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

年度報告
ANNUAL REPORT 2017

STOCK CODE 股份代號 ： 0450

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 package printing, consumer product packaging, corrugated box 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 8,600 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
Sadatoshi Inoue
Hirofumi Hori
Yoshihisa Suzuki
Yam Hon Ming, Tommy

Independent Non-Executive Directors
Lo Chi Hong
Luk Koon Hoo
Yap, Alfred Donald

Company Secretary
Shek Kwok Man

Legal Advisor
Shearman & Sterling

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
MUFG Bank, Ltd.
BNP Paribas

Auditor
KPMG

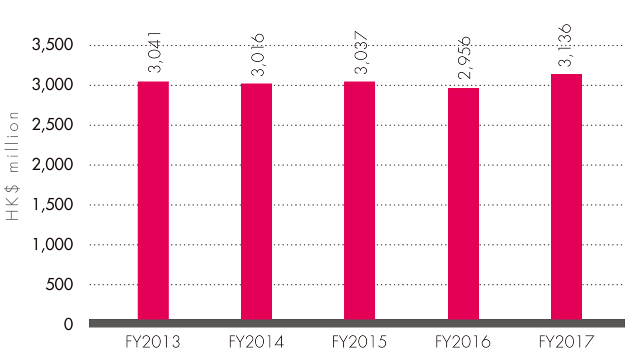
Share Registrar
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

FINANCIAL HIGHLIGHTS

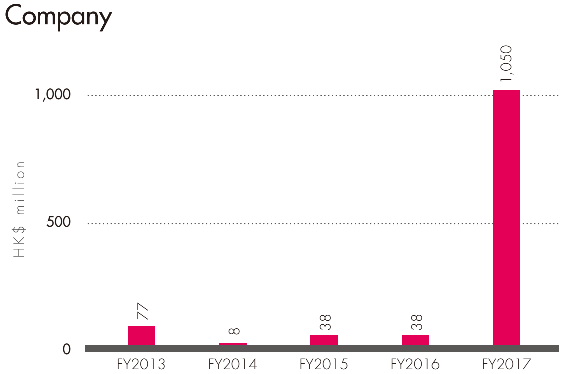
	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Revenue	**3,135,659**	2,955,924
Profit for the year	**1,055,549**	42,340
Profit Attributable to Equity Shareholders of the Company	**1,050,483**	37,785
Basic Earnings per Share (HK cents)	**116.7**	4.2
Dividends per Share (HK cents)		
Interim Dividend	**2**	1
Final Dividend	**3**	3
Special Dividend	**27**	–
	32	4

	At 31 December 2017 HK$'000	At 31 December 2016 HK$'000
Property, Plant and Equipment	**1,094,232**	1,113,515
Net Current Assets	**2,712,796**	1,665,546
Total Assets	**4,543,812**	3,491,770
Equity Attributable to Equity Shareholders of the Company	**3,656,713**	2,612,856

Revenue



Profit Attributable to Equity Shareholders of the Company



CHAIRMAN’S STATEMENT

CHAIRMAN'S STATEMENT

Building Blocks in Place for Long Term Value Growth

During the year under review Hung Hing Printing Group delivered stable performance in all our core businesses, progress against our strategic priorities and remained on course with a clear plan for future development.

We maintained margins and achieved profitability growth, underpinned by solid revenue performance and increased delivery of higher margin products and value-added services. Our core strengths in children's books and novelty products helped achieve not only bottom line growth but also won prestigious awards during the year. We laid the groundwork for competitive advantage and future growth in our printing, packaging, corrugated carton and paper trading businesses through a number of initiatives.

STRATEGIC REALIGNMENTS WILL ENHANCE FUTURE GROWTH AND OPERATING EFFECTIVENESS

We entered into two major transactions to optimize our operating model and enhance our competitive position, moving us closer to customers and streamlining our operating costs over the long term.

In December 2017, we completed the sale of one of the warehouses of the paper trading division in Shenzhen, which yielded a gain of HK$1,144 million. This allowed us to enhance shareholder return, and also facilitated the strategic investments needed to upgrade our capabilities, and implement automation and workflow improvements. The entire consideration has been credited in instalments into the Company's bank account in Hong Kong by the end of February 2018.

The second transaction was an agreement to acquire a 100% stake in Guangdong Rengo Packaging Co., Ltd. ("Guangdong Rengo") at a total consideration of RMB60 million from our major shareholder, the Rengo Co., Ltd., announced on 20 March 2018. Guangdong Rengo is incorporated in mainland China and focuses on the production of corrugated cases, packaging and decorating of printing products, and printing of other printing products. The acquisition is a strategic fit with our core businesses, and will deliver valuable synergies in setting up a multi-location network for growth, improved logistical efficiencies and enhancement in service coverage to our customers.

RESULTS AND DIVIDENDS

The Group's 2017 profit attributable to equity shareholders of the Company amounted to HK$1,050 million (2016: HK$38 million). Basic earnings per share was HK116.7 cents. (2016: HK4.2 cents).

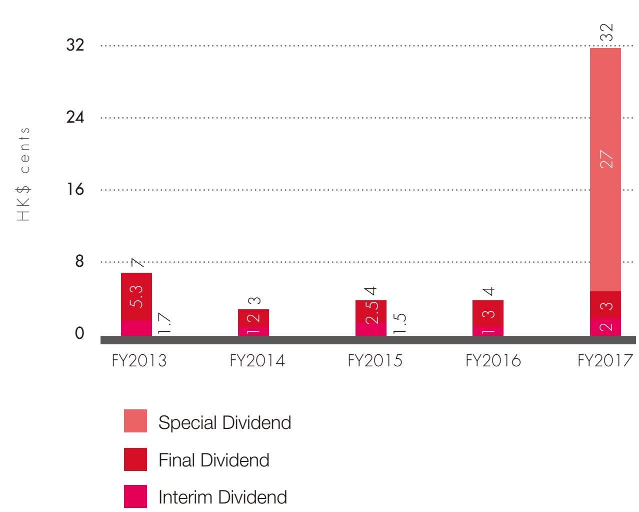
Based on the significant yield from the asset disposal, and backed by our strong cash and financial positions, the Directors have recommended a one-off special dividend in cash of HK27 cents per share and a final dividend of HK3 cents per share, payable on 14 June 2018 to shareholders whose names appeared on the Register of Members of the Company as of 1 June 2018. Including the interim dividend of HK2 cents per share, total dividends for the year (excluding the special dividend) increased by 25% to HK5 cents per share (2016: HK4 cents per share), setting the stage for further sustained growth in shareholder returns.

CONTINUOUS IMPROVEMENT TO SUSTAIN INNOVATION AND AGILITY

The printing industry has been steadily shifting to a 'new normal' over the past five years, characterised by increased seasonality, tighter production timelines, and products with integrated technology. Innovation, portfolio diversification and the adoption of agile working practices to meet changing customer needs have enabled us to consolidate our market leadership in the face of these challenges in the sector.

During the year, we implemented a number of initiatives to attain competitive advantage in this evolving environment. A key focus was to support a wider range of clients' needs with value-added services. For example, we launched new IP protection and anti-counterfeiting services for the food and beverage and healthcare sectors, as well as design and paper engineering through our design hub Beluga. We continued to successfully sell copyright agency services bundled with book printing after title acquisition in China as well as overseas markets on behalf of publishers.

Dividend Per Share



Moreover, to address the strong growth potential in mainland China for children's products and consumer packaging in particular, we have committed over HK$73 million to build a new production facility with advanced equipment at our Heshan plant. The new facility, which is expected to be commissioned in the middle of 2018, will enable us to improve cost efficiencies and synergies with other locations, while expanding capacity to capture new opportunities.

We fully embrace the latest technology and are transforming our production facilities into smart factories. With centralized technology to optimize resource, workflow and production planning, and improved automation, we are witnessing steady improvement in capacity utilization and worker productivity. RFID tracking, digital data collection and cloud-based analytics are helping us make more informed decisions and improve efficiencies. We are also integrating new equipment and upgrading existing facilities to stay ahead of even more stringent environmental regulations.

A nascent trend among customers today is the demand for bespoke products, which will enable us to engage more closely with clients and develop creative solutions to meet their needs. We have invested in state-of-the-art equipment to support this line of business at the Heshan plant and completed trials for key customers. Through the establishment of a more creative and consultative way of working, we are seeing success in supporting customers to present content creatively, as well as in developing our own content.

Our vertically integrated offering has always been one of Hung Hing's key strengths and we made a number of moves to strengthen the synergies that our end-to-end value chain offers. We have moved closer to customers by developing expanded warehousing and distribution services in China and Hong Kong. In parallel, we are re-engineering our production setup for the corrugated carton business, moving towards a model of interconnected production sites to maximise customer coverage. We are also reworking the operating model of our paper trading division to be more streamlined and cost-competitive. With the launch of a new online platform and e-commerce capabilities we have moved one step closer to our customers.

OUTLOOK

We expect that the currency volatility and intense seasonality in market demand observed in recent seasons will persist, as the global economy continues to recover. World trade improvements, strong consumer confidence and purchasing managers' indices indicate stronger prospects for manufacturers in the year ahead[1]. Consumer confidence and domestic spending in China are also encouraging, offering a positive outlook for our book and novelty item printing and packaging business units.

During the coming months, the major focus will be on enhancing children's and novelty book production as well as deluxe packaging. The completion and commissioning of the new Heshan facility in mid-2018 will support this. Our investment in advanced facilities, realignment of the operational setup, and the recent acquisition, underpinned by a forward-looking strategy and strong financial position, put us in an advantageous position to continue delivering long-term value growth to our shareholders.

In closing I would like to thank our shareholders, management and hard-working and talented staff whose commitment and support are at the root of all our success.

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 20 March 2018

1 https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018

MANAGEMENT DISCUSSION AND ANALYSIS

BALANCED STRUCTURE AND DIVERSIFIED PORTFOLIO ACHIEVE GROWTH

In 2017, the Hung Hing Printing Group maintained and consolidated its position as one of the region's largest printers with a strong presence in book and package printing, consumer product packaging, corrugated box and paper trading. Through our headquarters in Hong Kong and manufacturing plants strategically located in four key areas in China – three in Guangdong province and one in Wuxi near Shanghai, we provide a broad range of advanced printing solutions to multiple industries. Our end-to-end capabilities go beyond conventional printing and manufacturing to encompass product design, paper engineering, digital services, paper trading, warehousing and distribution.

2017 saw us achieve 6% revenue growth by focusing on higher value-added clients and projects in domestic and overseas markets. We successfully engaged with clients to move further up the value chain with creative design and paper engineering solutions, including packaging that integrates advanced technologies. We made a strategic decision a few years ago to invest in the future of the business by integrating technology and design into our operations. Staying true to this strategy enabled us to deliver margin growth as a result of more streamlined operations, increased automation, and workflow improvements. This achievement is particularly significant at a time when numerous players in the sector are being affected adversely by the ongoing trends of shorter lead times and increased customization, twinned with persistent strained labour supply and abrupt paper price movements.

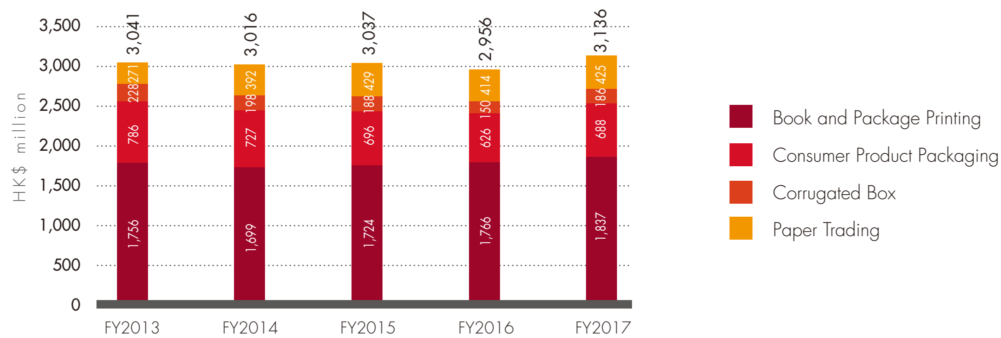
REVENUE

Group revenue increased by 6% over the previous year to HK$3,136 million. This growth was driven by successful re-negotiation of customer pricing in tandem with paper price movements, as well as increased export orders into key markets including the US and Eurozone as a result of improved consumer confidence and a gradual economic recovery around the world. Increased utilization and a more diversified portfolio enabled us to increase the turnover of all four business units, book and package printing (BPP), consumer product packaging (CPP), corrugated box (CB), and paper trading (PT).

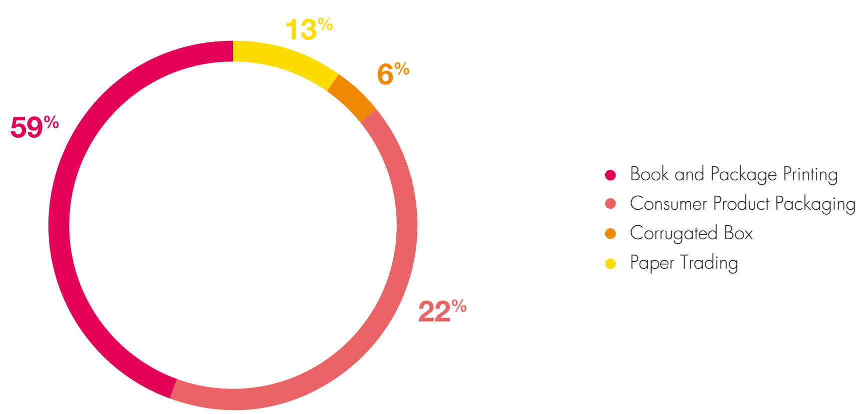
OPERATING PROFIT AND MARGINS

The Group completed the sale of one of the paper trading warehouses during the year, a landmark transaction that will greatly enhance our competitive position while causing no interruption to our paper trading business. The significant pre-tax gain of HK$1,144 million from this disposal, along with the margin improvement that was initiated in the first half, allow us to achieve a total full-year operating profit of HK$1,207 million, compared to HK$66 million achieved in the previous year. Excluding the benefits from the disposal of HK$1,144 million and the effect of a one-off charge representing discretionary bonus of HK$17 million in light of the disposal, the operating profit would be around HK$80 million, representing an increase of 20% over the previous financial year.

