated as the Group's connected parties. The transactions between Paper Mill Entities and the Group had been considered in the above agreements.

The annual caps of transactions in relation to the Sale of Paper Products Framework Agreement for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 are HK$59 million, HK$77 million and HK$98 million, respectively. The annual caps of transactions in relation to the Purchase of Paper Products Framework Agreement for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 are HK$116 million, HK$143 million and HK$154 million, respectively. During the year ended 31 December 2014, the actual amount of transactions in relation to the Sale of Paper Products Framework Agreement and the Purchase of Paper Products Framework Agreement was HK$21.2 million and HK$11.7 million, respectively.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged its auditor, PricewaterhouseCoopers, to conduct a review of the above continuing connected transactions for the year ended 31 December 2014 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter in respect of the continuing connected transactions disclosed in the paragraph above and confirmed that for the year ended 31 December 2014:

(i) the transactions have been approved by the Board;

(ii) the transactions were in accordance with the pricing policies of the Group;

(iii) the transactions have been entered into in accordance with the relevant agreements governing the transactions; and

(iv) the aggregate amount of the transactions have not exceeded the annual caps that have been previously announced.

In accordance with Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2014 and the letter issued by the auditor and confirmed that the above continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing the transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITOR

The financial statements of the Company for the year ended 31 December 2014 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting on 2 June 2015.

On behalf of the Board

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 26 March 2015

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The corporate governance principle of the Company emphasizes on accountability and transparency and is adopted in the best interests of the Company and its shareholders. In addition the Company will strive to continuously improve these practices and cultivate an ethical corporate culture.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out on in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with all the applicable code provisions in the CG Code throughout the year ended 31 December 2014 except for the following deviations:

Code Provision A 2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chief executive officer have been undertaken by Mr. Yum Chak Ming, Matthew, the Executive Chairman of the Company. The Board is of the opinion that it is appropriate and in the best interests of the Company that Mr. Yum should hold these offices. The Board believes that it is effective to monitor and assess business performance in a manner that properly protects the interests of shareholders.

Code Provision A 4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term. However under the Articles of Association of the Company, one-third of the directors who have served longest on the Board shall retire from office by rotation every year at the annual general meeting. All directors of the Company retire by rotation at least once every three years and hence the terms of appointment of the Non-executive Directors are limited accordingly.

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the "Board") of the Company is composed of 9 directors, of which 2 are Executive Directors including the Executive Chairman, 4 are Non-executive Directors and 3 are Independent Non-executive Directors. All the Independent Non-executive Directors have appropriate professional qualifications, experience or related industry expertise. The Directors biography and relevant relationships amongst them are set out in the Biographical Details of Directors section on pages 27 to 28 of this Annual Report.

Review will be made regularly by the Board to ensure that it has a balance of skills and experience appropriate for the requirement of the Company and its subsidiaries (the "Group"). Also, a balanced composition of Executive Directors and Non-executive Director is maintained to ensure independence and effective management. The Company has satisfied the Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise to sit in the Audit Committee.

Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 and Appendix 16 (12B) of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company considers that all Independent Non-executive Directors to be independent.

Independent Non-executive Directors are identified in all corporate communications. An updated list of the Directors identifying the Independent Non-executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

When selecting potential candidates for directors, skills, experience, expertise, his devotion of time, potential conflicts of interests are key factors for consideration. The Nomination Committee was set up to make recommendation to the Board on the selection and nomination of candidates for directorship. Majority of members of the Nomination Committee are Independent Non-executive Directors.

The Board is accountable to shareholders and is responsible for the formulation of the Group’s strategy, overseeing the management of the business and affairs of the Group.

Key and important decisions are fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Executive Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Company Secretary, the Executive Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Directors and the management team. They report periodically to the Board their work and business decisions.

Board meetings are scheduled to be held at regular interval. The Board would meet more frequently as and when required. An annual general meeting at which the Company’s auditor attended was convened on 20 May 2014 for the financial year ended 31 December 2013.

The attendance record of the Directors at the board meetings and the annual general meeting for the year ended 31 December 2014 is as follows:

	Attendance	
	Board meetings	**AGM**
Executive Chairman		
Yum Chak Ming, Matthew	4/4	1/1
Executive Director		
Sung Chee Keung	4/4	1/1
Non-executive Directors		
Yoshitaka Ozawa	2/3	0/1
Shigechika Ishida	2/3	1/1
Katsuaki Tanaka	4/4	1/1
Sadatoshi Inoue	0/0	0/0
Hirofumi Hori	0/0	0/0
Yam Hon Ming, Tommy	3/4	0/1
Independent Non-executive Directors		
Yap Alfred Donald	4/4	1/1
Luk Koon Hoo	4/4	1/1
Lo Chi Hong	4/4	1/1

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the scheduled date of a board or board committee meeting. The Directors can attend meetings in persons or through other means of electronic communication. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and board committee meetings are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Directors have full access to information on the Group and are able to obtain independent professional advice whenever necessary.

TRAINING AND SUPPORT FOR DIRECTORS

Every newly appointed Director will meet with other Directors and key management executives, and will receive a comprehensive, formal and tailored induction on the first occasion of his appointment. Subsequently, he will receive briefings and other professional development necessary to ensure he has a proper understanding of the operations and business of the Company and he is fully aware of his responsibility with the Company.

All Directors are encouraged to participate in continuous professional development to refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. Directors are also invited to participate in Company events to familiarize themselves with the operations of the Company and opportunity to communicate with other management members of the Company. In 2014, we organized one training session and arranged our solicitor firm to give a talk and lead discussion on the subject of new Hong Kong Company Ordinance and obligation of directors under the Hong Kong listing rules. Some directors also attended training seminars as provided by other professional bodies or as referred to by the Company.

The records of training as received by each Director in 2014 are summarized as follows:

	Type of trainings
Executive Chairman	
Yum Chak Ming, Matthew	A, B, C
Executive Director	
Sung Chee Keung	A, B, C
Non-executive Directors	
Yoshitaka Ozawa	B, C
Shigechika Ishida	B, C
Katsuaki Tanaka	A, B, C
Sadatoshi Inoue	A, B
Hirofumi Hori	A, B
Yam Hon Ming, Tommy	B, C
Independent Non-executive Directors	
Yap Alfred Donald	A, B, C
Luk Koon Hoo	A, B, C
Lo Chi Hong	A, B, C

A: attending professional seminars/conferences/forums

B: reading materials relating to general business, regulatory updates on listing rules and board practices

C: attending corporate events/site visits

CORPORATE GOVERNANCE POLICY AND DUTIES

The board is responsible for performing the duties on corporate governance functions as set out below;

(1) developing and reviewing the Company's policies and practices on corporate governance;

(2) reviewing and monitoring the training and continuous professional development of directors and senior management;

(3) reviewing and monitoring the Company's polices and practices on compliance with legal and regulatory requirements;

(4) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; and

(5) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 of the Listing Rules. The Executive Chairman or the Chairman of the Audit Committee is the person to be notified for securities dealings by Directors and a designated form is used for notification and acknowledgement purpose.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2014.

Senior Management of the Company is also required to comply with the guidelines on similar terms as set out in the Model Code.

INTERNAL CONTROL

The Company places great importance on internal control and risk management to safeguard the assets of the Company and the interests of shareholders. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. The Audit Committee reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed through the assistance of the Company's Internal Audit Department.

The Company's Internal Audit Department assesses risk exposure, formulates audit plan and ensures the audit programs cover key internal control areas of operating subsidiaries on a rotational basis for the review by the Audit Committee. Special review may also be performed on areas of concern identified by management or the Audit Committee from time to time.

The Internal Audit Department monitors the internal control procedures and systems of the Group and reports its findings and recommendations to management of the Company and the Audit Committee. The department also monitors the follow-up actions agreed upon in response to its recommendations and reports to the Audit Committee the progress of implementation of those recommendations.

With the assistance of the Audit Committee and the Company's Internal Audit Department, the Board is satisfied that the overall financial, operational and compliance controls, and risk management of the Group continues to be effective.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 43 to 44 of this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the Auditor of the Company will receive approximately HK$2,580,000 for their audit service. Non-audit service which covered taxation service provided to the Group was approximately HK$106,000 in the same period.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of 3 Independent Non-executive Directors and 1 Non-executive Director. They are Mr. Alfred Donald Yap (Committee Chairman), Mr. Luk Koon Hoo, Mr. Lo Chi Hong and Mr. Katsuaki Tanaka. The Committee's authority and duties are set out in written terms of reference which are posted on the websites of the Company and the Stock Exchange.

The policy and structure for all remuneration of Executive Directors and the Senior Management were reviewed by the Committee. Remuneration, including basic salary, performance bonus, long term incentive plan of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability. Annual salary adjustment and profit linked performance bonus are subject to review and approval by the Committee. A Restricted Share Award Scheme was in place to attract, motivate and retain employees and tie their interest to the long-term growth of the Company.

No individual director and senior manager are allowed to determine his or her own remuneration.

Executive Directors are not eligible for additional remuneration of director fee for Board activities. Director fee for Non-executive Directors is subject to annual review for shareholders' approval at the annual general meeting. Reimbursement is allowed for reasonable out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

The Committee met twice in the financial year ended 31 December 2014 with a 100% attendance by all Committee members.

During the year, the Committee reviewed and recommended to the Board for approval the followings:

- the incentive bonus program of Executive Directors and Senior Management as linked to the financial target of the Group for the year ended 31 December 2014
- the salary adjustment of Executive Directors and Senior Management taken into account of the Group annual salary review policy and performance of individuals
- participants in the Restricted Share Award Scheme for the scheme period ending on 31 March 2015
- adjustment of director fee of Mr. Yoshitaka Ozawa, Mr. Shigechika Ishida and Mr. Katsuaki Tanaka in line with other Non-executive Directors effective 1 May 2014

NOMINATION COMMITTEE

The Nomination Committee comprises of 3 Independent Non-executive Director, Mr. Luk Koon Hoo (Committee Chairman), Mr. Alfred Donald Yap, Mr. Lo Chi Hong, 1 Non-executive Director, Mr. Katsuaki Tanaka, and the Executive Chairman, Mr. Yum Chak Ming, Matthew. The defined terms of reference of the Committee are set out in writing and are posted on the websites of the Company and the Stock Exchange.

The Committee is responsible for making recommendation to the Board for selection and nomination of directors, and the succession planning of directors and senior management. The Committee also reviews the size, structure and composition of the Board with reference to the Company's board diversity policy and assesses the independence of Independent Non-executive Directors.

The Committee met three times in the financial year ended 31 December 2014 with a 100% attendance by all committee members.

During the year, the work performed by the Committee included the followings:

– the recommendation of the retiring directors for re-election at the annual general meeting

– the review of list of measurable objectives on board diversity for recommendation to the board for adoption

– the nomination of Mr. Sadatoshi Inoue and Mr. Hirofumi Hori as Non-executive Directors to replace Mr. Yoshitaka Ozawa and Mr. Shigechika Ishida both resigned on 25 November 2014

The Board adopted the Board Diversity Policy on 26 November 2013, which sets the approach to achieve and maintain diversity of the Board to enhance quality of its performance. The Policy aims to achieve diversity through the consideration of a number of factors including but not limited to skills, regional and industry experience, background, age, race, gender and other qualities. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments are based on merit, in the content of the talents, skills and experience, and taking into account diversity. During the year the Nomination Committee has reviewed and discussed the measurable objectives for implementing diversity on the Board and recommended them to the Board for adoption.

The Nomination Committee will report annually on the composition of the Board under diversified perspective, and monitor the implementation of this policy to ensure its effectiveness. It will discuss any revisions that may be required and recommend such revisions to the Board for consideration and approval.

AUDIT COMMITTEE

The Audit Committee comprises of 3 Independent Non-executive Directors and 1 Non-executive Director. They are Mr. Luk Koon Hoo (Committee Chairman), Mr. Alfred Donald Yap, Mr. Lo Chi Hong and Mr. Yoshitaka Ozawa who resigned on 25 November 2014 and was replaced by Mr. Hirofumi Hori. The defined terms of reference of the Committee are set out in writing and are posted on the websites of the Company and the Stock Exchange.

The primary duties of the Audit Committee include reviewing the effectiveness of Company's internal control and the Company's internal audit function, risk management system and regulatory compliance, the review of the Company's financial information and compliance, making recommendation to the Board on the appointment and removal of external auditor and assessing their independence and performance.

During the financial year ended 31 December 2014, the Committee held 4 meetings and the attendance record are:

	Attendance
Luk Koon Hoo	4/4
Yap Alfred Donald	4/4
Lo Chi Hong	4/4
Yoshitaka Ozawa	2/3
Hirofumi Hori	0/0

The work performed by the Committee during the year included the followings:

– reviewing with the auditor on key audit and accounting mattes, internal control recommendation of the auditor and updates on regulatory rules in the auditor's Audit Committee Report and the draft audited financial statements for the financial year ended 31 December 2013

– reviewing the financial statements for the six months ended 30 June 2014 focusing on business highlights, any change of accounting polices and practices, and compliance with accounting standards and listing rules requirement

– reviewing with the auditor the scope of their audit, their communication plan, their independence, developments affecting the Company's business, their risk assessment and updates of accounting standards and listing rules as affecting the Company for the financial year ended 31 December 2014

– reviewing the audit plan, audit progress report and significant audit findings of the Internal Audit Department with management at all committee meetings

– reviewing with management on implementation of the recommendations made by the Internal Audit Department

The Committee is reviewing the appointment and re-appointment of engagement of external auditor and will make recommendation to the Board their appointment for the financial year ending on 31 December 2015 at the forthcoming annual general meeting.

COMMUNICATION WITH SHAREHOLDERS

The Company recognizes the importance of communication with the shareholders of the Company, both individual and institutional as well as potential investors. The Company adopted a Shareholders Communication Policy with an aim of ensuring shareholders are provided with timely information about the Company and enabling them to engage actively with the Company and to exercise their rights in an informed manner.

The annual general meeting also provides a good opportunity for communication between the Board and shareholders. The Executive Chairman of the Board, the Chairman of the respective Committees as well as the external auditors are normally present to answer questions as raised by shareholders. Notice of the AGM and the related circular are sent to shareholders at least 20 clear business days before the meeting.

Votes of the shareholders at general meeting will be taken by poll in accordance with the Listing Rules. Detailed procedures for conducting a poll will be explained to shareholders at the beginning of the general meeting to ensure that shareholders are familiar with the voting procedures. Each issue will be proposed by a separate resolution by the Chairman of the general meeting. The poll results will be posted on the websites of the Company and the Stock Exchange on the same day of the general meeting.

Shareholders holding not less than one-twentieth of paid-up capital of the Company can make a requisition to convene an extraordinary general meeting. The requisition must state the objects of the meeting and must be signed by the relevant shareholders and deposited at the Company's registered office.

Shareholders holding not less than one-fortieth of the total voting rights of all shareholders of the Company or not less than 50 shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholders at the Company's registered office.

Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the Company's registered office. Shareholders are encouraged to access to the Company website at www.hunghingprinting.com for all relevant information including Company's announcements, press releases, financial highlights, financial calendar, the Company's constitutional documents and detailed procedures for shareholders to convene meetings.

INVESTOR RELATIONS

The Company has a proactive policy for promoting investor relations and communications by maintaining regular dialogue with institutional shareholders, fund managers, analysts and the media. Meetings and conference call were held with investors and analysts in order for the Company to understand their views and to keep them abreast of the latest developments. Inquires on the Company were also dealt with in an informative and timely manner.

The Company's website at www.hunghingprinting.com also features a dedicated Investor Relations section to facilitate communication with shareholders and investors. Corporate information and other relevant financial and non-financial information are made available electronically and in a timely manner. Specific enquiries can also be addressed to the Company's designated personnel by email at ir.contact@hunghingprinting.com.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the shareholders of Hung Hing Printing Group Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Hung Hing Printing Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 128, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**2,989,333**	3,013,490
Cost of sales	6	**(2,587,616)**	(2,586,482)
Gross profit		**401,717**	427,008
Other income and gains	5	**31,509**	48,241
Gain on disposal of available-for-sale financial assets	33	**–**	17,183
Distribution costs		**(77,518)**	(83,714)
Administrative and selling expenses	6	**(276,412)**	(292,691)
Other expenses	6	**(38,258)**	(4,270)
Operating profit		**41,038**	111,757
Finance costs	7	**(9,538)**	(6,729)
Profit before income tax		**31,500**	105,028
Income tax expense	10	**(22,107)**	(22,869)
Profit for the year		**9,393**	82,159
Attributable to:			
Owners of the Company		**7,914**	77,209
Non-controlling interests		**1,479**	4,950
		9,393	82,159
		HK cents	HK cents
Earnings per share attributable to owners of the Company	12		
Basic		**0.9**	8.5
Diluted		**0.9**	8.5
		HK$'000	HK$'000
Dividends	13	**27,236**	63,551

The notes on pages 54 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Profit for the year		**9,393**	82,159
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**(25,183)**	28,686
Change in value of intangible assets		**(50)**	(450)
Change in value of available-for-sale financial assets	17	**1,508**	26,048
Other comprehensive (loss)/income for the year, net of tax		**(23,725)**	54,284
Total comprehensive (loss)/income for the year		**(14,332)**	136,443
Attributable to:			
Owners of the Company		**(11,546)**	121,702
Non-controlling interests		**(2,786)**	14,741
		(14,332)	136,443

The notes on pages 54 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**2014 HK$'000**	2013 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**1,256,678**	1,307,708
Land use rights	15	**87,249**	105,069
Intangible assets	16	**9,438**	8,501
Available-for-sale financial assets	17	**43,929**	42,929
Properties under construction	18	**1,910**	10,084
Trade receivables	21	**–**	1,797
Deferred income tax assets	29	**12,050**	14,090
Deposits for acquisition of non-current assets		**17,669**	8,744
Total non-current assets		**1,428,923**	1,498,922
Current assets			
Inventories	20	**515,293**	549,664
Trade and bills receivables	21	**781,007**	832,721
Prepayments, deposits and other receivables	22	**40,149**	60,538
Derivative financial instruments	23	**–**	2,561
Tax recoverable		**1,340**	3,237
Pledged time deposits	24	**82,558**	47,808
Time deposits with original maturity over three months		**47,549**	213,685
Cash and cash equivalents	25	**917,658**	608,906
Total current assets		**2,385,554**	2,319,120
Total assets		**3,814,477**	3,818,042
Equity			
Equity attributable to owners of the Company			
Share capital	30	**1,652,854**	90,787
Reserves	31(a)	**1,014,238**	2,614,904
Proposed dividend	13	**18,157**	48,117
		2,685,249	2,753,808
Non-controlling interests		**158,803**	161,589
Total equity		**2,844,052**	2,915,397

The notes on pages 54 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 31 December 2014

	Note	**2014 HK$'000**	2013 HK$'000
Liabilities			
Non-current liabilities			
Borrowings	28	**194,667**	195,000
Deferred income tax liabilities	29	**56,858**	54,412
Total non-current liabilities		**251,525**	249,412
Current liabilities			
Trade and bills payables	26	**244,317**	230,946
Current income tax liabilities		**14,467**	34,193
Other payables and accrued liabilities	27	**166,309**	183,884
Derivative financial instruments	23	**3,749**	–
Borrowings	28	**290,058**	204,210
Total current liabilities		**718,900**	653,233
Total liabilities		**970,425**	902,645
Total equity and liabilities		**3,814,477**	3,818,042
Net current assets		**1,666,654**	1,665,887
Total assets less current liabilities		**3,095,577**	3,164,809

The notes on pages 54 to 128 are an integral part of these consolidated financial statements.

The financial statements on pages 45 to 128 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	14	**510**	736
Land use rights	15	**5,972**	7,222
Intangible asset	16	**395**	–
Available-for-sale financial assets	17	**12,538**	12,213
Investments in subsidiaries	19	**279,926**	319,926
Total non-current assets		**299,341**	340,097
Current assets			
Prepayments, deposits and other receivables	22	**1,501**	25,184
Derivative financial instruments	23	**–**	693
Amounts due from subsidiaries	34(a)	**1,332,299**	1,410,387
Loans to subsidiaries	34(b)	**66,252**	6,407
Dividend receivables from subsidiaries		**9,700**	–
Tax recoverable		**–**	1,595
Time deposits with original maturity over three months		**–**	142,852
Cash and cash equivalents	25	**401,756**	223,898
Total current assets		**1,811,508**	1,811,016
Total assets		**2,110,849**	2,151,113
Equity			
Equity attributable to owners of the Company			
Share capital	30	**1,652,854**	90,787
Reserves	31(b)	**430,352**	2,002,353
Proposed dividend	13	**18,157**	48,117
Total equity		**2,101,363**	2,141,257

The notes on pages 54 to 128 are an integral part of these consolidated financial statements.

Statement of Financial Position
As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Liabilities			
Current liabilities			
Amounts due to subsidiaries	34(a)	**1,358**	1,358
Other payables and accrued liabilities	27	**4,379**	8,498
Derivative financial instruments	23	**3,749**	–
Total liabilities		**9,486**	9,856
Total equity and liabilities		**2,110,849**	2,151,113
Net current assets		**1,802,022**	1,801,160
Total assets less current liabilities		**2,101,363**	2,141,257

The notes on pages 54 to 128 are an integral part of these consolidated financial statements.

The financial statements on pages 45 to 128 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014

		Attributable to owners of the Company												
	Note	Share capital HK$'000	Share premium HK$'000	Other capital reserves (Note) HK$'000	Intangible asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (Note 31(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013		90,787	1,559,461	(9,303)	5,600	(616)	123,159	138,843	7,837	730,610	18,157	2,664,535	149,190	2,813,725
Comprehensive income														
Profit for the year		–	–	–	–	–	–	–	–	77,209	–	77,209	4,950	82,159
Other comprehensive income/ (loss)														
Gain/(loss) on revaluation		–	–	–	(450)	21,003	–	–	–	–	–	20,553	5,045	25,598
Currency translation differences		–	–	–	–	–	–	23,940	–	–	–	23,940	4,746	28,686
Total other comprehensive income/(loss), net of tax		–	–	–	(450)	21,003	–	23,940	–	–	–	44,493	9,791	54,284
Total comprehensive income/ (loss)		–	–	–	(450)	21,003	–	23,940	–	77,209	–	121,702	14,741	136,443
Total transactions with owners, recognised directly in equity														
Final dividend for the period end 31 December 2012		–	–	–	–	–	–	–	–	–	(18,157)	(18,157)	–	(18,157)
Equity compensation expenses	32	–	–	–	–	–	–	–	1,162	–	–	1,162	–	1,162
Forfeiture of shares awarded	32	–	–	–	–	–	–	–	(226)	226	–	–	–	–
Shares vested under the restricted share award scheme	32	–	–	4,739	–	–	–	–	(4,739)	–	–	–	–	–
Allocation to legal reserve		–	–	–	–	–	5,079	–	–	(5,079)	–	–	–	–
Interim dividend	13	–	–	–	–	–	–	–	–	(15,434)	–	(15,434)	–	(15,434)
Proposed final dividend	13	–	–	–	–	–	–	–	–	(48,117)	48,117	–	–	–
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(2,342)	(2,342)
Total transactions with owners, recognised directly in equity		–	–	4,739	–	–	5,079	–	(3,803)	(68,404)	29,960	(32,429)	(2,342)	(34,771)
Balance at 31 December 2013		90,787	1,559,461	(4,564)	5,150	20,387	128,238	162,783	4,034	739,415	48,117	2,753,808	161,589	2,915,397