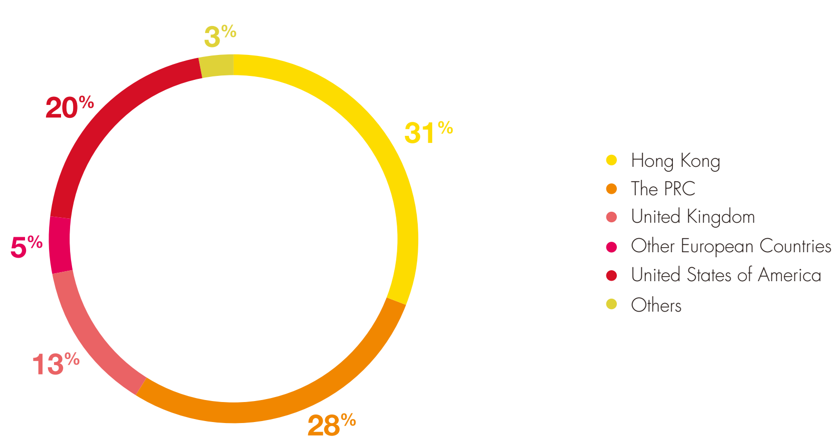
Revenue by Business Unit



Revenue by Business Unit in Year 2017



Revenue by Region in Year 2017

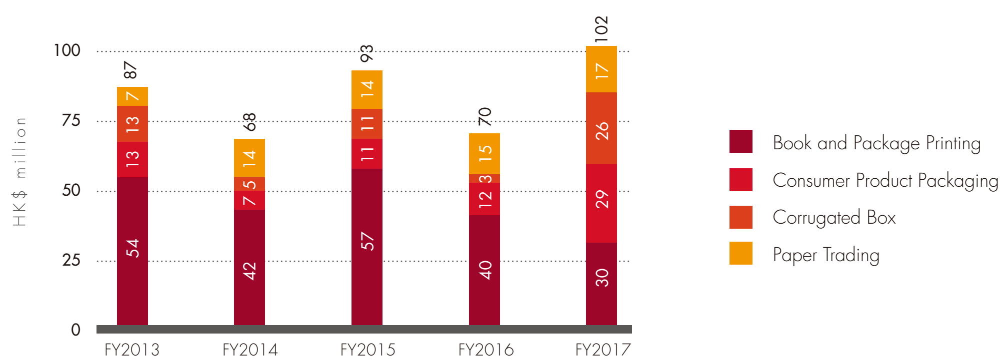


The Group's product mix rationalization and focus on higher value-added business helped improve gross margins. The CB and CPP business units in particular achieved significant improvements in profit contribution on the back of timely price adjustments in tandem with paper price trends. The PT business unit also showed improved earnings but was to some extent impacted by prudent inventory management and additional accounting provisions on assets related to the disposal transaction. Profit contribution of the BPP division showed a temporary decline due to timing of implementation of new contracts that reflected the extraordinary paper price increases.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Profit attributable to equity shareholders of the Company increased 27-fold to HK$1,050 million, compared to HK$38 million achieved in the last financial year. Excluding the benefits from the disposal of HK$1,144 million together with the related income tax expenses of HK$117 million and the effect of a one-off charge representing discretionary bonus of HK$17 million in light of the disposal, the profit attributable to equity shareholders would be around HK$41 million, representing an increase of 8% over the previous financial year.

Profit Contribution by Business Unit



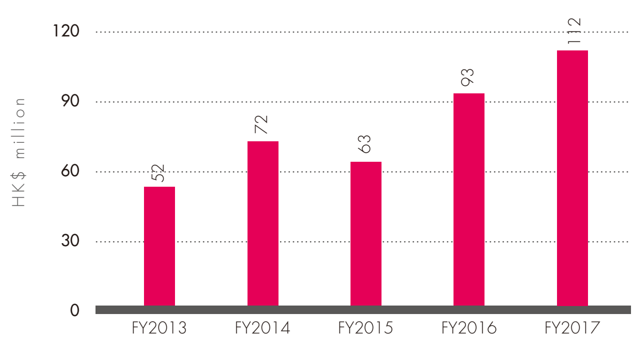
STRONG LIQUIDITY: NET CASH UP TO HK$1,224 MILLION FOLLOWING ASSET DISPOSAL

The disposal of one of the warehousing facilities of the paper trading division for a consideration of RMB1,026 million greatly augmented net cash on hand. With more liquidity and financial clout, the Board of Directors has proposed increasing short-term shareholder returns through special dividends, while pursuing longer-term investment opportunities offering more lucrative margins. As at 31 December 2017, total cash net of bank borrowings stood at HK$1,224 million, more than double of HK$561 million at the end of the previous year. The Group's net cash will increase to over HK$1,600 million with the inclusion of the remaining proceeds of around HK$390 million from the sale of the warehousing facility collected by the end of February 2018, which has been recorded under "Other receivables".

In anticipation of strong market demand for our high performing corrugated carton and packaging printing business lines we decided in March 2018 to invest RMB60 million to acquire a 100% stake in Guangdong Rengo. Over and above this strategic transaction, we continued to make considered capital investments in the core business, committing in 2017 HK$173 million in equipment, facilities and technology to increase automation, streamline workflows and acquire new capabilities including bespoke printing. We also made appropriate investments to place ourselves ahead of the curve vis-à-vis competition and tightened environmental regulations in China: both of which are healthy and positive developments for the industry in the long run.

To meet operating needs, approximately 24% of cash was held in RMB (excluding the RMB equivalent of HK$390 million recorded under "Other receivables" as mentioned earlier), with the rest held in HKD (24%) and USD (51%). Loans were also confined to HKD and USD to control currency exposures and reduce interest expenses. We also carefully managed our loan portfolio, using a balanced mix of floating and fixed interest rate facilities depending on market conditions to minimize interest rate risk. Gearing was maintained at a healthy and conservative level of 5.4% (2016: 9.6%).

Capital Expenditure



MARKET PERFORMANCE

Our proactive investments in equipment, processes and talent placed us in a strong position to take advantage of a macro economic revival in our key markets of the US as well as Europe. The Chinese market remains extremely attractive with sustained economic growth and the continued emergence of a middle class with increased disposable income. Having steadily increased our network and infrastructure in this key market, we were also successful in growing our presence in tandem with the demand for children's books, novelty items and packaging for luxury products. The positive trends in consumer confidence have also macerated a more conducive environment for our suite of creative, electronic and value-added services that we have been developing as part of our design hub Beluga.

Our vertically integrated, automation-intensive operations enabled us to counter the impact of paper price volatility, labour constraints and cost inflation that prevailed throughout the year. Another factor exerting pressure on the manufacturing sector as a whole is the increasing severity of environmental scrutiny and regulation in China. Our proactive investments in training, equipment and processes, and ability to source materials from different sources of supply, domestic and overseas, meant that adverse consequences of these trends on our operations were minimised.

We continue to move forward to create an agile enterprise and expand our capabilities with high quality assets and strong cashflows that play to our strengths and expertise. We will build on and replicate our successful experience in 2017. As such we are confident that we will consolidate and grow our position in this new era of printing.

BUSINESS UNIT REPORT

BOOK AND PACKAGE PRINTING (BPP)

Book and Package Printing is the Group's largest business unit, with 59% of total sales.

BPP is one of the world's leading producers of folding cartons and packaging for toys, cosmetics and other consumer products, and conventional and children's novelty books. Traditional printing aside, BPP also offers creative design and product development for 'print + digital' solutions through its subsidiary Beluga. As a value-added service, it helps Chinese and global publishing clients acquire licensing rights of popular book titles in global markets.

The business unit has manufacturing plants in three locations – Shenzhen and Heshan in China's Guangdong province, and Hong Kong, with a combined production space of 300,000 square meters over a total land area of approximately 467,000 square meters, and a workforce of approximately 6,500.

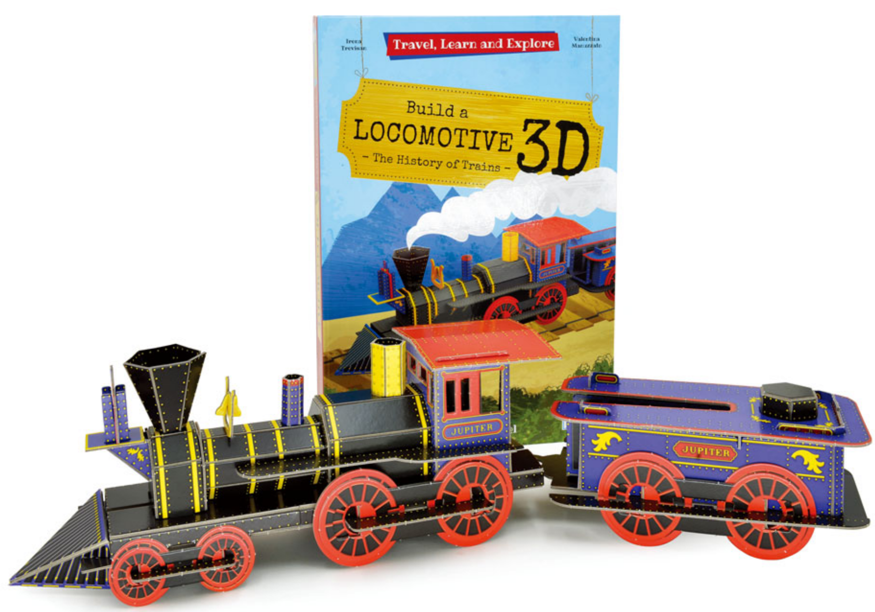
The BPP business reported the following results in 2017:

- Revenues of HK$1,837 million, an increase of 4% over the previous year's revenues of HK$1,766 million

- Profit contribution of HK$30.5 million, a drop of 23.1% from HK$39.7 million in 2016

Review of operations

The BPP unit achieved stable revenues through long-term contracts and customers from both local and overseas markets, on the back of a macro-economic revival and improved consumer spending levels. In line with the Group's overall strategy BPP has rationalised its customer portfolio to focus on premium business with higher margins, including bespoke products for key clients. The increased adoption of customized and high-end products also helped the packaging business achieve its targets, while the greeting card product line performed to expectations. The book printing product line saw encouraging success in the copyright agency service and maintained its award-winning streak for innovation.



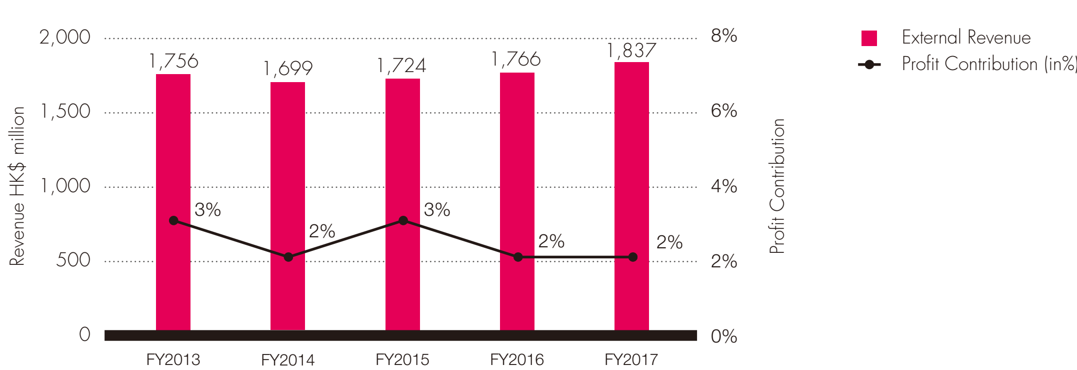
The year saw significant and abrupt fluctuations in paper prices. While the unit has been successful in re-negotiating customer prices to reflect these raw material costs, there is a time lag affecting the implementation of price adjustments, which has temporarily impacted profitability. This effect is expected to be offset when new contracts reflecting these extraordinary price increases come into effect.

Our design hub Beluga, a pioneer in the "print+digital" space, has been working on products to aid IP protection for publishers. These products are in high demand in the food and beverage and healthcare sectors to combat the rise in counterfeit products.

To retain its leading position in the changing and demanding environment, the BPP unit introduced new machines to improve efficiency and quality and offer a new range of features and services, including state-of-the-art digital printing and die-cutting technologies.

Pursuant to our business plans to prepare for future growth and tap the potential in the China market, the Heshan plant is being significantly remodelled and expanded. The new facility, that will provide an additional 25,000 sq.m. of specially designed production space, is expected to commence operations in mid-2018. All our manufacturing sites including the new facility at Heshan will be 'Industry 4.0' smart factories, with RFID-enabled tracking of new material pallets, work-in-progress and finished goods.

BPP
Revenue & Profit Contribution (in %)



CONSUMER PRODUCT PACKAGING (CPP)

The Consumer Product Packaging (CPP) unit accounts for 22% of the Group's total revenues. CPP provides high quality packaging solutions for customers worldwide, with a particular focus on mainland China's fast-growing consumer market.

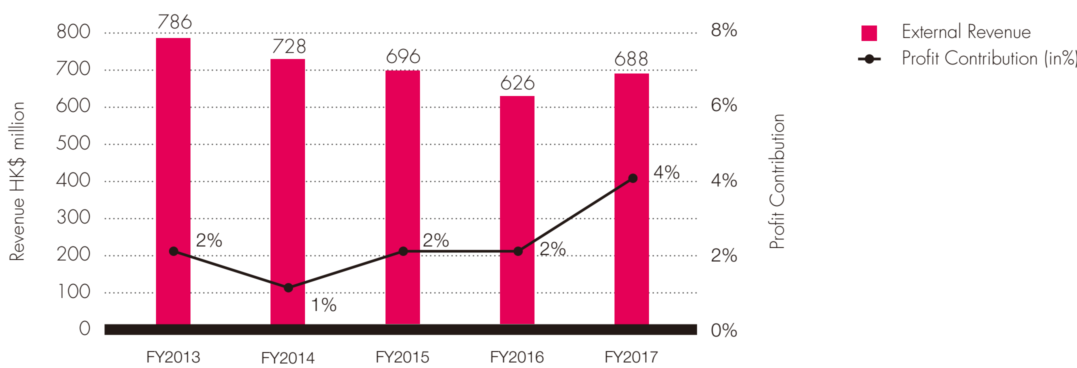
Production is done at facilities in Zhongshan in southern China and Wuxi near Shanghai with a combined production space of 180,000 square meters over a total land area of approximately 250,000 square meters, and a skilled workforce of approximately 1,500.