Consolidated Statement of Changes in Equity
As at 31 December 2014

		Attributable to owners of the Company												
	Note	Share capital HK$'000	Share premium HK$'000	Other capital reserves (Note) HK$'000	Intangible asset revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Legal reserves (Note 31(a)(ii)) HK$'000	Exchange fluctuation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2014		90,787	1,559,461	(4,564)	5,150	20,387	128,238	162,783	4,034	739,415	48,117	2,753,808	161,589	2,915,397
Comprehensive income														
Profit for the year		-	-	-	-	-	-	-	-	7,914	-	7,914	1,479	9,393
Other comprehensive income/(loss)														
Gain/(loss) on revaluation		-	-	-	(50)	1,508	-	-	-	-	-	1,458	-	1,458
Currency translation differences		-	-	-	-	-	-	(20,918)	-	-	-	(20,918)	(4,265)	(25,183)
Total other comprehensive income/(loss), net of tax		-	-	-	(50)	1,508	-	(20,918)	-	-	-	(19,460)	(4,265)	(23,725)
Total comprehensive income/(loss)		-	-	-	(50)	1,508	-	(20,918)	-	7,914	-	(11,546)	(2,786)	(14,332)
Total transactions with owners, recognised directly in equity														
Transfer on 3 March 2014 upon adoption of the new Hong Kong Companies Ordinance	30	1,562,067	(1,559,461)	(2,606)	-	-	-	-	-	-	-	-	-	-
Final dividend for the year ended 31 December 2013		-	-	-	-	-	-	-	-	-	(48,117)	(48,117)	-	(48,117)
Equity compensation expenses	32	-	-	-	-	-	-	-	183	-	-	183	-	183
Shares vested under the restricted share award scheme	32	-	-	2,339	-	-	-	-	(4,217)	1,878	-	-	-	-
Allocation to legal reserve		-	-	-	-	-	3,342	-	-	(3,342)	-	-	-	-
Interim dividend	13	-	-	-	-	-	-	-	-	(9,079)	-	(9,079)	-	(9,079)
Proposed final dividend	13	-	-	-	-	-	-	-	-	(18,157)	18,157	-	-	-
Total transactions with owners, recognised directly in equity		1,562,067	(1,559,461)	(267)	-	-	3,342	-	(4,034)	(28,700)	(29,960)	(57,013)	-	(57,013)
Balance at 31 December 2014		1,652,854	-	(4,831)	5,100	21,895	131,580	141,865	-	718,629	18,157	2,685,249	158,803	2,844,052

Note: At 1 January 2013, it represented capital redemption reserve of HK$2,606,000, own held shares reserve and capital reserve with debit balances of HK$11,095,000 and HK$814,000 respectively.

At 31 December 2013 and 1 January 2014, it represented capital redemption reserve of HK$2,606,000, own held shares reserve and capital reserve with debit balances of HK$6,356,000 and HK$814,000 respectively.

At 31 December 2014, it represented own held shares reserve and capital reserve with debit balances of HK$4,017,000 and HK$814,000 respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash generated from operations	36	**232,240**	304,832
Hong Kong profits tax (paid)/refunded		**(16,559)**	1,752
Mainland China tax paid		**(18,110)**	(9,108)
Net cash generated from operating activities		**197,571**	297,476
Cash flows from investing activities			
Settlement of derivative financial instruments		**(9,014)**	12,289
Interest received		**19,281**	11,731
Dividend received from available-for-sale financial assets	5	**348**	348
Purchases of property, plant and equipment	14	**(60,356)**	(41,651)
Purchases of software	16	**(1,619)**	(832)
Additions to properties under construction	18	**(849)**	(9,536)
Deposits for acquisition of property, plant and equipment		**(2,917)**	(8,744)
Proceeds from disposal of available-for-sale financial assets	33	**23,011**	–
Proceeds from disposal of property, plant and equipment	36(b)	**3,163**	1,230
Increase in pledged time deposits		**(34,750)**	(1,694)
Decrease/(increase) in time deposits with original maturity over three months		**166,136**	(170,098)
Net cash generated from/(used in) investing activities		**102,434**	(206,957)
Cash flows from financing activities			
Dividend paid to the owners of the Company		**(57,196)**	(33,591)
Dividend paid to non-controlling interests		**–**	(2,342)
Proceeds from borrowings		**259,356**	134,579
Repayments of borrowings		**(173,841)**	(117,624)
Interest paid		**(9,446)**	(6,791)
Net cash generated from/(used in) financing activities		**18,873**	(25,769)
Net increase in cash and cash equivalents		**318,878**	64,750
Cash and cash equivalents at beginning of year		**608,906**	533,345
Exchange (loss)/gain in cash and cash equivalents		**(10,126)**	10,811
Cash and cash equivalents at end of year		**917,658**	608,906
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**269,055**	218,744
Time deposits with original maturity less than three months		**648,603**	390,162
	25	**917,658**	608,906

The notes on pages 54 to 128 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Hung Hing Printing Group Limited (the "Company") and its subsidiaries (together the "Group") are engaged in the following principal activities:

- Book and packaging printing;
- Consumer product packaging;
- Corrugated box; and
- Trading of paper.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Hung Hing Printing Centre, 17-19 Dai Hei Street, Tai Po Industrial Estate, New Territories, Hong Kong.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing The Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

2.1 BASIS OF PREPARATION (CONTINUED)

The consolidated financial statements have been prepared under the historical cost convention, and modified by the revaluation of intangible assets, available-for-sale financial assets and derivative financial instruments, which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for the Group's accounting year beginning on 1 January 2014:

HKAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) Interpretation 21	Levies
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment Entities
HKFRS 2 (amendment)	Share-based payment

The adoption of these new/revised standards, amendments and interpretations to existing standards did not result in any substantial changes to the Group's accounting policy nor any impact on the consolidated financial statements.

2.1 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policy and disclosures (Continued)

(b) The following amendments to standards and interpretations are not yet effective and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
HKAS 19 (2011) (amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
HKFRSs (amendment)	Annual Improvements to HKFRSs 2012 Cycle	1 July 2014
HKFRSs (amendment)	Annual Improvements to HKFRSs 2013 Cycle	1 July 2014
HKFRS 10 and HKAS 28 (amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKAS 16 and HKAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRSs (amendment)	Annual Improvements to HKFRSs 2014 Cycle	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 SUBSIDIARIES

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.2 SUBSIDIARIES (CONTINUED)

(a) Consolidation (Continued)

(i) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.7).

Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within "other income and gains" or "other expenses".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is provided to allocate their costs to their residual values over their estimated useful lives. The principal annual rates and bases used are as follows:

Buildings situated in Hong Kong	Over the shorter of the useful lives of the assets or lease terms of the associated land use rights
Buildings situated in the People's Republic of China (the "PRC")	Over the shorter of the lease terms of the associated land use rights and useful lives which is 2.5-10% on the straight-line basis
Plant and machinery	10-20% on the reducing balance basis
Motor vehicles	30% on the reducing balance basis
Furniture, fixtures and equipment	20-30% on the reducing balance basis

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other expenses" in the consolidated income statement.

Properties under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the construction and comprises construction costs and applicable borrowing costs incurred during the construction period. On completion, the properties under construction is transferred to other categories within property, plant and equipment.

No depreciation is provided for properties under construction. The carrying amount of properties under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

2.6 LAND USE RIGHTS

Land use rights are up-front payments to acquire long-term interest in leasehold land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land from the date when the respective rights were granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the lease and is recognised in the consolidated income statement within administrative and selling expenses.

2.7 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

2.7 INTANGIBLE ASSETS (CONTINUED)

(b) Computer software (Continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

(c) Club debentures

Club debentures are initially recognised at cost, subsequently at revaluation. Gain or loss on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

Club debentures that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 FINANCIAL ASSETS

2.9.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables are set out in Note 39 to the consolidated financial statements.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it within 12 months of the end of the reporting period.

An unquoted equity instrument classified as available-for-sale financial assets whose fair value cannot be reliably measured, is carried at cost.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 FINANCIAL ASSETS (CONTINUED)

2.9.2 Recognition and measurement (Continued)

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the consolidated income statement in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.9.3 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indicators that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an investment's fair value using an objective market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.9 FINANCIAL ASSETS (CONTINUED)

2.9.3 Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.10 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. All derivatives entered by the Group do not qualify for hedge accounting, are classified as current assets/(liabilities). Changes in the fair values of these derivatives are recognised immediately in the consolidated income statement.

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.14 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.15 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2.18 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 EMPLOYEE BENEFITS

(i) Employee leave entitlements

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) Pension obligations – defined contribution plan

The Group operates a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. When an employee leaves the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees who joined the Group before 1 December 2000 have the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

2.19 EMPLOYEE BENEFITS (CONTINUED)

(ii) Pension obligations – defined contribution plan (Continued)

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

The Group has no further obligations to pay once the contributions have been paid for these schemes.

(iii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 SHARE-BASED PAYMENTS

The Group operates an equity-settled, share-based compensation plan (the "Share Award Scheme"), under which the entity receives services from employees as consideration for equity instruments (shares) of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Under the Share Award Scheme, directors and employees of the Group are entitled to the shares for which are held in trust by Law Debenture Trust (Asia) Limited (the "Trustee") for the benefit of the directors and employees. The Trustee may be instructed to buy shares from the market using the funds held by the Trustee. Details of outstanding shares can be referred to Note 32.

2.21 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

2.23 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.23 REVENUE RECOGNITION (CONTINUED)

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customers. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.25 BORROWING COSTS

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.26 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or the Board of Directors, where appropriate.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets and property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The Group reviews for impairment of the intangible assets and property, plant and equipment in accordance with the accounting policy stated in Note 2.5 and Note 2.7.

The recoverable amount of the property, plant and equipment has been determined based on value-in-use calculation. These calculations require the use of estimates based on the Group's best estimate of the expected cash inflow generated from the use of property, plant and equipment throughout their useful lives.

Adjustments will be made if the actual performance differs from the original estimates.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Estimate of useful lives of property, plant and equipment

The Group has significant property, plant and equipment. The Group determines the estimated useful lives and residual values in order to ascertain the amount of depreciation charges for each reporting period. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives or residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Fair value estimation of derivative financial instruments and available-for-sale financial assets

The fair value of derivative financial instruments and available-for-sale financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at the issue date and the end of each reporting period. The valuation model requires the input of both observable and unobservable data. Changes in these unobservable and subjective input assumptions can materially affect the fair value estimate of derivative financial instruments and available-for-sale financial assets.

(e) Provision for impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate allowances, management identifies, using their judgement, inventories that are slow moving or obsolete, and considering their physical conditions, age, market conditions and market price for similar items.

(f) Provision for impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market conditions. Management reassesses the provision at the end of each reporting period.

Significant judgement is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4 SEGMENT INFORMATION

The management committee (being the chief operating decision-maker) has determined the operating segments based on the reports reviewed by the management committee. The management committee, comprising the executive chairman, the chief executive officer and other senior management, that are used to make strategic decisions and assess performance.

Management committee has determined the operating segments based on these reports. The Group is organised into four business segments:

(a) Book and Package Printing segment;

(b) Consumer Product Packaging segment;

(c) Corrugated Box segment; and

(d) Paper Trading segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Revenue from external customers are after elimination of inter-segment revenue. Inter-segment revenue is charged in accordance with terms determined and agreed mutually by relevant parties. Revenue is allocated based on the places/countries in which the customers are located.

Management assesses the performance of the operating segments based on a measure of gross profit less distribution costs, administrative and selling expenses, and other expenses that are allocated to each segment. Other information provided is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out at an arm's length basis.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include property, plant and equipment, intangible asset, available-for-sale financial assets, prepayments, deposits and other receivable, derivative financial instruments and bank and cash balances at corporate level.

4 SEGMENT INFORMATION (CONTINUED)

Business segments

(a) The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the years ended 31 December 2014 and 2013

	Book and Package Printing		Consumer Product Packaging		Corrugated Box		Paper Trading		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue												
Sales to external customers	**1,671,767**	1,728,430	**727,528**	786,047	**198,267**	227,850	**391,771**	271,163	**–**	–	**2,989,333**	3,013,490
Inter-segment sales	**1,785**	1,448	**3,137**	4,411	**92,914**	105,647	**430,760**	419,963	**(528,596)**	(531,469)	**–**	–
Total	**1,673,552**	1,729,878	**730,665**	790,458	**291,181**	333,497	**822,531**	691,126	**(528,596)**	(531,469)	**2,989,333**	3,013,490
Segment results	**42,268**	54,272	**7,274**	13,479	**5,336**	13,413	**13,514**	7,294	**1,758**	(1,333)	**70,150**	87,125
Interest, dividend income and other gains											**20,083**	34,056
Corporate and unallocated expenses											**(49,195)**	(26,607)
											41,038	94,574
Gain on disposal of available-for-sale financial assets											**–**	17,183
Operating profit											**41,038**	111,757
Finance costs											**(9,538)**	(6,729)
Profit before income tax											**31,500**	105,028
Income tax expense											**(22,107)**	(22,869)
Profit for the year											**9,393**	82,159

4 SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

(a) The following tables present revenue, results and certain assets, liabilities and capital expenditure information for the Group's business segments for the year ended 31 December 2014 and 2013 (Continued)

	Book and Package Printing		Consumer Product Packaging		Corrugated Box		Paper Trading		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets												
Property, plant and equipment	**674,594**	678,660	**489,026**	528,575	**65,298**	72,896	**27,250**	26,834	**510**	743	**1,256,678**	1,307,708
Land use rights	**30,317**	44,691	**37,296**	39,300	**4,514**	5,195	**15,122**	15,883	**-**	–	**87,249**	105,069
Properties under construction	**94**	94	**1,816**	9,990	**-**	–	**-**	–	**-**	–	**1,910**	10,084
Inventories	**225,671**	210,489	**122,035**	151,831	**26,779**	37,122	**140,808**	150,222	**-**	–	**515,293**	549,664
Trade and bills receivables	**450,670**	482,667	**181,135**	199,344	**64,163**	72,240	**85,039**	80,100	**-**	167	**781,007**	834,518
Liabilities												
Trade and bills payables	**85,590**	65,506	**67,006**	96,650	**31,856**	23,439	**59,865**	45,351	**-**	–	**244,317**	230,946
Capital expenditure	**46,105**	29,925	**10,243**	18,796	**1,891**	706	**4,179**	1,605	**406**	987	**62,824**	52,019

(b) Analysis of revenue by geographic locations of customers

The analysis of the Group's revenue from external customers attributed to the locations in which the customers are located during the year consists of the following:

	2014	2013
	HK$'000	HK$'000
Hong Kong	**857,843**	846,827
The PRC	**828,154**	930,446
Europe	**586,522**	546,469
United States of America	**557,335**	514,471
Other countries	**159,479**	175,277
	2,989,333	3,013,490

Revenues from the individual countries included in other countries are not material.

During the years ended 31 December 2014 and 2013, no single customer accounted for 10% or more of total revenue.

4 SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

(c) Analysis of non-current assets by geographic locations

Non-current assets, other than financial instruments and deferred income tax assets, by location:

	2014	2013
	HK$'000	HK$'000
Hong Kong	**119,582**	126,990
The PRC	**1,253,362**	1,314,913
	1,372,944	1,441,903

5 REVENUE, OTHER INCOME AND GAINS

The Group's revenue, other income and gains consist of the following:

	2014	2013
	HK$'000	HK$'000
Revenue:		
Sale of goods	**2,989,333**	3,013,490
Other income and gains:		
Dividend income from available-for-sale financial assets	**348**	348
Bank interest income	**19,735**	12,944
Fair value gain on derivative financial instruments not qualified as hedges, net (Note 23)	**–**	13,733
Foreign exchange gain, net	**–**	10,562
Sales of scrap materials	**7,146**	7,052
Government grants	**1,856**	2,106
Sundry income	**2,424**	1,496
	31,509	48,241

6 EXPENSES BY NATURE

Expenses included in cost of sales, administrative and selling expenses, and other expenses are analysed as follows:

	2014 **HK$'000**	2013 HK$'000
Depreciation (Note 14)	**108,054**	113,152
Amortisation of land use rights (Note 15)	**1,738**	3,211
Amortisation of intangible assets (Note 16)	**631**	822
Auditor's remuneration		
– Audit service	**2,580**	2,480
– Non-audit services (included tax matters, review and other reporting services)	**106**	202
Employee benefits expense		
– excluding Directors' emoluments (Note 8)	**804,216**	804,300
Directors' emoluments (Note 9(a))	**8,404**	11,700
Operating lease charges in respect of land and buildings	**6,941**	7,497
Foreign exchange loss, net	**18,242**	–
Fair value loss on derivative financial instruments not qualified as hedges, net (Note 23)	**15,324**	–
Provision for impairment of trade receivables (Note 21)	**1,135**	3,499
Provision for impairment of inventories, net (Note 20)	**3,585**	2,314
Loss on disposal of property, plant and equipment	**3,937**	813

7 FINANCE COSTS

	2014 **HK$'000**	2013 HK$'000
Interest on bank borrowings wholly repayable within five years	**9,538**	6,729

8 EMPLOYEE BENEFITS EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2014 HK$'000	2013 HK$'000
Salaries, allowances, bonus and benefits in kind	**751,514**	757,872
Pension costs – defined contribution plans	**52,613**	45,842
Share-based payments	**89**	586
	804,216	804,300

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to the directors of the Company during the year are as follows:

	2014 HK$'000	2013 HK$'000
Fees:		
Executive directors	**–**	–
Non-executive directors	**1,315**	1,201
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**6,381**	6,269
Pension costs – defined contribution plans	**230**	224
Bonus (Note)	**–**	2,910
Share-based payments	**94**	576
Non-executive directors:		
Salaries, allowances and benefits in kind	**384**	520
	8,404	11,700

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT (CONTINUED)

(a) Directors' emoluments (Continued)

The emoluments of each director of the Company during the year are as follows:

	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Bonus (Note)	Share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2014						
Executive directors:						
Yum Chak Ming, Matthew[#*]	–	4,607	213	–	69	4,889
Sung Chee Keung	–	1,774	17	–	25	1,816
	–	6,381	230	–	94	6,705
Non-executive directors:						
Yam Hon Ming, Tommy	200	–	–	–	–	200
Katsuaki Tanaka	217	384	–	–	–	601
Yoshitaka Ozawa[1]	130	–	–	–	–	130
Shigechika Ishida[1]	130	–	–	–	–	130
Hirofumi Hori[2]	19	–	–	–	–	19
Sadatoshi Inoue[2]	19	–	–	–	–	19
	715	384	–	–	–	1,099
Independent non-executive directors:						
Yap, Alfred Donald	200	–	–	–	–	200
Luk Koon Hoo	200	–	–	–	–	200
Lo Chi Hong	200	–	–	–	–	200
	600	–	–	–	–	600

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT (CONTINUED)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Bonus (Note) HK$'000	Share-based payments HK$'000	Total HK$'000
Year ended 31 December 2013						
Executive directors:						
Yum Chak Ming, Matthew#*	–	4,528	209	2,106	422	7,265
Sung Chee Keung	–	1,741	15	804	154	2,714
	–	6,269	224	2,910	576	9,979
Non-executive directors:						
Yam Hon Ming, Tommy	200	–	–	–	–	200
Hiroyuki Kimura[3]	63	136	–	–	–	199
Yoshitaka Ozawa	50	–	–	–	–	50
Katsuaki Tanaka	250	384	–	–	–	634
Shigechika Ishida[4]	38	–	–	–	–	38
	601	520	–	–	–	1,121
Independent non-executive directors:						
Yap, Alfred Donald	200	–	–	–	–	200
Luk Koon Hoo	200	–	–	–	–	200
Lo Chi Hong	200	–	–	–	–	200
	600	–	–	–	–	600

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or agreed to waive any emoluments.

Note: The executive directors and members of senior management are eligible to receive incentive bonus which is based on the performance of the Company and its subsidiaries, and individual performance. The accrual of incentive bonus was based on the incentive bonus program as reviewed and recommended by the Remuneration Committee, and approved by the Board of Directors.

Chairman
* Chief executive officer

1 Resigned on 25 November 2014
2 Appointed on 26 November 2014
3 Resigned on 1 April 2013
4 Appointed on 1 April 2013

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included two (2013: two) executive directors. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2013: three) individuals during the year are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**5,422**	5,434
Pension costs – defined contribution plans	**142**	138
Bonus (Refer to the note of Note 9(a))	**270**	2,282
Share-based payments	**39**	240
	5,873	8,094

The number of highest paid individuals whose emoluments fell within the following bands:

	Number of individuals	
	2014	2013
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	3
	3	3

(c) Senior management remuneration by band

Senior management remuneration by band included two (2013: two) executive directors:

	Number of individuals	
	2014	2013
HK$500,001 – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**5**	1
HK$1,500,001 – HK$2,000,000	**3**	5
HK$2,000,001 – HK$2,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**–**	3
HK$4,500,001 – HK$5,000,000	**1**	–
HK$7,000,001 – HK$7,500,000	**–**	1
	11	12

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2014 HK$'000	2013 HK$'000
Current income tax		
– Hong Kong profits tax		
– Provision for the year	**4,475**	2,381
– Under/(over) provision in prior years	**346**	(458)
	4,821	1,923
– PRC corporate income tax		
– Provision for the year	**11,873**	19,327
– Under/(over) provision in prior years	**146**	(96)
	12,019	19,231
Total current tax	**16,840**	21,154
Deferred income tax (Note 29)	**5,267**	1,715
Income tax expense	**22,107**	22,869

Reconciliation between tax expenses and profit before income tax at applicable tax rates:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**31,500**	105,028
Tax calculated at domestic tax rates applicable to profits in the respective countries	**6,684**	22,968
Income not subject to tax	**(2,696)**	(7,143)
Expenses not deductible for tax purpose	**4,918**	4,401
Utilisation of previously unrecognised tax losses	**(4)**	(2,677)
Withholding tax on earnings expected to be remitted by PRC subsidiaries	**713**	3,615
Tax losses for which no deferred income tax asset was recognised in current year	**4,939**	3,624
Recognition of previously unrecognised tax losses	**–**	(2,061)
Under/(over) provision in prior years	**492**	(554)
Write off of deferred tax assets previously recognised (Note)	**6,421**	–
Others	**640**	696
Tax charge at the Group's effective tax rate	**22,107**	22,869

10 INCOME TAX EXPENSE (CONTINUED)

For the year ended 31 December 2014 and 2013, there was no tax charge relating to components of other comprehensive income.

Note: One of the subsidiaries in the PRC has recognised deferred tax assets amounted to HK$6,421,000, in respect of tax losses amounted to HK$25,684,000 in prior years. After reviewing the performance of this subsidiary and reassessing the likelihood of these deferred tax assets being utilised in the future, such deferred tax assets were fully written off during the year as the directors are of opinion that it is not probable that these unused tax losses can be utilised in the near future.

11 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$16,850,000 (2013: HK$37,702,000).

12 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	2014	2013
Profit attributable to owners of the Company (HK$'000)	**7,914**	77,209
Weighted average number of ordinary shares in issue (thousands)	**907,865**	907,865
Weighted average number of own held shares for share awarded scheme (thousands)	**(1,951)**	(3,214)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share (thousands)	**905,914**	904,651
Basic earnings per share (HK cents per share)	**0.9**	8.5

12 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

For the year ended 31 December 2014, diluted earnings per share is the same as the basic earnings per share as there was no dilutive potential ordinary shares.

For the year ended 31 December 2013, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: shares repurchased for the purpose of share award scheme (Note 32). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the outstanding shares to be granted.

	2013
Profit attributable to owners of the Company (HK$'000)	77,209
Weighted average number of ordinary shares in issue for calculation of basic earnings per share (thousands)	904,651
Effect of dilutive potential ordinary shares in respect of own held shares for share award scheme (thousands)	149
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share (thousands)	904,800
Diluted earnings per share (HK cents per share)	8.5

13 DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim dividend of HK1 cent (2013: HK1.7 cents) per ordinary share	**9,079**	15,434
Proposed final dividend of HK2 cents (2013: HK5.3 cents) per ordinary share	**18,157**	48,117
	27,236	63,551

The Directors recommend the payment of a final dividend of HK2 cents per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company to be held on 2 June 2015. These consolidated financial statements do not reflect this as dividend payable but account for it as proposed dividends in reserves (Note 31).