The CPP business reported the following results in 2017:

- External revenues of HK$688 million, an increase of 9.9% over HK$626 million recorded in the previous year

- Profit contribution of HK$28.9 million, an increase of 143.0% over HK$11.9 million recorded in 2016

CPP
Revenue & Profit Contribution (in %)



Review of Operations

The CPP business recorded strong performance in 2017 with revenues increasing by 9.9%, thanks to new product innovations such as solutions incorporating multi-media and interactive features that cater to high-end products. These solutions were particularly effective in tapping into the robust demand from the Chinese domestic market. Higher-value products, combined with streamlined production processes and an agile manufacturing and distribution system, all contributed to increased margins.

The unit was able to manage paper price rises by implementing timely increases in customer rates more or less in tandem with paper price movements. Together with effective management of labour cost, overheads and inventory, profit contribution from the unit was more than double of 2016, a significant achievement given the year's abrupt paper price trends.

On the production front, the CPP business unit invested in new equipment and processes to support the sales team's deliverables and manufacture value-added and higher quality products to meet increasing demands from the affluent and growing Chinese fast-moving consumer goods market.

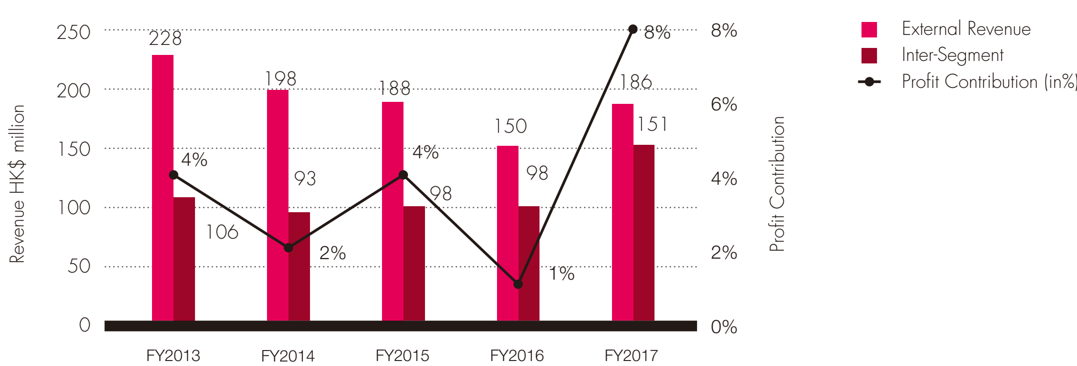
CORRUGATED BOX (CB)

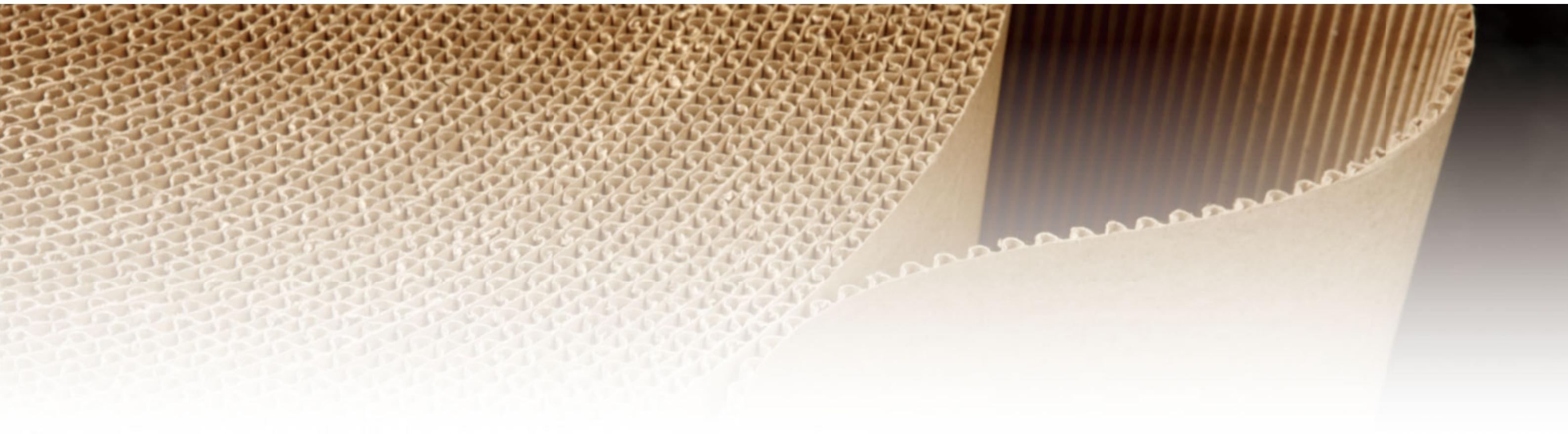
The Corrugated Box (CB) business unit recorded revenues of HK$337 million, including HK$186 million in external sales and HK$151 million in inter-business unit sales.

CB supplies corrugated cartons for packaging to a wide range of companies, including toy, food and beverage, electronics and household product manufacturers. Over 60% of the CB business is generated from exports out of mainland China.

The business unit operates a manufacturing facility in Shenzhen and a distribution centre in Hong Kong.

CB
Revenue & Profit Contribution (in %)





The CB business reported the following results in 2017:

- External revenues of HK$186 million, an increase of 24.1% over HK$150 million recorded in the previous year

- Profit contribution of HK$26.0 million, an increase of 654.7% over HK$3.4 million achieved in 2016

Review of Operations

The CB business strengthened its operational setup in 2017 to improve agility and responsiveness to market movements. Even as industry consolidation meant that smaller and non-competitive players had to shut down, CB was able to respond quickly to customer needs to post significantly improved revenues as well as profit contribution. A new agile inventory management system enabled the unit to stay ahead of abrupt paper price fluctuations to deliver these strong results.

The business unit streamlined its warehousing and distribution network during the year, establishing a stronger network of connected sites, so as to move closer to customers, improve efficiencies, manage the order fulfilment process better and establish greater synergy between locations.

The decision to acquire Guangdong Rengo in March 2018 is of particular strategic importance to the growth of the CB unit. With a strong market position in the production of corrugated cases and packaging among other product lines, the acquisition will enable us to expand our multi-location network strategy to achieve growth, efficiencies and superior customer service.

PAPER TRADING (PT)

The Paper Trading (PT) business unit recorded revenues of HK$873 million, including HK$425 million in external sales and HK$448 million in inter-business unit sales.

PT is one of the largest paper trading operators in Asia (ex-Japan) and can supply a large variety of paper types and quantities with short lead times at competitive prices. Apart from sales to external customers, the business unit serves as a key strategic partner for paper supply to the Group's other business units.

The PT business reported the following results in 2017:

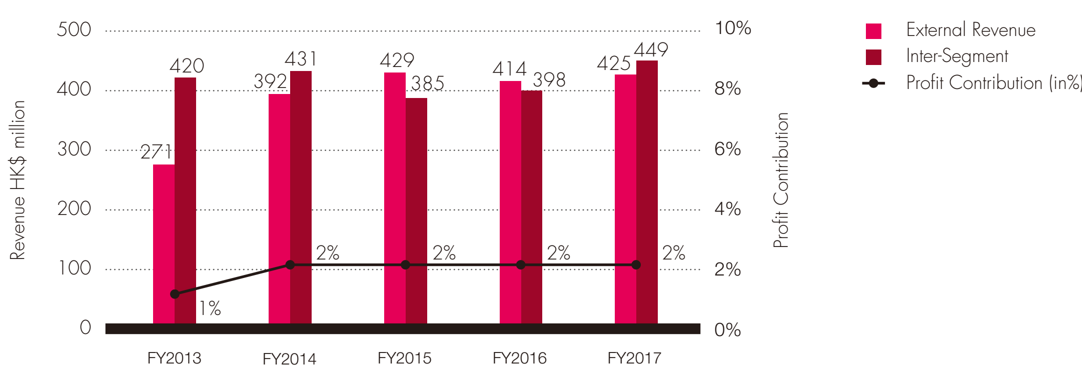
- External revenues of HK$425 million, an increase of 2.6% over HK$414 million recorded in the previous year
- Profit contribution of HK$17.3 million, an increase of 18.4% from HK$14.6 million the previous year

Review of Operations

The PT business delivered growth in both revenues and profit contribution, primarily due to the unit's agile and prudent inventory management strategy, allowing it to successfully leverage paper price trends and provide value-added products at very competitive prices to customers. The business unit showed improved earnings but was to some extent impacted by prudent additional accounting provisions on assets related to the sale of one of its warehousing facilities in Shenzhen.

Warehousing and distribution is a core part of the Group's end-to-end service chain. The disposal of the warehousing facility made it possible to implement a strategic realignment of the PT business unit's operations and logistics to better enable it to address the needs of both internal and external customers without causing any major interruption to its operations. Key elements of this multifold strategy include business transformation for improved inventory management and a flexible warehousing strategy that aid efficiency, agility and proximity to customers and other units. PT will manage the new warehouse infrastructure and capacity as needed going forward to meet growing business and export demands, including through a new bonded warehouse.

PT
Revenue & Profit Contribution (in %)



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 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 2017 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 60 to 62 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 25 May 2017 for the financial year ended 31 December 2016.

The attendance record of the Directors at the board meetings, extraordinary general meeting and the annual general meeting for the year ended 31 December 2017 is as follows:

	Attendance		
	Board meetings	AGM	EGM
Executive Chairman			
Yum Chak Ming, Matthew	4/4	1/1	1/1
Executive Director			
Sung Chee Keung	4/4	1/1	1/1
Non-executive Directors			
Sadatoshi Inoue	2/4	1/1	0/1
Hirofumi Hori	4/4	1/1	0/1
Katsuaki Tanaka (Resigned on 23 March 2017)	1/1	–	–
Yoshihisa Suzuki (Appointed on 23 March 2017)	3/3	1/1	1/1
Yam Hon Ming, Tommy	1/4	1/1	1/1
Independent Non-executive Directors			
Yap Alfred Donald	4/4	1/1	0/1
Luk Koon Hoo	4/4	1/1	0/1
Lo Chi Hong	4/4	1/1	0/1

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 2017, we organized a site visit, and arranged our audit firm to give a training session and lead discussion on the subject of Hong Kong Tax Update. 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 2017 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	
Sadatoshi Inoue	A, B
Hirofumi Hori	A, B
Katsuaki Tanaka (Resigned on 23 March 2017)	A, B, C
Yoshihisa Suzuki (Appointed on 23 March 2017)	A, B, C
Yam Hon Ming, Tommy	A, 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:

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

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

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

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

(v) 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 2017.

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 68 to 73 of this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the Auditor of the Company will receive approximately HK$2,060,000 (2016: HK$1,960,000) for their audit service. Non-audit service which covered taxation and other services provided to the Group was approximately HK$1,605,000 (2016: HK$389,000) 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 who resigned on 23 March 2017 and replaced by Mr. Yoshihisa Suzuki. 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 once in the financial year ended 31 December 2017 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 2017;

- the salary adjustment of Executive Directors and Senior Management taken into account of the Group annual salary review policy and performance of individuals; and

- director fee for the newly joined Non-executive Director.

NOMINATION COMMITTEE

The Nomination Committee comprises of 3 Independent Non-executive Directors, Mr. Luk Koon Hoo (Committee Chairman), Mr. Yap, Alfred Donald, Mr. Lo Chi Hong, 1 Non-executive Director, Mr. Katsuaki Tanaka who resigned on 23 March 2017 and replaced by Mr. Yoshihisa Suzuki, 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 once in the financial year ended 31 December 2017 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 composition of the Board;

– the assessment of independence of the independent Non-executive Directors; and

– the nomination of Mr. Yoshihisa Suzuki as Non-executive Director to replace Mr. Katsuaki Tanaka who resigned on 23 March 2017.

The Board adopted the Board Diversity Policy since 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.

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. Yap, Alfred Donald, Mr. Lo Chi Hong and 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 2017, the Committee held four meetings and the attendance record are:

	Attendance
Luk Koon Hoo	4/4
Yap Alfred Donald	4/4
Lo Chi Hong	4/4
Hirofumi Hori	4/4

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

– reviewing with the auditor on key audit and accounting matters, 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 2016;

– reviewing the financial statements for the six months ended 30 June 2017 focusing on business highlights, any change of accounting policies and practices, and compliance with accounting standards and listing rules requirements;

– 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 2017;

– 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; and

– reviewing the risk management and internal control of the Group.

The Committee is satisfied with the review of the work of external auditors, their audit fees, results of their audits and has recommended to the Board their re-appointment for the financial year ending on 31 December 2018 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. Inquiries 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, Social and Governance Report

Hung Hing Printing Group Limited ("Hung Hing") is one of the largest printers in Hong Kong and China and employs over eight thousand people. Our business philosophy is to run a growing, profitable and sustainable business which will benefit our employees, business partners and other stakeholders, while minimising the impact on the environment. To achieve this goal, we proactively ensure we meet all relevant national and local laws and regulations, as well as industry standards.

All our production sites have an ESG team with dedicated staff who regularly visit government websites and online forums, and attend conferences held by relevant authorities to keep abreast of government policy, as well as updates on the laws and regulations covering areas such as workplace health and safety, fire safety and environmental protection.

Our staff studies the regulations and prioritises those that have maximum impact on our operations. They suggest the necessary measures to be put in place to ensure compliance. Every year, we track updates on over 200 laws and regulations that directly affect our business and take remedial action wherever necessary to meet latest standards or requirements.