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 January 2013:					
Cost	713,045	1,764,034	33,591	131,818	2,642,488
Accumulated depreciation	(209,023)	(963,068)	(26,259)	(91,708)	(1,290,058)
Net book amount	504,022	800,966	7,332	40,110	1,352,430
Year ended 31 December 2013					
Opening net book amount	504,022	800,966	7,332	40,110	1,352,430
Additions	2,097	32,641	3,542	3,371	41,651
Transfer from properties under construction (Note 18)	1,988	9,835	–	98	11,921
Disposals	–	(1,374)	(386)	(283)	(2,043)
Depreciation (Note 6)	(20,992)	(82,500)	(2,623)	(7,037)	(113,152)
Exchange differences	6,558	10,066	51	226	16,901
Closing net book amount	493,673	769,634	7,916	36,485	1,307,708
At 31 December 2013:					
Cost	726,106	1,824,544	35,791	132,682	2,719,123
Accumulated depreciation	(232,433)	(1,054,910)	(27,875)	(96,197)	(1,411,415)
Net book amount	493,673	769,634	7,916	36,485	1,307,708
Year ended 31 December 2014					
Opening net book amount	**493,673**	**769,634**	**7,916**	**36,485**	**1,307,708**
Additions	**795**	**53,852**	**624**	**5,085**	**60,356**
Transfer from properties under construction (Note 18)	**–**	**8,174**	**–**	**549**	**8,723**
Transfer from deposit for acquisition of non-current assets	**–**	**9,074**	**–**	**–**	**9,074**
Disposals (Note 36(b))	**–**	**(6,858)**	**(171)**	**(71)**	**(7,100)**
Depreciation (Note 6)	**(21,226)**	**(77,919)**	**(2,211)**	**(6,698)**	**(108,054)**
Exchange differences	**(5,511)**	**(8,293)**	**(41)**	**(184)**	**(14,029)**
Closing net book amount	**467,731**	**747,664**	**6,117**	**35,166**	**1,256,678**
At 31 December 2014:					
Cost	**719,153**	**1,856,586**	**32,219**	**135,180**	**2,743,138**
Accumulated depreciation	**(251,422)**	**(1,108,922)**	**(26,102)**	**(100,014)**	**(1,486,460)**
Net book amount	**467,731**	**747,664**	**6,117**	**35,166**	**1,256,678**

Depreciation of HK$96,960,000 (2013: HK$101,488,000) and HK$11,094,000 (2013: HK$11,664,000) was recorded in cost of sales and administrative and selling expenses respectively.

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Certain buildings of the Group with a total net book amount of HK$71,730,000 (2013: HK$76,438,000) have been pledged to secure banking facilities granted to the Group (Note 28).

Company

	Motor vehicles HK$'000	**Furniture, fixtures and equipment** HK$'000	**Total** HK$'000
At 1 January 2013:			
Cost	424	834	1,258
Accumulated depreciation	(243)	(811)	(1,054)
Net book amount	181	23	204
Year ended 31 December 2013			
Opening net book amount	181	23	204
Additions	988	–	988
Disposals	(173)	–	(173)
Depreciation	(278)	(5)	(283)
Closing net book amount	718	18	736
At 31 December 2013:			
Cost	1,157	834	1,991
Accumulated depreciation	(439)	(816)	(1,255)
Net book amount	718	18	736
Year ended 31 December 2014			
Opening net book amount	**718**	**18**	**736**
Disposals	**–**	**(8)**	**(8)**
Depreciation	**(216)**	**(2)**	**(218)**
Closing net book amount	**502**	**8**	**510**
At 31 December 2014:			
Cost	**1,157**	**245**	**1,402**
Accumulated depreciation	**(655)**	**(237)**	**(892)**
Net book amount	**502**	**8**	**510**

Depreciation of HK$218,000 (2013: HK$283,000) was recorded in administrative and selling expenses.

15 LAND USE RIGHTS

The movements of land use rights are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Opening net book amount	**105,069**	107,162	**7,222**	7,781
Amortisation (Note 6)	**(1,738)**	(3,211)	**(1,250)**	(559)
Reclassification	**(15,138)**	–	**–**	–
Exchange differences	**(944)**	1,118	**–**	–
Closing net book amount	**87,249**	105,069	**5,972**	7,222

Amortisation of land use rights has been included in administrative and selling expenses.

The Group's and the Company's interests in land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land use rights in Hong Kong, held on lease of:				
Between 10-50 years	**16,865**	17,404	**–**	–
Land use rights in PRC, held on lease of:				
Between 10-50 years	**70,384**	87,665	**5,972**	7,222
Closing net book amount	**87,249**	105,069	**5,972**	7,222

Certain leasehold lands of the Group with a total net book amount of HK$16,603,000 (2013: HK$17,543,000) have been pledged to banks to secure banking facilities granted to the Group (Note 28).

16 INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Club debentures HK$'000	Software HK$'000	Total HK$'000
At 1 January 2013:				
Cost or valuation	1,634	6,000	3,183	10,817
Accumulated amortisation	–	–	(1,877)	(1,877)
Net book amount	1,634	6,000	1,306	8,940
Year ended 31 December 2013				
Opening net book amount	1,634	6,000	1,306	8,940
Additions	–	–	832	832
Fair value change	–	(450)	–	(450)
Amortisation (Note 6)	–	–	(822)	(822)
Exchange differences	–	–	1	1
Closing net book amount	1,634	5,550	1,317	8,501
At 31 December 2013:				
Cost or valuation	1,634	5,550	4,019	11,203
Accumulated amortisation	–	–	(2,702)	(2,702)
Net book amount	1,634	5,550	1,317	8,501
Year ended 31 December 2014				
Opening net book amount	**1,634**	**5,550**	**1,317**	**8,501**
Additions	**–**	**–**	**1,619**	**1,619**
Amortisation (Note 6)	**–**	**–**	**(631)**	**(631)**
Fair value changes	**–**	**(50)**	**–**	**(50)**
Exchange differences	**–**	**–**	**(1)**	**(1)**
Closing net book amount	**1,634**	**5,500**	**2,304**	**9,438**
At 31 December 2014:				
Cost or valuation	**1,634**	**5,500**	**5,635**	**12,769**
Accumulated amortisation	**–**	**–**	**(3,331)**	**(3,331)**
Net book amount	**1,634**	**5,500**	**2,304**	**9,438**

Amortisation expenses have been charged to administrative and selling expenses in the consolidated income statement.

16 INTANGIBLE ASSETS (CONTINUED)

The analysis of the cost or valuation of the above assets is as follows:

Group

	Goodwill HK$'000	Club debentures HK$'000	Software HK$'000	Total HK$'000
At 31 December 2014:				
At cost	**1,634**	**–**	**5,635**	**7,269**
At valuation	**–**	**5,500**	**–**	**5,500**
	1,634	**5,500**	**5,635**	**12,769**
At 31 December 2013:				
At cost	1,634	–	4,019	5,653
At valuation	–	5,550	–	5,550
	1,634	5,550	4,019	11,203

Goodwill is attributable to the consumer product packaging segment.

16 INTANGIBLE ASSETS (CONTINUED)

Company

	Software HK$'000
At 1 January 2013 and 31 December 2013:	
Cost	–
Accumulated amortisation	–
Net book amount	–
Year ended 31 December 2014	
Opening net book amount	–
Additions	405
Amortisation	(10)
Closing net book amount	395
At 31 December 2014:	
Cost	405
Accumulated amortisation	(10)
Net book amount	395

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Movements of available-for-sale financial assets are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Beginning balance	**42,929**	22,463	**12,213**	9,183
Disposal of equity interest (Note 33)	**–**	(5,733)	**–**	(5,733)
Gains transfer to equity	**1,508**	26,048	**269**	8,780
Exchange differences	**(564)**	168	**–**	–
Reversal of provision/(provision) for impairment of available-for-sale financial assets	**56**	(17)	**56**	(17)
Ending balance	**43,929**	42,929	**12,538**	12,213

Available-for-sale financial assets include the following:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at fair value	**34,377**	34,941	**11,647**	11,647
Unlisted equity investments, at cost	**80**	80	**–**	–
Club debentures, at fair value	**891**	566	**891**	566
Hong Kong listed equity investments, at fair value	**8,581**	7,342	**–**	–
	43,929	42,929	**12,538**	12,213

During the year ended 31 December 2014, a fair value gain of the Group's available-for-sale financial assets of HK$1,508,000 (2013: HK$26,048,000) was recognised directly in the available-for-sale investment revaluation reserve.

Available-for-sale financial assets consist of investments in listed and unlisted ordinary shares and club debentures, and have no fixed maturity date.

The fair values of listed equity investments are based on quoted market prices at the end of the reporting period. The fair values of listed equity investments are within level 1 of the fair value hierarchy (Note 40.3).

The fair values of unlisted equity investments are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted security. The fair values of unlisted equity investments are within level 3 of the fair value hierarchy (Note 40.3). The significant assumptions and unobservable inputs utilised in valuation were as follows:

Discount rate: 12.4%
Terminal growth rate: 3.5%

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

The available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**9,552**	7,988	**891**	566
RMB	**34,377**	34,941	**11,647**	11,647
	43,929	42,929	**12,538**	12,213

18 PROPERTIES UNDER CONSTRUCTION

	Group	
	2014	2013
	HK$'000	HK$'000
Beginning net book amount	**10,084**	12,262
Additions	**849**	9,536
Transfer to property, plant and equipment (Note 14)	**(8,723)**	(11,921)
Exchange differences	**(300)**	207
Ending net book amount	**1,910**	10,084

The properties under construction are located in the PRC.

19 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost		
Beginning and ending balance	**279,926**	279,926
Loan to a subsidiary	**–**	40,000
Investments in subsidiaries	**279,926**	319,926

For the year ended 31 December 2013, loan to a subsidiary was unsecured, interest-free and repayable after twelve months from the end of the reporting period.

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries at 31 December 2014:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by Company	Proportion of ordinary shares held by the Group	Proportion of ordinary shares held by non-controlling interests
Hung Hing Off-Set Printing Company Limited	Hong Kong Limited liability company	Production and trading of paper products and carton boxes Hong Kong	HK$100	100%	100%	–
Sun Hing Paper Company Limited	Hong Kong Limited liability company	Paper trading Hong Kong	HK$100	100%	100%	–
Hung Hing Printing (China) Company Limited §§	The PRC Limited liability company	Production and colour printing of paper products Mainland China	HK$566,000,000	–	100%	–
Tai Hing Paper Products Company, Limited	Hong Kong Limited liability company	Trading of corrugated cartons boxes Hong Kong	HK$100	100%	100%	–
Piguet Graphic & Prints Company Limited	Hong Kong Limited liability company	Inactive Hong Kong	HK$1,000,000	100%	100%	–
Beluga Limited	Hong Kong Limited liability company	Design and production of "print + digital" products Hong Kong	HK$2	100%	100%	–
Zhongshan Hung Hing Printing & Packaging Company Limited §	The PRC Limited liability company	Printing and manufacturing of paper cartons Mainland China	USD20,000,000	–	71%	29%
Zhongshan Hung Hing Off-Set Printing Company Limited §	The PRC Limited liability company	Production and colour printing of paper products Mainland China	USD5,000,000	–	71%	29%
Hung Hing International Limited	British Virgin Islands Limited liability company	Investment holding Hong Kong	USD100	100%	100%	–

19 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries at 31 December 2014: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Proportion of ordinary shares directly held by Company	Proportion of ordinary shares held by the Group	Proportion of ordinary shares held by non-controlling interests
South Gain Enterprises Limited	Hong Kong Limited liability company	Selling and purchasing agent Hong Kong	HK$1,700,000	–	71%	29%
Po Hing Packaging (Shenzhen) Company Limited §§	The PRC Limited liability company	Printing and manufacturing of paper cartons Mainland China	USD11,200,000	–	100%	–
Zhongshan South Gain Paper Products Company Limited §§	The PRC Limited liability company	Printing and manufacturing of paper cartons Mainland China	USD15,000,000	–	71%	29%
Sun Hing Paper (Shenzhen) Company Limited §§	The PRC Limited liability company	Paper trading Mainland China	HK$30,000,000	–	100%	–
Hung Hing Packaging (Wuxi) Company Limited §§	The PRC Limited liability company	Production and colour printing of paper products Mainland China	USD31,050,000	100%	100%	–
Hung Hing Printing (Heshan) Company Limited §§	The PRC Limited liability company	Production and colour printing of paper products Mainland China	HK$290,000,000	–	100%	–
Jun Hing Company Limited §§	The PRC Limited liability company	Paper trading Mainland China	HK$19,200,000	–	100%	–

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

20 INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**398,854**	423,767
Work in progress	**66,039**	68,952
Finished goods	**77,048**	80,008
	541,941	572,727
Less: provision for impairment of inventories	**(26,648)**	(23,063)
	515,293	549,664

The cost of inventories recognises as expenses and included in "cost of sales" amounted to HK$1,615,364,000 (2013: HK$1,606,235,000), which included provision for impairment of inventories of HK$3,585,000 (2013: HK$2,314,000).