As an employer, it is our responsibility to provide a safe and healthy workplace for our employees, while environmental protection and contribution to the community is our duty as a corporate citizen.

We continue to improve our performance in production safety as well as environmental protection by adhering to standardized good practices and documenting them through the International Standard Organisation's ISO 9001 Quality Management System and the ISO 14001 Environmental Management System.

All our production sites in China are certified under both systems. In 2017, our Shenzhen factory received the ISO 50001 Energy Management System certification, which further validates our efforts in energy conservation.

Since we established our ethical policy in 2003, all our production sites have documented procedures to implement the same. Starting with recruitment we follow a zero discrimination policy with respect to ethnicity, gender and any physical challenges. Stringent measures are in place to prevent child labour as well. We are regularly audited for our ethical practices by third parties as per industrial standards like ICTI-COBP (International Council of Toy Industries – Code of Business Practice) and SMETA (Sedex Members Ethical Trade Audit) and those specified by our customers.

Good governance is essential to build a good reputation and achieve continuous growth. We ensure transparency in internal operations and business dealings with partners. There are various channels to report discrepancies or misconduct, with formal processes to investigate genuine complaints.

We have disclosed our carbon emission information on the CDP website (https://www.cdp.net), a not-for-profit platform that runs a global disclosure system to help interested parties manage their environmental impact. Ethical information is also shared on the Ecovadis website (www.ecovadis.com), a website for supplier sustainability ratings, under the name 'Hung Hing Printing Group Ltd.'.

Unless otherwise stated, this report is prepared based on the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited in 2015.

Scope of the report

This report provides information related to the business activities of the manufacturing sites and warehouse facilities directly controlled by the group, and its Hong Kong offices. Only scope 1 and scope 2 ESG data are included.

Stakeholder Engagement

Listening to our stakeholders and disclosing information that may concern them is one of the ways in which we increase transparency in operations. We have established formal and informal channels to collect internal and external stakeholder input on issues affecting them. These are ranked according to their significance to our operations and the quality of feedback.

The table below lists the channels through which we interact with our different stakeholders and the types of information collected:

Stakeholder	Activities	Information collected
Investors	Annual report, annual general meetings, company emails.	Concerns on compliance with evolving laws and regulations, business models that can support continued growth, business performance, communication channel with employees to prevent labour issues
Customers	Meetings, customer satisfaction surveys, factory audits, trade exhibitions, customers' Request For Information, Global Partners Conference	International environmental and ethical trends, knowledge of new technologies and market trends; material supply stability and material safety; prompt delivery
Employees	Regular worker representative meetings, suggestion boxes, suggestion emails, dedicated email to Chairman and Independent Board Director for whistle blowers, employee interest groups.	Suggestions on training, employee benefits, operational, factory and office facilities improvements, employee recreational activities
Suppliers	Supplier survey questionnaires, site visits, trade shows, business meetings, strategy partnerships, exhibitions	Cost impact of higher safety and environmental compliance requirements, order cycle management
Community	Engagement with NGOs, local community visits, donations to charitable bodies.	Labour rights, employee health and benefits, long term partnerships with charitable bodies
Government, Industry	Factory visits, seminars, industrial association gatherings.	Occupational health and safety, environmental protection, fire safety, career development opportunities

To reflect our stakeholders' views accurately, the information collected was analysed and areas of concern in each category were identified and ranked according to the level of concern expressed by all stakeholders collectively. The results are depicted in the material aspects chart. The chart shows the relative level of concern of external stakeholders and that of the company's.

Environment

A. Use of sustainable raw materials
B. Environmental impact of our operations
C. Management and monitoring of environmental projects
D. Environmental audit and credibility
E. Energy use efficiency
F. Adoption of new technologies in environmental protection

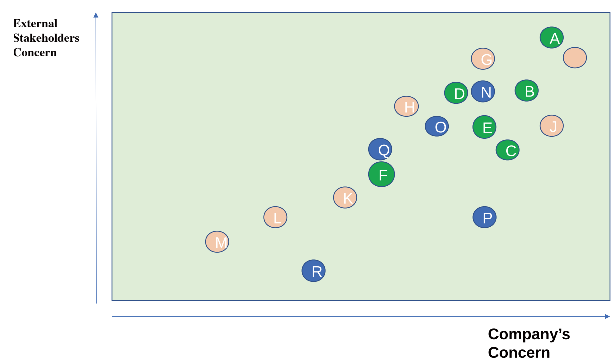
Social Responsibility

G. Protection of minors and provision of fair employment opportunities
H. Employee compensation and benefits
I. Fire safety
J. Occupational health and safety
K. Training and career advancement opportunities
L. Pleasant working environment
M. Contribution to community

Governance and business practice

N. Ethical conduct with business partners
O. Anti-corruption measures
P. Prevention and reporting of misconduct
Q. Intellectual properties protection
R. Business continuity planning

Material Aspects Chart



Environment

Environmental issues rank higher in our material aspect analysis as environmental protection has become a hot topic in recent years. The Hung Hing group has adopted the ISO 14001 Environmental Management System since 2003 to establish a system for continuous improvement on our environmental protection efforts.

The system requires us to set up annual environmental targets with measurable results and regular check points, document best practices in environmental friendly operations such as choice of material, and have written procedures and instructions on how to operate and record environmental protection facilities' performance parameters.

Regular training to employees and periodical review of latest environmental laws and regulations are also part of ISO 14001 requirements. Since 2014, all our manufacturing sites in China are ISO 14001 certified, which means we are more prepared and agile in responding to any changes or tightening in environmental laws. We follow the triple R principle to maintain environmentally friendly operations – Reduce, Reuse and Recycle. This principle is communicated to our employees, business partners and other stakeholders through our Green Manufacturing Policy statement, issued by our group Executive Chairman.

We encourage our business partners to be part of our environment protection efforts. We not only share our learnings in this area, we also visit supplier sites regularly, to understand their operations and the supply chain workflow so we can co-operate and minimize our joint environmental impact. Besides site visits, we monitor our suppliers' environmental performance through regular surveys and other available information like annual or environmental reports.

Our customers are also kept informed of our environmental efforts through regular reports, feedback from questionnaires and performance data uploads on environmental web platforms like CDP and Ecovadis.

Use of Energy

Most of the liquid fuel consumed by the group is used for vehicles, with a small proportion used for cooking. All vehicles under the group's control comply with the Chinese and Hong Kong vehicle emission regulations[1]. In 2017, all Pre-Euro III lorries/trailers in Hong Kong were replaced with more efficient Euro V type vehicles. During the year, the Shenzhen factory scheduled a partial power stoppage for 2 weeks so as to commence upgrade work on the power grid. This is being done in advance to meet the need for greater and more reliable supply of electricity in the future. The scheduled stoppage had only a minor impact on our operations as we had a contingency plan in place.

1. Measures on Supervision of Exhaust Pollution from Automobilities in the People's Republic of China (中華人民共和國汽車排氣污染監督管理辦法)
Hong Kong Vehicle Emission Standard (香港車輛廢氣排放標準)

We calculate scope 1 emissions for different types of gases on the basis of liquid fuel consumed and some other relevant emission factors. We consider this more appropriate than using 'mileage travelled' method as suggested in "Reporting Guidance on Environmental KPIs"[2], given that most of our liquid fuel are consumed in China (where most of our operations are based) rather than in Hong Kong.

For steam boilers and cooking, our major source of heat energy is natural gas in China and Towngas in Hong Kong, while we use electricity and diesel for other purposes. Gas fuel is more environmentally friendly as compared to liquid or solid fuel, as there is less greenhouse gas emission for the same amount of energy consumed.

We have installed solar panels to supply hot water to all our factory dormitories, hot water supply is supplemented through more energy efficient heat pump water heaters.

A large portion of our raw materials is derived from fossil products and hence it contains Volatile Organic Chemicals (VOCs). As part of our efforts to reduce VOCs, our Heshan factory installed a central ink supply system in 2017. Before the new system was installed, ink was delivered in 2.5 kg containers and manually poured into the presses' ink tank. In this process, there would be some ink residue in the container. Consequently, the container would have to be disposed of as hazardous waste.

Under the new system, ink delivered by the supplier, in lots of 200 kgs, is stored in a plastic bag in a metal container. The central supply system pumps ink from the container and distributes it to the printing presses' ink tanks through a network of pipes. Only the plastic bag is disposed of as hazardous waste; the metal container is recycled and ink residue in the packaging container has been reduced considerably. Annually we can save 2,300 kg of metal waste and hundreds of kilograms of ink by following this method. Other benefits include reduction of manual intervention in material handling, warehouse storage and procurement cost.

2. How to prepare an ESG Report? Appendix 2: Report Guidance on Environmental KPIs
http://www.hkex.com.hk/-/media/hkex-market/listing/rules-and-guidance/other-resources/environmental-social-and-governance/how-to-prepare-an-esg-report/app2_kpis

In 2017, the Chinese government introduced regulation amendment to further control the emission of VOC, water discharge and other forms of emission in the coming years[3]. The group has already taken professional help to conduct environmental impact assessment studies. The results indicate areas which need improvement, and once we implement required measures we will be fully compliant with the updated standards[4].

The assessment included studies on work floor design, material used, manufacturing process, emission control and treatment. All three of our factories in Southern China have completed the assessment and improvement works have commenced. We have invested over HK$3 million in the three factories to upgrade the VOC treatment system so it is more effective in converting VOC into less harmful gases. On some work floors, partitions and exhaust pipes have been re-arranged so that processes handling high VOC material are separated from the others.

3. <<廣東省大氣污染防治2017年度實施方案>>
4. Atmospheric Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國大氣污染防治法)

Once the improvement work is completed, we can meet government norms mandating us to capture 90% of VOC from material and ensure treatment of captured VOC to the extent of 90%.

Besides the self-initiated assessment, our environmental efforts were also audited by a government agency. In late 2017, all three factories in the Guangdong area have had their Chinese Government's Environmental Product Labelling award renewed. The award is valid for 3 years. In the audit, the agency inspected raw materials, processes and products, each of these had to meet the requirements set out by the Chinese Environmental Department.

Use of resources

Electricity is considered more environmentally friendly as compared to direct fossil fuel consumption. In recent years, we have replaced some diesel/gas powered forklifts with electric ones. At the end of 2017, we had a total of 12 electric forklifts. We had also replaced 102 hand pallet trucks with electric assisted pallet trucks to relieve workers the physical labour of moving heavy materials.

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To optimize our energy usage, our Shenzhen factory has installed a central vacuum pump system. Earlier, there were over 130 small vacuum pumps installed right next to the machines as part of the original design. These pumps generate heat on the work floor and their output is much higher than required. The centralized vacuum pump has been installed in a separate room and a pipe network connects it to the machines. We have invested over HK$3.4 million in this system. The annual energy saving is around 758,000 kWh excluding the saving on air-conditioning to control the temperature because of the heat generated by vacuum pumps on the work floor. Centralized pumping reduces the maintenance effort and noise levels on the production floor; the backup features also minimize machine downtime caused by breakdown of the vacuum pump.

We are gradually shifting to LED lighting in all our buildings. In 2017, the Shenzhen site renovated its office area and changed all lighting to LED.

Water is a vital resource in our lives and business. Water conservation is an important feature of our environmental efforts, though there is no supply problem in any of our factories. We raise employee awareness on this topic through training and communication campaigns. All taps are fitted with flow control devices to reduce wastage. Sub-meters are also in place to monitor water usage and detect leaks. Potable water is always available to our employees and the water is tested regularly for contamination. The Shenzhen factory has also replaced its ageing main fire pipe system in 2017 to prevent leakages and ensure system efficacy.

Both the Heshan and Shenzhen factories have installed silk screen mesh automatic rinse systems to filter and recycle water for reuse. The system is expected to save over 600 tonnes of water annually. Although the quantity is small, we harvest rain water for gardening and outdoor cleaning purpose in the factories.

Waste water from production is treated before discharging it into the public sewage system and its quality is regularly tested to ensure compliance with relevant regulations[5]. In 2017, the Shenzhen factory invested over HK$700,000 to upgrade the waste water treatment and discharge system network to make sure that the discharge water quality meets the updated regulations[6]. On-line water quality measuring devices are also installed at points of discharge to collect data on Chemical Oxygen Demand (COD) and ammonia nitrogen levels.

Paper is a renewable and recyclable raw material so the group not only has a paper policy, it also regularly communicates to all our business partners, so we can use this resource sustainably. We prefer to work with suppliers who have the Chain of Custody certificate from accredited organizations like the FSC® (Forest Stewardship Council) or the PEFC (Programme for the Endorsement of Forest Certification Schemes Chain of Custody). We further recommend that our customers use paper from paper mills that have similar certifications.

5. Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法)
6. 深圳經濟特區環境保護條例(2017年修訂)

A Chain of Custody certificate holder must declare that they will not source materials from illegal forests or from areas where the practice is in conflict with the local community. They must also adhere to other sustainability and ethical considerations. The group obtained its first FSC® CoC certificate in 2007 and now all our production sites have either FSC® or both FSC® and PEFC CoC certificates. Paper with high recyclable content is also preferred as it reduces the reliance on wood sources. As part of our sustainability drive, most of our waste paper is sold back to paper mills for recycling. In 2017, the percentage of certified and high recyclable content paper used in manufacturing increased to 91% as compared to 90% in 2016.

Waste handling

We encourage reuse of materials wherever appropriate as this is one of the best ways to reduce waste. Wooden pallets and carton boxes that come as part of deliveries are reused for internal transportation; both sides of office paper are used before it is discarded for recycling; trim off paper from production is used for some internal office memos.

Materials not suitable for reuse are separated into recyclable, non-hazardous and hazardous waste. In 2017, we recycled over 49,600 tonnes of paper, 358 tonnes of metal and 703 tonnes of plastic. Waste paper collected from sites in China are sold back to paper mills directly. While in Hong Kong, we separate waste paper into different categories and sell it to waste paper traders. All hazardous waste like liquid chemicals, chemical contaminated containers, cleaning rags and sludge from waste water treatment are collected and treated by authorized agents who have the qualification[7] to handle hazardous waste. Non-hazardous waste is disposed of as domestic waste.

In recent years, our environmental improvement efforts have received several awards. In 2017, our Shenzhen and Heshan plants received the Bank of China environmental award for the second time.

Under the Shenzhen government's Carbon Trade Program, our Shenzhen plant achieved an unaudited Carbon Emission Index per unit of Value Added Production of 0.556 (2016 – 0.624) against a target of 0.628[8] (2016 – 0.768). This is the fifth consecutive year in which we have outperformed the target, since the program's inception in 2013.

7. Regulation on the Management of the Shifting of Hazardouos Waste (危險廢物轉移聯單管理辦法)
8. Calculated as the number of tonne equivalent of CO2 emissions per RMB10,000 of value added production

Social Responsibility

Employment

Employees are our internal stakeholders and are pivotal to our success. We offer competitive remuneration to attract top talent to meet our business goals and sustainability targets. Our employment policy guarantees equal opportunity to all employees and rewards are purely based on performance. No forced labour, discrimination or harassment of any kind is tolerated either in job duty assignment or career advancement. Our minimum employment age is 16. Although this never happened in our operations, if any underage employee is identified, we have procedures in place to remedy the situation and ensure the minor is protected until he/she returns home safely. This is part of our ethical policy. The policy guidelines are posted in all our offices/factories as well as on the group's website. Our policy procedures are executed and documented to protect their integrity and comply with Chinese and Hong Kong Labour Laws[9], depending on the jurisdiction. All employees receive payroll slips on time, these slips list out their payment details and legal deductions, if any. Employees can access and verify their information if needed.

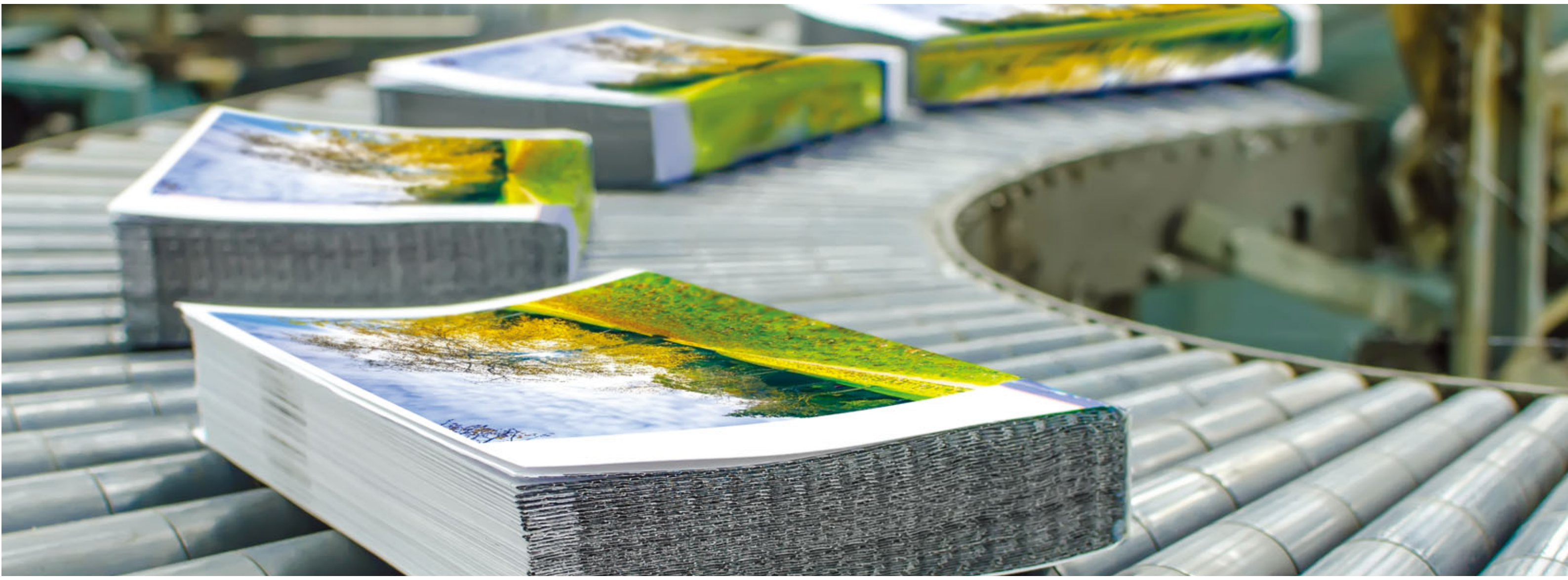
9. Labor Contract Law of the Peoples' Republic of China (中華人民共和國勞動合同法)
Hong Kong – The Employment Ordinance (香港－僱傭條例)

Mishandling, complaints or misconduct are dealt through a proper grievance redressal procedure. There are also various channels for reporting the same. In our experience, the most effective methods are direct dialogues with the relevant department management and concerned parties, and the setting up of suggestion boxes at every site.

If the matter is confidential or there is a likelihood of conflict of interest, employees can send emails or letters to the group's suggestion mailbox. In genuine cases, the complainant will be informed of the results of the investigation, if he/she has left contact information.

As stated in the stakeholder engagement chart, we have various channels to collect employee feedback. A monthly internal newsletter circulates across the group's companies, giving information on group activities. The newsletter also has columns for employees to showcase their writing talents as well as a safety column to share suggestions with both management and staff about fire safety and occupational health and safety.

In Hong Kong, we have a staff interest group that meets regularly to suggest ways to improve work life quality. The suggestions include monthly gatherings to celebrate birthdays and relaxing gardening breaks in our rooftop gardens, among others. The management fully supports such initiatives aimed at bringing joy to our employees.



Development and training

We encourage our employees to learn continuously so as to equip themselves for career advancement. Training and development benefits both the company and employees as it improves operational efficiency and productivity. We reimburse course fees to staff if the chosen program is in line with our guidelines and has been approved by the relevant departmental manager. We arrange job related training for employees to help them stay updated with changes in their field; such training may include class room sessions, site visits or seminars.

On the production side, all new employees must attend the orientation course which introduces our ethical policy, employee rights, safety procedures, grievance procedures and factory regulations. Machine operators must be trained on the job and certified before they are allowed to operate a machine independently; some training modules are accompanied by DVD demonstrations.

In 2017, we provided a total of 321,051 hours (267,663 hours in 2016) of training for 90,806 attendees (88,117 in 2016).

Health and safety

Providing a healthy and safe working environment is at the core of our ethical policy and our work floor conditions and production activities comply with the relevant Chinese regulations[10]. Safety evaluation is carried out when machines are installed to ensure that the machine has necessary protective features. Strict safety procedures are listed out for operators working with power driven machines. As we believe that safety is best assured when employees are aware, occupational health and safety training is an important part of the new employee orientation program. All work floor management teams also attend periodical training programs to refresh their knowledge and learn the best practices on work floor supervision.

10. Regulation on the Safety Management of Hazardous Chemicals at Workplace (中華人民共和國工作場所安全使用化學品規定) and Law of the Peoples Republic of China on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法)

We provide yearly health check-ups to employees who work in high noise level areas or who handle hazardous chemicals. Employees are required to wear personal protective gear in such areas. For those working in positions with high fatigue potential or involving intense repetitive movements, a short break is provided every 2-3 hours.

Unfortunately, we had a fatal accident at our Zhongshan factory in 2017. The Zhongshan safety monitoring authority investigated the case and found that the worker was working alone in the early morning shift and accidentally fell into a conveyer belt. The incident went unnoticed by others. The authority has given us recommendations to improve safety so as to prevent such accidents from happening ever again. We also hired a safety professional to conduct a thorough check of our installations and operations and suggest an improvement plan for the Zhongshan factory.

Governance

Supply chain management

Suppliers are an integral part of our business success. Without their support and co-operation we cannot fulfil our sustainability goals, nor can we get reliable and high quality supply of materials. We believe in open and transparent communication with our supply chain as this is the foundation for a long-term relationship. Our environmental policy and business ethics are communicated through formal questionnaires, while our zero tolerance policy on misconduct is known both to the operational and management levels of our suppliers. In turn, we encourage them to raise any issues of misconduct and have reporting channels in place. Our management team meets regularly with key suppliers' management teams. Those top 20 suppliers account over 70% of our transactions, they all have ISO14001 certificates. Our preference for local suppliers is well known, as it reduces transportation time and carbon emissions.

Our procurement practices are periodically reviewed by in house teams which include a member of the top management. This helps us monitor supplier performance and works well as a precautionary measure against possible misconduct.

In 2017, we worked with a key material supplier to standardize the use of certain materials to minimize item type and stock quantity. This initiative helped reduce the overall cost and improved the quality of the product.

Anti-corruption

Hung Hing's reputation is built on business integrity and operational transparency. We issue annual reminders on anti-bribery to all employees who engage with external stakeholders. Our anti-bribery policy is also posted in the meeting rooms at all our factories. We have a whistle blower policy and relevant procedures in place and these reporting channels are communicated to all employees through the group's website and ethical training material. Any complaints received through the whistle blower channel are investigated and the findings are discussed by the board's Audit Committee. In 2017, the Group also instituted a Supervision Committee to help factory management identify and implement proactive measures for improvement with respect to legal compliance and operational integrity. The Committee reports directly to the top management of the group.

In 2017, no complaints were made to the Independent Non-executive directors or Chief Executive through group-level grievance channels or whistle blower channels. To the best of our knowledge no legal proceedings regarding corrupt practices have been brought against our group or our employees.

Customer Satisfaction

Our stakeholder survey revealed that customers are most concerned about product quality and safety, and environmentally friendly production practices. We actively scout for more environmentally friendly raw materials to meet our customers' expectations. For this we analyse information from various sources and conduct several chemical tests to ensure raw material from new suppliers is chemically safe for the environment and the end user.

All our production facilities in China have ISO 14001 and ISO 9001 certificates. The activities from material sourcing to finished products have documented procedures to follow. Our finished products are regularly tested for compliance with major international environmental, health and safety regulations, including the EN71 European Union Toys safety regulation, ASTM F963-11 Standard Consumer Safety Specification on Toy Safety, ISO 8124 International Toys Safety Standard, 94/62/EC European Union Packaging and Packaging Waste Regulation and the Rohs European Union Restriction of Hazardous Substances Directive 2002/95/EC.

In case there are any customer complaints on the quality of the product or any safety concerns, we initiate immediate corrective action to pinpoint the root cause and implement measures to prevent re-occurrence. We will instantly recall products if there is even an inkling of it being hazardous to the end user.

To protect the Intellectual Property (IP) rights of our customers' valuable assets and their confidential information, we are always willing to sign non-disclosure agreements. We have established stringent procedures to protect customer IP throughout the production process, right from the time the printing files are received, to the delivery of the finished product. All our employees sign confidentiality agreements. Computers are password protected and passwords are changed regularly. If a customer specifies that a product is IP sensitive, the order will be handled by designated employees only and produced in an enclosed area with CCTV monitoring. The number of items produced is counted and all waste is centrally stored before disposal under dual supervision. As we do not sell directly to end-user, we do not have consumer data.

We have upgraded our data protection equipment with a top-of-the-line firewall software to defend us against malware attacks, our robust email gateway screens for spam and malicious emails. Data is backed up regularly in servers with fail-proof design to prevent Single Point of Failure (SPoF). These measures protect customer IP and are an integral part of our Business Continuity Plan.

Our Business Continuity Plan lists out the steps to be followed in circumstances when our normal production is affected. This is a response to meet customer expectations in case our operations are affected by extreme climatic events or epidemics, which are becoming more common because of global warming. Our plan has different levels of response for different degrees of interruption in production. The power stoppage in our Shenzhen factories triggered our level 1 response with some of the workload being allocated to other factories, resulting in a very minor impact on our overall schedule.

Community involvement

The ability to give is way more joyful than taking. The group encourages employees to donate to charity and participate in charity work. We give back to the communities where we operate either through donations to different charitable bodies, or by helping young people acquire knowledge through contribution to scholarships. Our Executive Chairman (EC) walks the same talk by participating in the CEO shadowing program. Under this program, a university student accompanied our EC for 3 days, visiting our factories, attending meetings as well as being part of his other activities. Interacting with a CEO is a sure way to inspire our youth to aim higher and will be a life-changing experience.

In 2017, we were once again the recipients of the 10 years+ Caring Company award. Our NGO partner extended their charity operations to overseas as well. The donations and services we gave back to the community were valued at HK$167,000.