21 TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**800,046**	850,054
Less: provision for impairment of trade receivables	**(24,708)**	(24,256)
	775,338	825,798
Trade receivables due from related parties	**1,746**	386
Total trade receivables, net	**777,084**	826,184
Bills receivables	**3,923**	8,334
	781,007	834,518
Less: non-current trade receivables	**–**	(1,797)
	781,007	832,721

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days from date of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk.

Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a number of diversified customers, there is no significant concentration of credit risk.

The aging analysis of total trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
1–30 days	**322,043**	323,352
31–60 days	**184,295**	186,427
61–90 days	**95,625**	103,366
Over 90 days	**175,121**	213,039
	777,084	826,184

As of 31 December 2014, trade receivables of approximately HK$228,619,000 (2013: HK$301,055,000) were past due but not impaired. These relate to certain customers with no history of credit default and they are in continuous business relationships with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The aging analysis of these trade receivables based on due date is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
1–30 days	**103,927**	143,671
31–60 days	**56,697**	69,858
61–90 days	**27,936**	40,682
Over 90 days	**40,059**	46,844
	228,619	301,055

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

As of 31 December 2014, trade receivables of approximately HK$24,708,000 (2013: HK$24,256,000) were past due and fully provided for. The individually impaired receivables were mainly related to smaller customers who were in financial difficulties. The aging analysis of these non-recoverable receivables based on due date is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
1–30 days	**–**	–
31–60 days	**–**	–
61–90 days	**–**	–
Over 90 days	**24,708**	24,256
	24,708	24,256

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Beginning balance	**24,256**	26,650
Provision for impairment of trade receivables (Note 6)	**1,135**	3,499
Amount written off as uncollectible	**(507)**	(6,151)
Exchange differences	**(176)**	258
Ending balance	**24,708**	24,256

The addition of provision for impaired receivables has been included in administrative and selling expenses in the consolidated income statement (Note 6). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the end of the reporting period is the carrying value of the receivables (2013: same). Out of trade receivables of HK$800,046,000 (2013: HK$850,054,000), HK$1,751,000 (2013: HK$3,508,000) is secured by a property, interest-bearing at 5% per annum and fully repayable by April 2015. The remaining of HK$798,295,000 (2013: HK$846,546,000), and trade receivables due from related parties of HK$1,746,000 (2013: HK$386,000) are unsecured, interest-free and repayable in accordance with credit term granted.

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

As of 31 December 2014 and 2013, the fair values of the trade and bills receivables are approximately their carrying amounts and are denominated in the following currencies:

	Group	
	2014	2013
	HK$'000	HK$'000
HK$	**191,563**	221,367
United States Dollars ("USD")	**351,223**	348,449
Renminbi ("RMB")	**207,659**	242,003
Others	**30,562**	22,699
	781,007	834,518

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments and deposits				
Prepayment for purchase of raw materials and services	**22,171**	8,739	**–**	–
Value added tax recoverable	**8,357**	14,593	**–**	–
Others	**1,983**	3,447	**520**	857
	32,511	26,779	**520**	857
Other receivables				
Bank interest receivables	**3,717**	3,263	**981**	1,028
Consideration receivable – disposal of available-for-sale financial assets (Note 33)	**–**	23,011	**–**	23,011
Others	**3,921**	7,485	**–**	288
	7,638	33,759	**981**	24,327
	40,149	60,538	**1,501**	25,184

The maximum exposure to credit risk at the reporting date is the carrying value of the deposits and other receivables disclosed above.

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current assets				
Forward currency contracts	**–**	1,868	**–**	–
Swap contracts	**–**	693	**–**	693
	–	2,561	**–**	693
Current liabilities				
Forward currency contracts	**493**	–	**493**	–
Swap contracts	**3,256**	–	**3,256**	–
	3,749	–	**3,749**	–

The forward currency contracts and swap contract are carried at fair value. The above transactions involving derivative financial instruments are with creditworthy financial institutions.

The Group has entered into various forward currency contracts and swap contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The net fair value loss of non-hedging derivatives amounting to HK$15,324,000 (2013: gain of HK$13,733,000) was charged to the consolidated income statement during the year (Notes 6 and 5).

At of 31 December 2014 and 2013, the notional principal amounts of the outstanding forward currency contracts and swap contract are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sell USD Buy RMB	**152,826**	172,170	**152,826**	24,920
Sell HK$ Buy RMB	**52,093**	–	**52,093**	–
	204,919	172,170	**204,919**	24,920

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets.

24 PLEDGED TIME DEPOSITS

As of 31 December 2014 and 2013, the pledged time deposits were denominated in RMB. Time deposits of HK$82,558,000 (2013: HK$47,476,000) and HK$Nil (2013: HK$332,000) were pledged as collaterals for the issuance of bills payable (Note 26) and the Group's banking facilities (Note 28), respectively.

The maximum exposure to credit risk at the reporting date is the carrying value of pledged time deposits disclosed.

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and on hand	**269,055**	218,744	**26,903**	6,222
Time deposits with original maturity less than three months	**648,603**	390,162	**374,853**	217,676
	917,658	608,906	**401,756**	223,898

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**155,006**	68,531	**128,272**	45,184
RMB	**710,293**	512,620	**272,902**	177,708
USD	**27,527**	18,850	**581**	982
GBP	**21,702**	1,055	**–**	23
EUR	**3,068**	7,775	**1**	1
Others	**62**	75	**–**	–
	917,658	608,906	**401,756**	223,898

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Maximum exposure to credit risk on cash and cash equivalents	**916,440**	607,158	**401,748**	223,890

25 CASH AND CASH EQUIVALENTS (CONTINUED)

The conversion of RMB denominated balances into foreign currencies and the remittance of such bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at bank and time deposits earns interest at floating rates based on prevailing bank deposit rates.

26 TRADE AND BILLS PAYABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade payables	**196,289**	196,844
Trade payables due to related parties	**–**	2,463
Total trade payables	**196,289**	199,307
Bills payables	**48,028**	31,639
	244,317	230,946

As of 31 December 2014, the bills payable of HK$45,752,000 (2013: HK$11,546,000) are secured by the pledged time deposits of HK$82,558,000 (2013: HK$47,476,000).

The aging analysis of total trade payables at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
1–30 days	**142,908**	132,764
31–60 days	**40,528**	49,180
61–90 days	**8,376**	13,803
Over 90 days	**4,477**	3,560
	196,289	199,307

26 TRADE AND BILLS PAYABLES (CONTINUED)

As of 31 December 2014 and 2013, the fair values of the trade and bills payables are approximately their carrying amounts and they are denominated in the following currencies:

	Group	
	2014	2013
	HK$'000	HK$'000
HK$	**16,130**	20,735
USD	**48,322**	33,650
RMB	**179,865**	176,561
	244,317	230,946

27 OTHER PAYABLES AND ACCRUED LIABILITIES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables				
Staff benefits fund	**1,409**	1,510	**–**	–
Purchase payables for non-current assets	**6,747**	6,120	**–**	–
Deposits received from customers	**5,334**	11,365	**–**	–
Others	**8,869**	8,655	**418**	356
	22,359	27,650	**418**	356
Accrued liabilities				
Employee benefits expenses	**67,980**	77,308	**2,604**	2,220
Commission	**19,881**	22,765	**–**	–
Social securities insurance	**13,916**	13,128	**–**	–
Audit fee	**2,680**	2,599	**420**	396
Other taxes payables	**13,127**	12,679	**–**	–
Others	**22,687**	24,208	**479**	5,087
	140,271	152,687	**3,503**	7,703
Financial liabilities	**162,630**	180,337	**3,921**	8,059
Provision for long service payment	**1,187**	1,160	**60**	60
Provision for annual leave	**2,492**	2,387	**398**	379
	166,309	183,884	**4,379**	8,498

28 BORROWINGS

	Effective interest rate		Maturity		Group	
	2014	2013	**2014**	2013	**2014**	2013
					HK$'000	HK$'000
Current						
Bank loans – guaranteed (Note a)	**1-4%**	1-3%	**2015**	2014	**290,058**	203,937
Bank loans – secured (Note b)	**–**	3%	**–**	2014	**–**	273
					290,058	204,210
Non-current						
Bank loans – guaranteed (Note a)	**1-2%**	1-2%	**2016-2018**	2015-2017	**194,667**	195,000
Total bank loans wholly repayable within 5 years					**484,725**	399,210

Note:

(a) Bank loans amounting to HK$484,725,000 (2013: HK$398,937,000) are secured by the corporate guarantees issued by the Company (Note 37).

(b) The Group's banking facilities amounting to HK$6,252,000 (2013: HK$6,407,000) of which HK$Nil (2013: HK$273,000) has been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's buildings, land use rights and time deposits, which had an aggregate carrying value at the end of the reporting period of approximately HK$88,333,000 (2013: HK$94,313,000) (Notes 14, 15 and 24).

The Group had bank loan and trade facilities of HK$948,374,000 (2013: HK$686,370,000), of which HK$484,725,000 (2013: HK$399,210,000) had been utilised as at the end of the reporting period.

The bank loans are subject to certain covenants and the Group has not breached any borrowing limits or covenants on any of its banking facilities.

The fair values of borrowings approximate to their carrying amounts as the impact of discounting is not significant (2013: same).

28 BORROWINGS (CONTINUED)

The carrying amounts of borrowings are denominated in the following currencies:

	Group	
	2014	2013
	HK$'000	HK$'000
HK$	**413,369**	399,210
USD	**71,356**	–
	484,725	399,210

29 DEFERRED INCOME TAX

The analysis of deferred tax assets and liabilities is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Deferred income tax assets*:		
– to be realised after more than 12 months	**12,050**	14,090
Deferred income tax liabilities*:		
– to be realised after more than 12 months	**(56,858)**	(54,412)
Deferred income tax liabilities, net	**(44,808)**	(40,322)

* Deferred income tax assets and liabilities are netted off when the taxes are related to the same tax authority and when offsetting is legally enforceable.

The gross movement on the deferred income tax is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Beginning balance	**(40,322)**	(38,085)
Charged to consolidated income statement (Note 10)	**(5,267)**	(1,715)
Exchange differences	**781**	(522)
Ending balance	**(44,808)**	(40,322)

29 DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets

	Provision for impairment of trade receivables	Tax losses	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	4,231	18,387	10,128	32,746
Credited/(charged) to consolidated income statement	(48)	7,012	(1,080)	5,884
Exchange differences	37	600	116	753
At 31 December 2013	4,220	25,999	9,164	39,383
Credited/(charged) to consolidated income statement	559	(5,359)	1,422	(3,378)
Exchange differences	(119)	(335)	40	(414)
At 31 December 2014	4,660	20,305	10,626	35,591

Deferred income tax liabilities

	Accelerated tax depreciation	Withholding tax	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2013	66,081	4,750	70,831
Charged to consolidated income statement	3,984	3,615	7,599
Exchange differences	1,078	197	1,275
At 31 December 2013	71,143	8,562	79,705
Charged to consolidated income statement	1,176	713	1,889
Exchange differences	(981)	(214)	(1,195)
At 31 December 2014	71,338	9,061	80,399

29 DEFERRED INCOME TAX (CONTINUED)

The Group has tax losses arising in Hong Kong of HK$65,243,000 (2013: HK$66,432,000) and the PRC of HK$143,416,000 (2013: HK$126,366,000), which are available for offsetting against future taxable profits of the companies in which the losses arose. These tax losses are subject to further approval by relevant tax authorities. The tax losses arising in the Hong Kong do not have any expiry date, while those arising in the PRC are due to expire within five years.