ESG PERFORMANCE DATA

Subject Area A – Environment				
Aspect A1: Emissions				
Performance Indicator		**2017 Data**	**2016 Data (Restated)**	**HKEx ESG Report Guide KPI**
Emission*	Total sulphur dioxide SO_2 emission (tonne)	5.46	4.21	KPI A1.1
	Total Carbon Monoxide CO (tonne)	0.08	0.06	KPI A1.1
	Total Volatile Organic Chemicals emission (tonne) (From production)	242.29	361.23	KPI A1.1
	Total Carbon Dioxide emission (CO_2) (tonne)	18,378.23	17,929.16	KPI A1.1, A1.2
	Direct emission (Fuel, Natural Gas, Town Gas, Fire Extinguishers)	5,015.27	4,828.93	KPI A1.1, A1.2
	Indirect Emission (Electricity consumed, Town Gas)	13,362.96	13,100.24	KPI A1.1 A1.2
	Total nitric oxide NO_x emission (tonne)	0.37	0.35	KPI A1.1 A1.2
	Total greenhouse gas emission per HKD million of goods sold (tonne CO_2e)	5.90	6.11	KPI A1.2
Hazardous Waste	Solid and liquid hazardous from production and water treatment	579.55	593.90	KPI A1.3
	Total hazardous waste produced per HKD million of goods sold (tonne)	0.18	0.20	KPI A1.3
Non-hazardous Waste	Non-hazardous waste (tonne) (Office waste, paper, plastic not suitable for recycle, household waste from canteen and dormitories)	1,218.99	1,197.03	KPI A1.4
	Total non-hazardous waste produced per HKD million of goods sold (tonne)	0.39	0.41	KPI A1.4
Aspect A2: Use of Resources				
Energy	Fuel and Gas (MWh)	23,407	22,628	KPI A2.1
	Electricity (MWh)	65,552	63,442	KPI A2.1
	Energy consumed per HKD million of goods sold (MWh)	28	29	KPI A2.1
Water	In M^3 (Consumption by production, canteen and dormitory)	1,167,380	1,064,000	KPI A2.2
	Water consumed per HKD million of goods sold (M^3)	372	360	KPI A2.2
Paper	Total paper consumed by production (tonne)	197,253	193,000	KPI A2.2
Packaging material	Packaging materials are mainly nylon tape and PP shrinkage film (tonne)	925.17	791.75	KPI A2.5
	Packaging materials consumed per HKD million of goods sold (tonne)	0.30	0.27	KPI A2.5

Subject Area B – Social				
Employment and Labour Practices				
Aspect B1: Employment				
Performance Indicator		**2017 Data**	**2016 Data (Restated)**	**HKEx ESG Report Guide KPI**
Workforce	Total	8,629	9,219	KPI B1.1
	By gender			KPI B1.1
	Male	3,931	4,186	KPI B1.1
	Female	4,698	5,033	KPI B1.1
	By employment category			KPI B1.1
	Senior management – male	126	117	KPI B1.1
	– female	54	64	KPI B1.1
	Middle management – male	295	326	KPI B1.1
	– female	427	430	KPI B1.1
	Worker – male	3,508	3,743	KPI B1.1
	– female	4,219	4,539	KPI B1.1
	By age group			KPI B1.1
	At and below 30	2,371	2,951	KPI B1.1
	> 30–50	5,879	5,930	KPI B1.1
	over 50	375	338	KPI B1.1
	By geographic location			KPI B1.1
	Eastern China	539	572	KPI B1.1
	Southern China	7,753	8,312	KPI B1.1
	Hong Kong	337	335	KPI B1.1
Employee turnover	Total	53	55	KPI B1.2
	By gender			KPI B1.2
	Male	47	45	KPI B1.2
	Female	58	77	KPI B1.2
	By age group			KPI B1.2
	At and below 30	74	72	KPI B1.2
	> 30–50	27	33	KPI B1.2
	over 50	17	11	KPI B1.2
	By geographic location			KPI B1.2
	Eastern China	43	57	KPI B1.2
	Southern China	55	55	KPI B1.2
	Hong Kong	9	12	KPI B1.2

Aspect B2: Health and Safety				
Performance Indicator		**2017 Data**	**2016 Data (Restated)**	**HKEx ESG Report Guide KPI**
Incident	Number of incident	25	17	KPI B2.1
	Number of work-related fatalities	1	0	KPI B2.1
	TIR (Total Incident Rate = number of incident per 200,000 work hours)	0.21	0.13	KPI B2.1
Lost days	Number of days lost due to work injury	1,289	1,013	KPI B2.2
	LTIR (Lost Time Injury Rate = number of days lost per 200,000 work hours)	85.63	61.80	KPI B2.2
Aspect B3: Development and Training				
Attendee	Total	90,806	88,117	KPI B3.1
	By gender			
	Male	34,283	37,732	KPI B3.1
	Female	56,523	50,385	KPI B3.1
	By employment category			
	Senior management	0.18%	1.09%	KPI B3.1
	Middle management	2.55%	5.87%	KPI B3.1
	Worker	96.83%	93.04%	KPI B3.1
Training hour	Total	321,051	267,663	KPI B3.2
	By gender (Average hours)			KPI B3.2
	Male	3.44	2.94	KPI B3.2
	Female	3.59	3.11	KPI B3.2
	By employment category (Average hours)			KPI B3.2
	Senior management	8.01	4.06	KPI B3.2
	Middle management	4.25	3.57	KPI B3.2
	Worker	3.52	2.99	KPI B3.2

Operating Practices				
Aspect B5: Supply Chain Management				
Performance Indicator		**2017 Data**	**2016 Data (Restated)**	**HKEx ESG Report Guide KPI**
Active Supplier	In China	1,948	1,630	KPI B5.1
	In Hong Kong	264	250	KPI B5.1
Aspect B6: Product Responsibility				
	Percentage of total products sold or shipped subject to recall for safety and health reasons.	0.0000	0.0094%	KPI B6.1
	Number of products and service related complaints received	222	51	KPI B6.2
Community				
Aspect B8: Community Investment				
	Total value of money and product donation	167,000	13,600	KPI B8.2

* Diesel and gasoline emission data according to GHG emission from mobile combustions sources in Appendix 2: Report Guidance on Environmental KPIs
http://www.hkex.com.hk/-/media/hkex-market/listing/rules-and-guidance/other-resources/environmental-social-and-governance/how-to-prepare-an-esg-report/app2_kpis
Towngas emission data according to Towngas 2016 Sustainability Report
http://www.towngas.com/en/Social-Responsibility/Sustainability-Report
Natural gas emission data according to 2006 IPCC Guidelines for National Greenhouse Gas Inventories
http://www.ipcc-nggip.iges.or.jp/public/2006gl/index.html
China electricity emission data according to China Southern Grid environmental data http://eng.csg.cn/Environment/Energy_efficient_dispatching/201511/t20151125_108333.html
Hong Kong electricity emission data according to CLP 2016 Sustainability Report https://www.clpgroup.com/en/sustainability/sustainability-reports?year=2016

2017 HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTENT INDEX

Subject Area A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Page 32~33 36~42
KPI A1.1	The types of emissions and respective emission data.	Page 49
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and,where appropriate, intensity(e.g. per unit of production volume, per facility). Scope 1 emissions	Page 49
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Page 49
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Page 49
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Page 36~38, 42
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Page 41~42
Aspect A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Page 36~42
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Page 49
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Page 49
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Page 36, 38~39
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Page 39
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Page 49
Aspect A3: The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Page 32, 36~42
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Page 36~42

Subject Area B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Page 32~33 43~45
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 50
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Page 50
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Page 45~46
KPI B2.1	Number and rate of work-related fatalities.	Page 51
KPI B2.2	Lost days due to work injury.	Page 51
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Page 45~46
Aspect B3: Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Page 45
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 51
KPI B3.2	The average training hours completed per employee by gender and employee category.	Page 51
Aspect B4: Labour Standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Page 33, 43
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 43
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Page 43

Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Page 47
KPI B5.1	Number of suppliers by geographical region.	Page 52
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 34, 47
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 47~48
KPI B6.1	Percentage of total products sold or shipped subject to recall for safety and health reasons.	Page 52
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Page 47~48,52
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	page 48
KPI B6.4	Description of quality assurance process and recall procedures.	page 48
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	page 48
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 47
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Page 47
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Page 47
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 48
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 48
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Page 48, 52

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2017.

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.

BUSINESS REVIEW

A review of the business of the Group during the year as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Statement, Management Discussion and Analysis and Business Unit Report set out on pages 5 to 22.

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 74 to 160.

An interim dividend of HK2 cents per share was paid on 25 October 2017. The directors recommend the payment of a one-off special dividend of HK27 cents per share and a final dividend of HK3 cents per share to shareholders on the register of members on 1 June 2018. 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 is set out below. This summary does not form part of the audited financial statements.

Results

	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,135,659**	2,955,924	3,036,933	3,015,918	3,041,095
Operating profit	**1,206,845**	66,399	71,659	41,038	111,757
Finance costs	**(6,192)**	(5,972)	(6,632)	(9,538)	(6,729)
Profit before income tax	**1,200,653**	60,427	65,027	31,500	105,028
Income tax	**(145,104)**	(18,087)	(22,516)	(22,107)	(22,869)
Profit for the year	**1,055,549**	42,340	42,511	9,393	82,159
Profit attributable to:					
Equity shareholders of the Company	**1,050,483**	37,785	38,199	7,914	77,209
Non-controlling interests	**5,066**	4,555	4,312	1,479	4,950
	1,055,549	42,340	42,511	9,393	82,159
Earnings per share					
Basic	**116.7 cents**	4.2 cents	4.2 cents	0.9 cent	8.5 cents
Diluted	**116.3 cents**	4.2 cents	4.2 cents	0.9 cent	8.5 cents

SUMMARY FINANCIAL INFORMATION (CONTINUED)

Assets, liabilities and non-controlling interests

	At 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**1,094,232**	1,113,515	1,183,805	1,256,678	1,307,708
Land use rights	**63,251**	77,736	82,641	87,249	105,069
Properties under construction	**5,699**	517	1,219	1,910	10,084
Intangible assets	**11,357**	8,970	9,735	9,438	8,501
Deposits for acquisition of non-current assets	**55,765**	40,577	23,364	17,669	8,744
Available-for-sale financial assets	**49,200**	45,755	46,231	43,929	42,929
Deferred tax assets	**10,521**	16,065	8,675	12,050	14,090
Trade receivables	**–**	–	–	–	1,797
Current assets	**3,253,787**	2,188,635	2,177,363	2,385,554	2,319,120
Total assets	**4,543,812**	3,491,770	3,533,033	3,814,477	3,818,042
Current liabilities	**540,991**	523,089	577,686	718,900	653,233
Bank borrowings	**131,000**	155,000	85,000	194,667	195,000
Deferred tax liabilities	**56,799**	55,434	58,472	56,858	54,412
Total liabilities	**728,790**	733,523	721,158	970,425	902,645
Non-controlling interests	**158,309**	145,391	155,184	158,803	161,589
Equity attributable to equity shareholders of the Company	**3,656,713**	2,612,856	2,656,691	2,685,249	2,753,808

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital during the year are set out in note 27 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year, except that the trustee of the Restricted Share Award Scheme, pursuant to the terms of the rules and trust deed of the Restricted Share Award Scheme, purchased on the Stock Exchange a total of 12,300,000 shares of the Company at a total consideration of HK$19,462,000.

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 30 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

The Company's distributable reserve as at 31 December 2017, 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$1,021,391,000 (2016: HK$28,740,000), of which HK$245,124,000 (2016: nil) has been proposed as a special dividend and HK$27,236,000 (2016: HK$27,236,000) has been proposed as a final dividend for the year.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$124,000 (2016: HK$95,000).

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 34% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13%.

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:
Sadatoshi Inoue
Hirofumi Hori
Yoshihisa Suzuki (appointed on 23 March 2017)
Yam Hon Ming, Tommy
Katsuaki Tanaka (resigned on 23 March 2017)

Independent non-executive directors:
Lo Chi Hong
Luk Koon Hoo
Yap, Alfred Donald

DIRECTORS (CONTINUED)

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

Yum Chak Ming, Matthew
Sadatoshi Inoue
Luk Koon Hoo

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. Yap, Alfred Donald, Mr. Luk Koon Hoo and Mr. Lo Chi Hong and as at the date of this report still considers them to be independent.

DIRECTORS OF SUBSIDIARIES

The following is the list of directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2017 and up to the date of this report.

Chan Siu Man, Alvin
Chong Wai Kan, Winky
Lam Yuen Wai, Gary
Lau Wing Kit, Tommy
Li Zhi Da
Lim Pheck Wan, Richard
Ling, Richard
Shek Kwok Man
So Ching Tung, Tony
Song Zhi Yi
Sung Chee Keung
Yam Ho Ming, Michael
Yum Carson, Christopher
Yum Chak Ming, Matthew
Yum Kevin, Nicholas
Zheng Young Hang

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

Executive directors

Mr. Yum Chak Ming, Matthew, aged 59, 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 58, 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 30 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. Sadatoshi Inoue, aged 56, is a member of the board of directors and the Managing Executive Officer of Rengo Co., Ltd. ("Rengo"), a substantial shareholder of the Company with responsibility of overseeing sales and marketing of Packaging Business Unit. He also sits on the board and serves as a President of Rengo Riverwood Packaging Co., Ltd. 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.

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

Non-executive directors (continued)

Mr. Hirofumi Hori, aged 59, is a member of the board of directors of Rengo and is the Managing 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. Yoshihisa Suzuki, aged 61, is the General Manager of the China Business Promotion Office in the Administration Unit of Rengo. He holds a Bachelor of Literature from the Beijing Language and Culture University, the People's Republic of China. Mr. Suzuki has been with Rengo since 1995 in various positions.

Mr. Yam Hon Ming, Tommy, aged 54, 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 re-joined 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.

Independent non-executive directors

Mr. Lo Chi Hong, aged 71, 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 the chairman of the Advisory Board of the Hong Kong Institute of Print-media Professionals, an honorary president of the Chinese Manufacturers' Association of Hong Kong and an honorary president of the Hong Kong Printers Association. He served as a vice president of the Printing Technology Association of China, a council member of the World Print and Communication Forum (WPCF), a member of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications and a member of the SME Development Fund Vetting Committee, and was the founding chairman of the Hong Kong Publishing Professionals Society. In 2005, Mr. Lo was awarded the Medal of Honour by the HKSAR Government. He was also the recipient of the Outstanding Achievement Award presented by the Hong Kong Print Awards in 2007. Mr. Lo was a PHD Candidate of Peking University in China in 1985.

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

Independent non-executive directors (continued)

Mr. Luk Koon Hoo, aged 66, 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 of The Chinese University of Hong Kong and a member of Urban Renewal Authority. 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 79, is presently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries and also of Messrs Yap & Lam, Solicitors and 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.

Senior management

Mr. Shek Kwok Man, aged 53, is the Chief Financial Officer and Company Secretary of the Group, providing overall financial leadership in matters related to mergers & acquisitions, investor relations, accounting, planning & reporting, treasury, and financial management of all manufacturing operations. He is also responsible to support the Group's board of directors on all the board related activities, and handle listing and regulatory affairs as the Group's authorised representative required under the Hong Kong Stock Exchange Rules on Listing Matters and the Company Ordinance. Mr. Shek joined the Group in February 2013, bringing with him over 25 years of management experience in senior executive roles with world-renowned multinational corporations such as IBM, Bausch & Lomb, Philip Morris/Kraft Foods, Thomson Reuters, Wrigley, Mead Johnson, Hershey's and Associated British Foods. He has been assigned to station in various locations including Tokyo, Guangzhou, Beijing and Shanghai in addition to Hong Kong. Mr. Shek is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) as well as the Hong Kong Institute of Certified Public Accountants (HKICPA). He 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. Wong Fu Cheung, **Dennis**, aged 57, is the General Manager, Corporate Responsibility and Compliance and is responsible for overseeing improvements in quality (assurance and control), 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 56, 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.