Among the tax losses arising in Hong Kong and the PRC, tax losses amounting HK$81,223,000 (2013: HK$106,268,000) has been recognised as deferred tax assets of HK$20,305,000 (2013: HK$25,999,000) as the directors are of opinion that it is probable future taxable profits will be available against which these unused tax losses can be utilised.

Deferred income tax liabilities of HK$17,741,000 (2013: HK$16,325,000) have not been recognised as of 31 December 2014 for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries established in the PRC.

The Group's PRC tax losses have expiration period of five years as follows:

	Group	
	2014	2013
Year	**HK$'000**	HK$'000
2014	**–**	10,437
2015	**28,595**	29,305
2016	**47,239**	48,413
2017	**7,073**	7,435
2018	**30,211**	30,776
2019	**30,298**	–
	143,416	126,366

30 SHARE CAPITAL

	2014 Number of shares	2014 HK$'000	2013 Number of shares	2013 HK$'000
Authorised: (Note (a)) Ordinary shares (2013: HK$0.10 each) (Note (b))	**–**	**–**	1,200,000,000	120,000

	2014 Number of shares	2014 Share capital HK$'000	2013 Number of shares	2013 Share capital HK$'000
Issued and fully paid:	**907,864,974**	**90,787**	907,864,974	90,787
Transfer from share premium account and capital redemption reserve account upon transition to no-par value regime on 3 March 2014 (Note (c))	**–**	**1,562,067**	–	–
	907,864,974	**1,652,854**	907,864,974	90,787

During the year ended 31 December 2014 and 2013, the Company did not repurchase any of its own shares.

Notes:

(a) Under the Hong Kong Companies Ordinance (Cap. 622), ("Companies Ordinance") which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(b) In accordance with section 135 of the Companies Ordinance, the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Companies Ordinance, on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital. At 3 March 2014, share premium account of HK$1,559,461,000 and capital redemption reserve of HK$2,606,000 which was grouped under other capital reserve were transferred to share capital.

31 RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current year and prior period are presented in the consolidated statement of changes in equity.

(ii) The Group's legal reserves are statutory reserves for foreign investment enterprises operating in the PRC. The transfers to these reserves are determined by the boards of directors of the relevant subsidiaries and the use thereof is governed by the relevant laws and regulations of the PRC.

31 RESERVES (CONTINUED)

(b) Company

	Share premium HK$'000	Other capital reserves HK$'000	Available-for-sale investment revaluation reserve HK$'000	Equity compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2013	1,559,461	(8,489)	–	7,837	459,451	2,018,260
Comprehensive income						
Profit for the year (Note 11)	–	–	–	–	37,702	37,702
Other comprehensive income						
Gain on revaluation	–	–	8,780	–	–	8,780
Total comprehensive income	–	–	8,780	–	37,702	46,482
Equity compensation expenses (Note 32)	–	–	–	1,162	–	1,162
Shares vested under the restricted share award scheme (Note 32)	–	4,739	–	(4,739)	–	–
Forfeiture of shares awarded (Note 32)	–	–	–	(226)	226	–
Interim dividend (Note 13)	–	–	–	–	(15,434)	(15,434)
Proposed final dividend (Note 13)	–	–	–	–	(48,117)	(48,117)
At 31 December 2013	1,559,461	(3,750)	8,780	4,034	433,828	2,002,353
At 1 January 2014	1,559,461	(3,750)	8,780	4,034	433,828	2,002,353
Comprehensive income						
Profit for the year (Note 11)	–	–	–	–	16,850	16,850
Other comprehensive income						
Gain on revaluation	–	–	269	–	–	269
Total comprehensive income	–	–	269	–	16,850	17,119
Transfer on 3 March 2014 upon adoption of the new Hong Kong Companies Ordinance	(1,559,461)	(2,606)	–	–	–	(1,562,067)
Equity compensation expenses (Note 32)	–	–	–	183	–	183
Shares vested under the restricted share award scheme (Note 32)	–	2,339	–	(4,217)	1,878	–
Interim dividend (Note 13)	–	–	–	–	(9,079)	(9,079)
Proposed final dividend (Note 13)	–	–	–	–	(18,157)	(18,157)
At 31 December 2014	–	(4,017)	9,049	–	425,320	430,352

32 RESTRICTED SHARE AWARD SCHEME

The Restricted Share Award Scheme (the "Scheme") was adopted by the Company on 21 December 2009 as an incentive to attract, motivate and retain employees of the Group. It will expire on 30 June 2015.

Eligible participants of the Scheme are senior management and directors of the Group.

Under the rules of the Scheme, shares will be awarded to the participants of the Scheme when certain performance target is met and shares will be awarded to the participants on or before 30 June of each financial year. There was no share offered and awarded to the participants during the years ended 31 December 2014 and 2013.

The shares granted to the participants will be vested in three equal tranches upon certain vesting conditions are fulfilled. A total of 933,657 shares (2013: 1,938,071 shares) at an average fair value of HK$2,339,000 (2013: HK$4,739,000) were vested during the year.

The fair value of the shares was determined based on the closing market price of the Company's shares that are publicly traded on the Stock Exchange on the grant date.

Share-based payments of HK$183,000 (2013: HK$1,162,000) has been recognised in the consolidated income statement as employee benefits expenses (Notes 8 and 9).

During the year ended 31 December 2014, none of the shares awarded was forfeited. During the year ended 31 December 2013, 104,941 shares awarded, amounted to HK$226,000 was forfeited and was transferred from equity compensation reserve to retained earnings accordingly.

All the shares awarded had been fully vested during the year and HK$1,878,000 was transferred from equity compensation reserve to retained earnings during the year accordingly.

32 RESTRICTED SHARE AWARD SCHEME (CONTINUED)

Movement in the number of shares awarded and their related average fair value is as follows:

	2014		2013	
	Average fair value per share	**Number of shares awarded**	Average fair value per share	Number of shares awarded
Beginning balance		**933,657**		2,976,669
Forfeited	**–**	**–**	2.14	(104,941)
Vested	**2.51**	**(933,657)**	2.45	(1,938,071)
Ending balance		**–**		933,657

All the shares held by Law Debenture Trust (Asia) Limited as Trustee for the purpose of the Scheme are listed below:

	Number of shares	
	2014	2013
Beginning balance	**2,566,601**	4,504,672
Shares vested during the year	**(933,657)**	(1,938,071)
Ending balance	**1,632,944**	2,566,601

There was no purchase of shares for the scheme during the years ended 31 December 2014 and 2013.

33 GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

There was no disposal of available-for-sale financial assets during the year ended 31 December 2014.

During the year ended 31 December 2013, the Company, and other three existing shareholders of Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited ("Paper Mill Entities"), entered into equity transfer agreements with a third party, Zhongshan Yong Fa Industry Company Limited ("Zhongshan Yong Fa"), pursuant to which the Company agreed to dispose of 7.5% of its equity interests in the Paper Mill Entities to Zhongshan Yong Fa at an aggregate cash consideration of RMB18,179,000 (approximately to HK$23,011,000) (the "Disposal"). Further details of the above transactions were set out in the announcements of the Company dated 31 July 2013 and 9 August 2013.

33 GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

The Disposal was completed and a gain of HK$17,183,000 was recognised in the consolidated income statement for the year ended 31 December 2013. Upon completion, the effective equity interest held by the Group in the Paper Mill Entities was reduced from 16.62% to 9.12%.

	2013 HK$'000
Disposal consideration for 7.5% equity interests in the Paper Mill Entities	23,011
Carrying value of the 7.5% equity interests in the Paper Mill Entities at date of disposal	(5,733)
Transaction costs	(95)
Gain on disposal of the investment in available-for-sale financial assets	17,183

At 31 December 2013, the disposal receivable amounted to HK$23,011,000 was recorded as an other receivable and which had been fully settled on 7 March 2014.

34 AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND LOANS TO SUBSIDIARIES

(a) Amounts due from/(to) subsidiaries

	Company	
	2014 **HK$'000**	2013 HK$'000
Due from subsidiaries	**1,333,652**	1,411,740
Provision for impairment	**(1,353)**	(1,353)
	1,332,299	1,410,387
Due to subsidiaries	**1,358**	1,358

The amounts due from two subsidiaries amounting to HK$228,874,000 (2013: HK$306,652,000) bear interest at 2.5% per annum (2013: 2.5% per annum). The remaining balances due from subsidiaries are interest-free. All balances with subsidiaries are unsecured and repayable on demand.

The carrying amounts of these amounts due from/(to) subsidiaries are approximately their fair values and are denominated in HK$.

34 AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND LOANS TO SUBSIDIARIES (CONTINUED)

(b) Loans to subsidiaries

The loans to subsidiaries are unsecured, interest-free and repayable on demand.

The carrying amounts of the loans to subsidiaries are approximately its fair value and are denominated in the following currencies:

	Company	
	2014	2013
	HK$'000	HK$'000
HK$	**60,000**	–
RMB	**6,252**	6,407
	66,252	6,407

35 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting year:

	2014	2013
	HK$'000	HK$'000
Sales of raw materials or finished goods to:		
– A substantial shareholder	**7,740**	6,550
– Parties under control of a substantial shareholder	**11,896**	18,617
Purchases of raw materials from:		
– Parties under control of a substantial shareholder	**187**	55,814

The above transactions were carried out in the normal course of business of the Group and on terms as agreed with the parties.

(b) Outstanding balances with related parties

Save as disclosed in Notes 19, 21, 26 and 34, there were no outstanding balances with related parties as at 31 December 2014 (2013: Nil).

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group

	2014 HK$'000	2013 HK$'000
Short-term employment benefits	**21,036**	29,383
Post-employment benefits	**543**	529
	21,579	29,912

36 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	Note	**2014 HK$'000**	2013 HK$'000
Cash flows from operating activities			
Profit before income tax		**31,500**	105,028
Adjustments for:			
Finance costs		**9,538**	6,729
Bank interest income	5	**(19,735)**	(12,944)
Dividend income from available-for-sale financial assets	5	**(348)**	(348)
Restricted share award scheme expenses	32	**183**	1,162
Provision for impairment of available-for-sale financial assets		**–**	17
Fair value loss/(gain) on derivative financial instruments		**15,324**	(13,733)
Gain on disposal of available-for-sale financial assets	33	**–**	(17,183)
Depreciation of property, plant and equipment	14	**108,054**	113,152
Amortisation of land use rights	15	**1,738**	3,211
Amortisation of intangible assets	16	**631**	822
Provision for impairment of trade receivables	6	**1,135**	3,499
Provision for impairment of inventories, net	6	**3,585**	2,314
Loss on disposals of property, plant and equipment	6	**3,937**	813
		155,542	192,539
Decrease in inventories		**30,786**	61,491
Decrease/(increase) in trade and bills receivables		**52,376**	(7,174)
(Increase)/decrease in prepayments, deposits and other receivables		**(2,168)**	7,215
Increase in trade and bills payables		**13,371**	49,059
(Decrease)/increase in other payables and accrued liabilities		**(17,667)**	1,702
Cash generated from operations		**232,240**	304,832

36 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2014 **HK$**	2013 HK$
Net book amount (Note 14)	**7,100**	2,043
Loss on disposals of property, plant and equipment (Note 36(a))	**(3,937)**	(813)
Proceeds from disposals of property, plant and equipment	**3,163**	1,230

37 CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

Guarantees given to banks for banking and trading facilities granted to:

	Group		**Company**	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Subsidiaries	**–**	–	**1,521,313**	2,064,406
A related company	**19,388**	19,375	**19,388**	19,375
	19,388	19,375	**1,540,701**	2,083,781

Out of the total guarantees given by the Company as at 31 December 2014, approximately HK$460,000,000 (2013: HK$940,000,000) is for back-up facility free of any cost.

37 CONTINGENT LIABILITIES (CONTINUED)

Amount of banking facilities guaranteed by the Company and utilised by:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries	**–**	–	**484,725**	398,937
A related company	**19,388**	19,375	**19,388**	19,375
	19,388	19,375	**504,113**	418,312

At the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Company under any of these guarantees.

38 COMMITMENTS

(a) Operating lease commitments

The Group leases certain of its office properties, warehouses and staff quarters under non-cancellable operating lease arrangements.

At the end of the reporting period, the Group and the Company had total future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Not later than one year	**6,447**	6,515	**575**	684
Later than one year and not later than five years	**15,479**	18,367	**244**	335
Later than five years	**61,296**	65,862	**–**	–
	83,222	90,744	**819**	1,019

(b) Capital commitments

The Group had the following capital commitments for plant and machinery at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted for, but not provided for	**9,149**	33,604
Authorised but not contracted for	**–**	–

At 31 December 2014 and 2013, the Company had no capital commitments.

39 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Assets per consolidated statement of financial position

	Assets at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Available-for-sale financial assets (Note 17)	**–**	–	**–**	–	**43,929**	42,929	**43,929**	42,929
Trade and bills receivables (Note 21)	**–**	–	**781,007**	834,518	**–**	–	**781,007**	834,518
Deposits and other receivables (Note 22)	**–**	–	**8,198**	35,435	**–**	–	**8,198**	35,435
Derivative financial instruments (Note 23)	**–**	2,561	**–**	–	**–**	–	**–**	2,561
Pledged time deposits (Note 24)	**–**	–	**82,558**	47,808	**–**	–	**82,558**	47,808
Time deposits with original maturity over three months	**–**	–	**47,549**	213,685	**–**	–	**47,549**	213,685
Cash and cash equivalents (Note 25)	**–**	–	**917,658**	608,906	**–**	–	**917,658**	608,906
	–	2,561	**1,836,970**	1,740,352	**43,929**	42,929	**1,880,899**	1,785,842

Liabilities per consolidated statement of financial position

	Liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade and bills payables (Note 26)	**–**	–	**244,317**	230,946	**244,317**	230,946
Other payables and accrued liabilities (Note 27)	**–**	–	**162,630**	180,337	**162,630**	180,337
Borrowings (Note 28)	**–**	–	**484,725**	399,210	**484,725**	399,210
Derivative financial instruments (Note 23)	**3,749**	–	**–**	–	**3,749**	–
	3,749	–	**891,672**	810,493	**895,421**	810,493

39 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

Assets per statement of financial position

	Assets at fair value through profit or loss		Loans and receivables		Available-for-sale financial assets		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Available-for-sale financial assets (Note 17)	**–**	–	**–**	–	**12,538**	12,213	**12,538**	12,213
Deposits and other receivables (Note 22)	**–**	–	**1,229**	24,938	**–**	–	**1,229**	24,938
Derivative financial instruments (Note 23)	**–**	693	**–**	–	**–**	–	**–**	693
Loans to subsidiaries (Notes 19 and 34(b))	**–**	–	**66,252**	46,407	**–**	–	**66,252**	46,407
Amounts due from subsidiaries (Note 34(a))	**–**	–	**1,332,299**	1,410,387	**–**	–	**1,332,299**	1,410,387
Dividend receivables from subsidiaries	**–**	–	**9,700**	–	**–**	–	**9,700**	–
Time deposits with original maturity over three months	**–**	–	**–**	142,852	**–**	–	**–**	142,852
Cash and cash equivalents (Note 25)	**–**	–	**401,756**	223,898	**–**	–	**401,756**	223,898
	–	693	**1,811,236**	1,848,482	**12,538**	12,213	**1,823,774**	1,861,388

Liabilities per statement of financial position

	Liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due to subsidiaries (Note 34(a))	**–**	–	**1,358**	1,358	**1,358**	1,358
Other payables and accrued liabilities (Note 27)	**–**	–	**3,921**	8,059	**3,921**	8,059
Derivative financial instruments (Note 23)	**3,749**	–	**–**	–	**3,749**	–
	3,749	–	**5,279**	9,417	**9,028**	9,417

40 FINANCIAL RISK MANAGEMENT

40.1 Financial risk factors

The Group's principal financial instruments, other than derivatives, comprise cash and bank deposits, trade and bills receivables, other receivables, trade and bills payables, other payables and borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group enters into derivative transactions, including principally forward currency and swap contracts of which the purposes are

1) to manage the interest rate risk arising from the Group's operations and its sources of finance; and

2) to manage the exchange rate risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The policies to mitigate each of these risks are summarised below. The board manages and monitors these risks to ensure that appropriate measures are implemented in a timely and effective manner. The Group's accounting policies in relation to derivatives are set out in Note 2.11 to the financial statements.

(a) Interest rate risk

The Group's exposure to interest rate risk arises mainly from its bank deposits and borrowings. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses interest rate swaps to manage its long-term borrowings which bear floating interest rates. At 31 December 2014 and 2013, the Group did not enter any interest rate swaps arrangement.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1 Financial risk factors (Continued)

(a) Interest rate risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate bank deposits and borrowings).

	Increase/ (decrease) in basis points	Group HK$'000	Company HK$'000
31 December 2014			
Profit before tax	**50**	**1,667**	**1,874**
Profit before tax	**(50)**	**(1,667)**	**(1,874)**
31 December 2013			
Profit before tax	50	1,333	1,803
Profit before tax	(50)	(1,333)	(1,803)

(b) Foreign currency risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in various foreign currencies primarily RMB, HK$ and USD.

The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK$ or RMB, which are the functional currencies of the major operating companies within the Group.

When there are significant foreign currency transactions other than the functional currencies of the major operating companies within the Group, the Group will use forward currency contracts to manage the foreign currency exposure. The forward currency contracts must be in the same currency as the hedged item.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1 Financial risk factors (Continued)

(b) Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and RMB exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

31 December 2014

Financial instruments denominated in or linked to currency denominated in:	Increase in exchange rate (i.e. HK$ weaken) of denominated currency against HK$		Increase in profit before tax		Decrease in exchange rate of denominated currency against HK$		Decrease in profit before tax	
	Group	Company	Group	Company	Group	Company	Group	Company
	%	%	HK$'000	HK$'000	%	%	HK$'000	HK$'000
USD	**0.5**	**0.5**	**1,389**	**3**	**(0.5)**	**(0.5)**	**(1,389)**	**(3)**
RMB	**2**	**2**	**14,601**	**9,045**	**(2)**	**(2)**	**(14,601)**	**(9,045)**

31 December 2013

Financial instruments denominated in or linked to currency denominated in:	Increase in exchange rate (i.e. HK$ weaken) of denominated currency against HK$		Increase in profit before tax		Decrease in exchange rate of denominated currency against HK$		Decrease in profit before tax	
	Group	Company	Group	Company	Group	Company	Group	Company
	%	%	HK$'000	HK$'000	%	%	HK$'000	HK$'000
USD	0.5	0.5	1,668	5	(0.5)	(0.5)	(1,668)	(5)
RMB	2	2	12,194	6,887	(2)	(2)	(12,194)	(6,887)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1 Financial risk factors (Continued)

(c) Credit risk

The Group's credit risk is primarily attributable to its trade and bills receivables and deposits placed with banks. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is properly managed and significantly reduced.

Since the Group trades only with creditworthy third parties, normally there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in Note 21 to the financial statements.

(d) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position either as available-for-sale financial assets or derivative financial instruments. The Group is not exposed to commodity price risk.

The Group's equity investments held as available-for-sale include both publicly traded and non-publicly traded. The Group does not actively trade in equity investments and in the opinion of the Board of Directors, the price risk related to trading activities to which the Group is exposed is not material. Accordingly, no quantitative market risk disclosures for price risk have been prepared.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1 Financial risk factors (Continued)

(e) Liquidity risk

The Group's objectives are to maintain sufficient cash and to ensure the availability of funding through an adequate amount of committed banking facilities. The Group aims to maintain flexibility in funding by keeping committed banking facilities available.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

Group

	Maturity analysis – Undiscounted cash flow							
	Less than 1 year		Between 1 and 2 years		Between 2 and 5 years		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Borrowings, including interest payable	**294,856**	184,917	**80,973**	110,697	**118,265**	114,022	**494,094**	409,636
Trade and bills payables	**244,317**	230,946	**-**	–	**-**	–	**244,317**	230,946
Other payables and accrued liabilities	**162,630**	180,337	**-**	–	**-**	–	**162,630**	180,337
Derivative financial instruments	**3,749**	–	**-**	–	**-**	–	**3,749**	–
	705,552	596,200	**80,973**	110,697	**118,265**	114,022	**904,790**	820,919

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

Company

	Maturity analysis – Undiscounted cash flow							
	Less than 1 year		Between 1 and 2 years		Between 2 and 5 years		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other payables and accrued liabilities	**3,921**	8,059	**–**	–	**–**	–	**3,921**	8,059
Derivative financial instruments	**3,749**	–	**–**	–	**–**	–	**3,749**	–
	7,670	8,059	**–**	–	**–**	–	**7,670**	8,059

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Group

	Maturity analysis – Term loans subject to a repayment on demand clause based on scheduled repayments		
	Less than 1 year	Between 1 and 5 years	Total undiscounted cash outflows
	HK$'000	HK$'000	HK$'000
At 31 December 2014	12,902	11,467	24,369
At 31 December 2013	12,902	24,369	37,271

At 31 December 2014 and 2013, the Company had no term loans.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.2 Capital risk management

The Group regards its shareholders' equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (i.e. current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents, time deposits with original maturity over three months and pledged time deposits.

During the year, the Group's strategy was to maintain the net debt gearing ratio below 30%. As at 31 December 2014 and 2013, the Group had net cash position as follows:

	2014 **HK$'000**	2013 HK$'000
Cash and cash equivalents, time deposits with original maturity over three months and pledged time deposits	**1,047,765**	870,399
Total borrowings (Note 28)	**(484,725)**	(399,210)
Net cash	**563,040**	471,189

As the Group had a net cash position, the net debt gearing ratio as at 31 December 2014 was nil (2013: nil).

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014 and 2013:

	Level 1		**Level 2**		**Level 3**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets								
Available-for-sale financial assets								
– Club debentures	**–**	–	**–**	–	**891**	566	**891**	566
– Unlisted equity investments	**–**	–	**–**	–	**34,377**	34,941	**34,377**	34,941
– Listed equity investments	**8,581**	7,342	**–**	–	**–**	–	**8,581**	7,342
Derivative financial instruments	**–**	–	**–**	–	**–**	2,561	**–**	2,561
Total assets	**8,581**	7,342	**–**	–	**35,268**	38,068	**43,849**	45,410
Liabilities								
Derivative financial instruments	**–**	–	**–**	–	**3,749**	–	**3,749**	–

(a) Financial instruments in level 1

The fair value of listed equity instruments traded in active markets is based on quoted market prices at the balance sheet date.

(b) Financial instruments in level 3

The fair value of club debentures is determined with reference to quoted market prices at the end of the reporting period without any deduction for transaction costs.

The fair values of unlisted equity instruments and derivative financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

40.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014 and 2013:

	Club debentures		Unlisted equity investments		Derivative financial instruments		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Opening balance	**566**	583	**34,941**	14,330	**2,561**	1,117	**38,068**	16,030
Gain/(loss) recognised in consolidated income statement	**56**	(17)	**-**	–	**(15,324)**	13,733	**(15,268)**	13,716
Net gain transfer to equity	**269**	–	**-**	26,176	**-**	–	**269**	26,176
Disposal of equity interest	**-**	–	**-**	(5,733)	**-**	–	**-**	(5,733)
Settlement on maturity	**-**	–	**-**	–	**9,014**	(12,289)	**9,014**	(12,289)
Exchange difference	**-**	–	**(564)**	168	**-**	–	**(564)**	168
Closing balance	**891**	566	**34,377**	34,941	**(3,749)**	2,561	**31,519**	38,068
Total gain/(loss) for the year included in profit or loss for assets/(liabilities) held at the end of the reporting period	**56**	(17)	**-**	–	**(15,324)**	13,733	**(15,268)**	13,716

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