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

Senior management (continued)

Mr. Chan Siu Man, Alvin, aged 59, is responsible for the Group's manufacturing operation in Hong Kong as well as the supply chain and procurement operations of the Group. 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 the brother-in-law of Mr. Yum Chak Ming, Matthew.

Ms. Chong Wai Kan, Winky, aged 47, 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 52, is the Chief Operation Officer of the Group's book and package printing business. He is responsible for the day-to-day operations and execution of the BPP's strategy. 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 47, 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.

Mr. Yu Yan Yee, aged 48, is the Chief Information Officer of the Group. In this capacity, he is responsible for formulating the Group's information technology (IT) strategy, overseeing all aspects of IT functions, and driving enterprise-wide digital transformation across its five locations in supporting the Group's business vision. Prior to joining the Company, Mr. Yu had spent 10 years with IBM Global Business Services (US and HK), advising and driving technology agenda for organizations in a wide range of industries. 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. Mr. Yu was recipient of several prestigious IT awards including the 2017 China Top CIO Award, 2017 Hong Kong CIO Award for Medium Enterprise, and 2014 Hong Kong ICT Award. He has been with the Group since May 2012.

Mr. Yum Carson, Christopher, aged 32, is responsible for the sales and marketing operations of the Group's book and package printing business. He holds a Bachelor of Arts degree in Business Management from Coventry University, UK. He has over 10 years of experience in the printing business, and has been with the Group since 2007. He is the son of Mr. Yum Chak Ming, Matthew.

Mr. Yum Kevin, Nicholas, aged 30, is the manager of Beluga Limited, focuses on the design and creation of high-tech printed products. He holds a Bachelor of Science degree in Business Management from University of St. Andrews, UK. He has been with the Group since 2011. He is the son of Mr. Yum Chak Ming, Matthew.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

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 36 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 2017, 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	34,795,030	–	–	2,268,900	37,063,930	4.08
Sung Chee Keung	1,423,064	60,000	–	876,060	2,359,124	0.26
Yap, Alfred Donald	27,504	–	–	–	27,504	–

Save as disclosed above, as at 31 December 2017, 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 29 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 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 2017, 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 2017. 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.

Save as disclosed above, as at 31 December 2017, 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 and its associates (together with Rengo, "Rengo Group"). 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:

On 1 December 2015, the Group and the Rengo Group renewed two framework agreements in relation to the continuing connected transactions, namely 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 1 January 2016 (the "Effective Date") to 31 December 2018.

(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 2018.

The annual caps of the agreements are as follows:

Sales of paper products by the Group to the Rengo Group:

Year ended 31 December 2016: HK$26.6 million
Year ended 31 December 2017: HK$27.1 million
Year ended 31 December 2018: HK$32.1 million

Purchase of paper products by the Group from the Rengo Group:

Year ended 31 December 2016: HK$20.0 million
Year ended 31 December 2017: HK$24.0 million
Year ended 31 December 2018: HK$28.0 million

As one or more of the applicable percentage ratios (other than the profits ratio) calculated with reference to the above annual caps exceed 0.1% but are less than 5%, the transactions under the renewed agreements are subject to reporting, announcement and annual review requirements but are exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further details of the pricing policy of the renewed agreements were set out in the announcement of the Company dated 1 December 2015.

During the year ended 31 December 2017, the actual amount of transactions in relation to the Sale of Paper Products Framework Agreement and the Purchase of Paper Products Framework Agreement were HK$7.9 million and HK$11.2 million, respectively.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Company has engaged its auditor, KPMG, to conduct a review of the above continuing connected transactions for the year ended 31 December 2017 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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.

The Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2017 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) on normal commercial terms or better; 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.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Yum Chak Ming, Matthew
Executive Chairman

Hong Kong, 20 March 2018

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the members of Hung Hing Printing Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hung Hing Printing Group Limited and its subsidiaries (together "the Group") set out on pages 74 to 160, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of raw materials	
Refer to accounting policy note 2(n) and note 18 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
At 31 December 2017, inventories comprised raw materials, work-in-progress ("WIP") and finished goods. Inventories are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. At 31 December 2017, the Group's raw materials, which accounted for 73% of the total inventories and comprised principally of paper products, totalled HK$375 million, against which a write-down of HK$14 million was recorded. Management performs a regular review of the quality of raw materials held by the Group and assesses if any write-down is required due to their deteriorating physical conditions, long ageing or the expectation that they would not be fully utilised based on expected future manufacturing or trading orders. Where there are such raw materials, a write-down may be required to reduce the carrying amount to NRV. We identified the valuation of raw materials as a key audit matter because significant degree of management judgement required to assess the appropriate level of write-down for raw materials.	Our audit procedures to assess the valuation of the raw materials included the following: • assessing, on a sample basis, whether items in the raw materials ageing report were classified within the appropriate ageing bracket by comparing individual details with goods receipt notes; • inspecting the ageing report of raw materials and discussing with management the condition of long-aged and slow moving items as identified by management; • comparing the quantities of raw materials at the end of the reporting period with the utilisation of raw materials over the past financial year and the forward order book subsequent to the year end to identify slow moving items; • assessing the NRV of raw materials by comparing, on a sample basis, the selling price subsequent to the year end with the carrying value; • assessing whether the calculation of the write-down for raw materials was consistent with the Group's raw materials provisioning policy by reviewing the calculation criteria and re-calculating the write-down for individual items on a sample basis; and • assessing the historical accuracy of management's write-down for raw materials by examining the utilisation or release of write-down recorded at the end of the previous financial year or new write-down recorded in the current financial year in respect of raw materials held as at 31 December 2016.

<table>
<tr><th>Disposal of Equity Interest in a subsidiary</th><th></th></tr>
<tr><td colspan="2">Refer to accounting policy note 2(d)(iii) and note 34 to the consolidated financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group entered into an agreement with an independent third party on 27 February 2017 (the "Agreement"), pursuant to which the Group agreed to sell, the Group's 100% equity interest in its subsidiary, Sun Hing Paper (Shenzhen) Company Limited (the "Disposal").

The Disposal was completed on 14 December 2017 upon fulfilment of the closing conditions set out in the Agreement at a consideration of RMB1,026 million (equivalent to HK$1,211 million), of which HK$821 million was received during the year ended 31 December 2017 and HK$390 million was held in an escrow account and recorded as other receivable. A pre-tax gain of HK$1,144 million and related income tax expenses of HK$117 million were recognised in the consolidated income statement for the year ended 31 December 2017.

We identified accounting for the gain and related income tax expenses in respect of the Disposal as a key audit matter because of their significance to the consolidated financial statements.</td><td>Our audit procedures to assess the accounting for the gain and related income tax expenses in respect of the Disposal included the following:

• inspecting the Agreement to identify any terms of accounting significance and assessing the accounting treatment therefor;

• inspecting evidence of receipts of the consideration from the buyer and obtaining a confirmation from the escrow account agent in respect of the consideration receivable of HK$390 million which was placed in the escrow account;

• assessing the fulfilment of the criteria for the recognition of the gain on disposal pursuant to the requirements of the prevailing accounting standards, which included enquiring of management the key milestones of the Disposal and examining documents relevant to the Disposal;

• re-performing management's calculation of the gain on disposal with reference to the requirements of the prevailing accounting standards;

• assessing the income tax expenses arising from the Disposal by inspecting the underlying calculation and underlying documentation; and

• assessing the presentation and disclosures in the consolidated financial statements in relation to the Disposal with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

– Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Sau Ling.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Hong Kong, 20 March 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017** **$'000**	2016 $'000
Revenue	5	**3,135,659**	2,955,924
Cost of sales		**(2,666,224)**	(2,510,845)
Gross profit		**469,435**	445,079
Other revenue	5	**25,535**	31,523
Other net loss	5	**(333)**	(15,587)
Distribution costs		**(74,379)**	(80,568)
Administrative and selling expenses		**(357,222)**	(314,048)
Gain on disposal of a subsidiary company	34	**1,143,809**	–
Operating profit		**1,206,845**	66,399
Finance costs	7	**(6,192)**	(5,972)
Profit before income tax		**1,200,653**	60,427
Income tax	10	**(145,104)**	(18,087)
Profit for the year		**1,055,549**	42,340
Attributable to:			
Equity shareholders of the Company		**1,050,483**	37,785
Non-controlling interests		**5,066**	4,555
Profit for the year		**1,055,549**	42,340
Earnings per share attributable to equity shareholders of the Company	11		
Basic		**116.7 cents**	4.2 cents
Diluted		**116.3 cents**	4.2 cents
		$'000	$'000
Dividends	28	**290,517**	36,315

The notes on pages 82 to 160 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	**2017** **$'000**	2016 $'000
Profit for the year		**1,055,549**	42,340
Other comprehensive income for the year (net of tax):			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of overseas subsidiaries		**58,883**	(60,832)
– Change in fair value of intangible assets	15	**700**	(200)
– Change in fair value of available-for-sale financial assets		**2,020**	900
		61,603	(60,132)
Total comprehensive income for the year		**1,117,152**	(17,792)
Attributable to:			
Equity shareholders of the Company		**1,102,204**	(12,059)
Non-controlling interests		**14,948**	(5,733)
		1,117,152	(17,792)

The notes on pages 82 to 160 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current assets			
Property, plant and equipment	12	**1,094,232**	1,113,515
Land use rights	13	**63,251**	77,736
Properties under construction	14	**5,699**	517
Intangible assets	15	**11,357**	8,970
Deposits for acquisition of non-current assets		**55,765**	40,577
Available-for-sale financial assets	17	**49,200**	45,755
Deferred tax assets	26(b)(ii)	**10,521**	16,065
		1,290,025	1,303,135
Current assets			
Inventories	18	**497,815**	523,470
Trade and bills receivables	19	**838,042**	787,196
Prepayments, deposits and other receivables	20	**486,493**	47,642
Pledged time deposits	21	**125,938**	136,395
Time deposits with original maturity over three months		**6,075**	5,590
Cash and cash equivalents	22	**1,299,409**	684,831
Income tax recoverable	26(a)	**15**	3,511
		3,253,787	2,188,635
Current liabilities			
Trade and bills payables	23	**224,685**	201,930
Other payables and accrued liabilities	24	**220,467**	188,589
Bank borrowings	25	**76,752**	110,655
Income tax payable	26(a)	**19,087**	21,915
		540,991	523,089
Net current assets		**2,712,796**	1,665,546
Total assets less current liabilities		**4,002,821**	2,968,681

	Note	**2017** **$'000**	2016 $'000
Non-current liabilities			
Bank borrowings	25	**131,000**	155,000
Deferred tax liabilities	26(b)(ii)	**56,799**	55,434
		187,799	210,434
NET ASSETS		**3,815,022**	2,758,247
CAPITAL AND RESERVES			
Share capital	27	**1,652,854**	1,652,854
Reserves	30	**1,731,499**	932,766
Proposed dividends	28	**272,360**	27,236
Total equity attributable to equity shareholders of the Company		**3,656,713**	2,612,856
Non-controlling interests		**158,309**	145,391
TOTAL EQUITY		**3,815,022**	2,758,247

Approved and authorised for issue by the board of directors on 20 March 2018.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

The notes on pages 82 to 160 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Other capital reserves (Note) $'000	Intangible asset revaluation reserve $'000	Available-for-sale investment revaluation reserve $'000	Legal reserves $'000	Exchange fluctuation reserve $'000	Retained earnings $'000	Proposed dividend $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2016		1,652,854	(4,831)	5,600	25,228	134,426	103,050	717,667	22,697	2,656,691	155,184	2,811,875
Changes in equity for 2016:												
Profit for the year		–	–	–	–	–	–	37,785	–	37,785	4,555	42,340
Other comprehensive income, net of tax		–	–	(200)	900	–	(50,544)	–	–	(49,844)	(10,288)	(60,132)
Total comprehensive income for the year		–	–	(200)	900	–	(50,544)	37,785	–	(12,059)	(5,733)	(17,792)
Dividend approved in respect of previous year	28(b)	–	–	–	–	–	–	–	(22,697)	(22,697)	–	(22,697)
Allocation to legal reserves		–	–	–	–	3,805	–	(3,805)	–	–	–	–
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(4,060)	(4,060)
Interim dividend	28(a)	–	–	–	–	–	–	(9,079)	–	(9,079)	–	(9,079)
Proposed final dividend	28(a)	–	–	–	–	–	–	(27,236)	27,236	–	–	–
Total transactions with equity shareholders, recognised directly in equity		–	–	–	–	3,805	–	(40,120)	4,539	(31,776)	(4,060)	(35,836)
Balance at 31 December 2016		1,652,854	(4,831)	5,400	26,128	138,231	52,506	715,332	27,236	2,612,856	145,391	2,758,247

Consolidated Statement of Changes in Equity
For the year ended 31 December 2017
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital $'000	Other capital reserves (Note) $'000	Intangible asset revaluation reserve $'000	Available-for-sale investment revaluation reserve $'000	Legal reserves $'000	Exchange fluctuation reserve $'000	Equity compensation reserve $'000	Retained earnings $'000	Proposed dividends $'000	Sub-total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2017		1,652,854	(4,831)	5,400	26,128	138,231	52,506	-	715,332	27,236	2,612,856	145,391	2,758,247
Changes in equity for 2017:													
Profit for the year		-	-	-	-	-	-	-	1,050,483	-	1,050,483	5,066	1,055,549
Other comprehensive income, net of tax		-	-	700	2,020	-	49,001	-	-	-	51,721	9,882	61,603
Total comprehensive income for the year		-	-	700	2,020	-	49,001	-	1,050,483	-	1,102,204	14,948	1,117,152
Dividend approved in respect of previous year	28(b)	-	-	-	-	-	-	-	-	(27,236)	(27,236)	-	(27,236)
Purchase of shares for share award scheme	29	-	(19,462)	-	-	-	-	-	-	-	(19,462)	-	(19,462)
Equity compensation expenses	29	-	-	-	-	-	-	6,508	-	-	6,508	-	6,508
Allocation to legal reserves		-	-	-	-	4,916	-	-	(4,916)	-	-	-	-
Disposal of a subsidiary company		-	-	-	-	(6,559)	-	-	6,559	-	-	-	-
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(2,030)	(2,030)
Interim dividend	28(a)	-	-	-	-	-	-	-	(18,157)	-	(18,157)	-	(18,157)
Proposed special dividend	28(a)	-	-	-	-	-	-	-	(245,124)	245,124	-	-	-
Proposed final dividend	28(a)	-	-	-	-	-	-	-	(27,236)	27,236	-	-	-
Total transactions with equity shareholders, recognised directly in equity		-	(19,462)	-	-	(1,643)	-	6,508	(288,874)	245,124	(58,347)	(2,030)	(60,377)
Balance at 31 December 2017		1,652,854	(24,293)	6,100	28,148	136,588	101,507	6,508	1,476,941	272,360	3,656,713	158,309	3,815,022

Note: At 1 January 2016, 31 December 2016 and 1 January 2017, other capital reserves represented own held shares reserve and capital reserve with debit balances of $4,017,000 and $814,000 respectively.

At 31 December 2017, other capital reserves represented own held shares reserve and capital reserve with debit balances of $23,479,000 and $814,000 respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

(Expressed in Hong Kong dollars)

	Note	**2017 $'000**	2016 $'000
Operating activities			
Cash generated from operations	22(b)	**177,690**	169,453
Hong Kong profits tax refunded/(paid)		**3,525**	(883)
The People's Republic of China ("the PRC") income tax paid		**(143,521)**	(15,024)
Net cash generated from operating activities		**37,694**	153,546
Investing activities			
Settlement of derivative financial instruments		**2,195**	(1,921)
Interest received		**10,441**	17,365
Dividend received from available-for-sale financial assets	5	**404**	404
Purchases of property, plant and equipment	12	**(62,176)**	(55,969)
Purchases of software	15	**(2,464)**	(414)
Additions to properties under construction	14	**(5,178)**	(3,061)
Net proceeds from disposal of a subsidiary company	34	**769,546**	–
Deposits for acquisition of property, plant and equipment		**(41,692)**	(33,455)
Proceeds from disposal of property, plant and equipment		**7,235**	5,514
Decrease/(increase) in pledged time deposits		**10,457**	(52,269)
(Increase)/decrease in time deposits with original maturity over three months		**(89)**	174,990
Net cash generated from investing activities		**688,679**	51,184

	Note	2017 $'000	2016 $'000
Financing activities			
Payment for purchase of shares for share award scheme		**(19,462)**	–
Proceeds from bank borrowings		**95,715**	301,985
Repayments of bank borrowings		**(153,618)**	(310,028)
Interest paid		**(6,248)**	(5,914)
Dividends paid to non-controlling interests		**(2,030)**	–
Dividends paid to equity shareholders of the Company		**(45,393)**	(31,776)
Net cash used in financing activities		**(131,036)**	(45,733)
Net increase in cash and cash equivalents		**595,337**	158,997
Cash and cash equivalents at 1 January		**684,831**	546,391
Effect of foreign exchange rate changes		**19,241**	(20,557)
Cash and cash equivalents at 31 December	22(a)	**1,299,409**	684,831
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**314,657**	432,099
Time deposits with original maturity less than three months		**984,752**	252,732
		1,299,409	684,831

The notes on pages 82 to 160 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 package 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 have been approved for issue by the Board of Directors on 20 March 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- club debentures (see note 2(i)(iii));
- financial instruments classified as available-for-sale (see note 2(j)); and
- derivative financial instruments (see note 2(k)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 22(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

(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 interests 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.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Acquisition-related costs are expensed as incurred.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

(i) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interests 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 interests 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 profit or loss (see note 2(i)(i)).

Intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. 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.

(iv) Structured entity

A structured entity is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. The assets and liabilities of the structured entity, Law Debenture Trust (Asia) Limited (the "Trustee"), are included in the Group's consolidated statement of financial position and the shares held by the Trustee are presented as a deduction in equity as own held shares reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

(v) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment losses (see note 2(m)). 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.

(e) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(f) Foreign currency translation

(i) 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.

(ii) 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 profit or loss, 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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.

(iii) 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 end of the reporting period;

(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.

(iv) 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 equity shareholders of the Company are reclassified to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

(iv) Disposal of foreign operation and partial disposal (continued)

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.

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see note 2(m)). 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 profit or loss 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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 are 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 (see note 2(m)).

(h) 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 profit or loss.

(i) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of

(a) 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

(b) the fair value of the identified net assets acquired.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

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 (see note 2(m)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (continued)

(ii) Computer software

Computer software that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(m)).

Amortisation of computer software with finite useful lives is 30% on the reducing balance basis and is charged to profit or loss.

(iii) Club debentures

Club debentures are initially recognised at cost, subsequently at revaluation. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Club debentures that have an indefinite useful life are not subject to amortisation and are tested annually for impairment (see note 2(m)).

(j) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

– Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest earned or dividends on these investments as these are recognised in accordance with the policies set out in notes 2(v)(ii) and 2(v)(iii).

– Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(m)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Other investments in debt and equity securities (continued)

- Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(m)).

Interest income from debt securities calculated using the effective interest rate method and dividend income from equity securities are recognised in profit or loss in accordance with the policies set out in notes 2(v)(ii) and 2(v)(iii) respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(k) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(l) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets (including goodwill); and

– investments in subsidiaries in the Company's statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, other intangible assets that are not yet available for use and other intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGU) and then, to reduce the carrying amount of the other assets in the unit (or group of CGU) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(m)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less provision for impairment loss of receivables (see note 2(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less provision for impairment of trade receivables.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(i) Short term employee benefits and contributions to defined contribution retirement plans (continued)

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.

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.

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.

(ii) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Share-based payments (continued)

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 29.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities (continued)

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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) 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.

(i) 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.

(ii) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue recognition (continued)

(iii) Dividend income

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

(iv) 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.

(w) Borrowing costs

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

(x) 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.

(y) 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.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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 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 tax assets and liabilities in the period in which such determination is made.

Deferred 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(m).

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 available-for-sale financial assets

The fair value of 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 available-for-sale financial assets.

(e) Provision for 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 loss of receivables

Management determines the provision for impairment loss 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 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 and other revenue less distribution costs, administrative and selling expenses, and other net loss 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 gain on disposal of a subsidiary company, corporate finance costs and other corporate income and expenses. Segment assets do not include property, plant and equipment, intangible assets, available-for-sale financial assets, prepayments, deposits and other receivables, derivative financial instruments and bank and cash balances at corporate level.

4 SEGMENT INFORMATION (CONTINUED)

(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 2017 and 2016.

	Book and package printing		Consumer product packaging		Corrugated box		Paper trading		Eliminations		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue												
Sales to external customers	**1,837,419**	1,766,428	**687,882**	625,881	**185,813**	149,788	**424,545**	413,827	**-**	–	**3,135,659**	2,955,924
Inter-segment sales	**445**	690	**6,488**	1,907	**151,522**	98,261	**448,922**	397,949	**(607,377)**	(498,807)	**-**	–
Total	**1,837,864**	1,767,118	**694,370**	627,788	**337,335**	248,049	**873,467**	811,776	**(607,377)**	(498,807)	**3,135,659**	2,955,924
Segment results	**30,477**	39,654	**28,898**	11,892	**26,016**	3,447	**17,304**	14,609	**1,164**	1,834	**103,859**	71,436
Interest income and other income											**13,706**	13,388
Corporate and unallocated expenses											**(54,529)**	(18,425)
Gain on disposal of a subsidiary company											**1,143,809**	–
Operating profit											**1,206,845**	66,399
Finance costs											**(6,192)**	(5,972)
Profit before income tax											**1,200,653**	60,427
Income tax											**(145,104)**	(18,087)
Profit for the year											**1,055,549**	42,340

	Book and package printing		Consumer product packaging		Corrugated box		Paper trading		Unallocated		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Assets												
Property, plant and equipment	**621,686**	629,368	**421,445**	410,277	**49,597**	51,476	**1,332**	22,144	**172**	250	**1,094,232**	1,113,515
Land use rights	**27,048**	28,114	**32,668**	31,468	**3,535**	3,838	**-**	14,316	**-**	–	**63,251**	77,736
Properties under construction	**5,430**	289	**269**	228	**-**	–	**-**	–	**-**	–	**5,699**	517
Inventories	**245,789**	232,803	**153,662**	108,611	**43,986**	28,790	**53,088**	152,508	**1,290**	758	**497,815**	523,470
Trade and bills receivables	**488,279**	499,931	**200,759**	162,543	**65,159**	44,055	**83,845**	80,667	**-**	–	**838,042**	787,196
Liabilities												
Trade and bills payables	**101,721**	83,086	**58,981**	58,631	**15,904**	21,196	**48,079**	39,017	**-**	–	**224,685**	201,930
Capital expenditure	**74,870**	47,723	**19,030**	22,483	**529**	4,283	**1,071**	227	**1,248**	–	**96,748**	74,716

4 SEGMENT INFORMATION (CONTINUED)

(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:

	2017 **$'000**	2016 $'000
Hong Kong	**962,707**	840,812
The PRC	**878,839**	732,388
Europe	**553,091**	601,901
United States of America	**642,649**	634,231
Other countries	**98,373**	146,592
	3,135,659	2,955,924

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

During the years ended 31 December 2017 and 2016, no single customer accounted for 10% or more of total revenue.

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

Non-current assets, other than available-for-sale financial assets and deferred tax assets, by location:

	2017 **$'000**	2016 $'000
Hong Kong	**105,654**	109,335
The PRC	**1,124,650**	1,131,980
	1,230,304	1,241,315

5 REVENUE, OTHER REVENUE AND OTHER NET LOSS

The Group's revenue, other revenue and other net loss consist of the following:

	2017 $'000	2016 $'000
Revenue		
Sale of goods	**3,135,659**	2,955,924
Other revenue		
Dividend income from available-for-sale financial assets	**404**	404
Bank interest income	**13,366**	13,388
Sales of scrap materials	**4,681**	4,471
Government grants	**5,577**	8,778
Sundry income	**1,507**	4,482
	25,535	31,523
Other net loss		
Net foreign exchange gain/(loss)	**12,001**	(6,939)
Fair value gain/(loss) on derivative financial instruments not qualified as hedges	**2,195**	(1,921)
Loss on disposal/write-off of property, plant and equipment	**(14,466)**	(6,696)
Write-off of intangible assets – software	**(63)**	(31)
	(333)	(15,587)

6 EXPENSES BY NATURE

Expenses included in cost of sales, administrative and selling expenses and gain on disposal of a subsidiary company are analysed as follows:

	Note	**2017 $'000**	2016 $'000
Depreciation#	12	**96,996**	101,733
Amortisation of land use rights	13	**2,538**	2,756
Amortisation of intangible assets#	15	**1,297**	948
Auditor's remuneration			
– Audit service		**2,060**	1,960
– Non-audit services (included tax matters, review and other reporting services)		**1,605**	389
Employee benefits expense#			
– excluding Directors' emoluments	8	**805,622**	789,393
Directors' emoluments	9(a)	**17,034**	8,517
Operating lease charges in respect of land and buildings		**8,525**	7,454
Provision for impairment loss of trade receivables, net	19	**1,393**	32
Cost of inventories#	18(b)	**2,666,224**	2,510,845

Cost of inventories include $694,536,000 (2016: $717,058,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 8 for each of these types of expenses.

7 FINANCE COSTS

	2017 $'000	2016 $'000
Interest on bank borrowings	**6,192**	5,972

8 EMPLOYEE BENEFITS EXPENSE – EXCLUDING DIRECTORS' EMOLUMENTS

	2017	2016
	$'000	$'000
Salaries, allowances, bonus and benefits in kind	**747,780**	735,338
Pension costs – defined contribution plans	**53,582**	54,055
Share-based payments	**4,260**	–
	805,622	789,393

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017	2016
	$'000	$'000
Fees:		
Non-executive directors	**1,610**	1,400
Other emoluments:		
Executive directors:		
– Salaries, allowances and benefits in kind	**6,618**	6,487
– Pension costs – defined contribution plans	**238**	234
– Discretionary bonus	**5,954**	–
– Share-based payments	**2,248**	–
Non-executive directors:		
– Salaries, allowances and benefits in kind	**366**	396
	17,034	8,517

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

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 $'000	Salaries, allowances and benefits in kind $'000	Employer's contribution to pension scheme $'000	Discretionary bonus $'000	Share-based payments $'000	Total $'000
Year ended 31 December 2017						
Executive directors:						
Yum Chak Ming, Matthew#	-	4,761	220	4,306	1,622	10,909
Sung Chee Keung	-	1,857	18	1,648	626	4,149
	-	6,618	238	5,954	2,248	15,058
Non-executive directors:						
Yam Hon Ming, Tommy	230	-	-	-	-	230
Katsuaki Tanaka[1]	46	66	-	-	-	112
Hirofumi Hori	230	-	-	-	-	230
Sadatoshi Inoue	230	-	-	-	-	230
Yoshihisa Suzuki[2]	184	300	-	-	-	484
	920	366	-	-	-	1,286
Independent non-executive directors:						
Yap, Alfred Donald	230	-	-	-	-	230
Luk Koon Hoo	230	-	-	-	-	230
Lo Chi Hong	230	-	-	-	-	230
	690	-	-	-	-	690

9 EMOLUMENTS FOR DIRECTORS AND MANAGEMENT (CONTINUED)

(a) Directors' emoluments (continued)

	Fees $'000	Salaries, allowances and benefits in kind $'000	Employer's contribution to pension scheme $'000	Discretionary bonus $'000	Share-based payments $'000	Total $'000
Year ended 31 December 2016						
Executive directors:						
Yum Chak Ming, Matthew#	–	4,680	216	–	–	4,896
Sung Chee Keung	–	1,807	18	–	–	1,825
	–	6,487	234	–	–	6,721
Non-executive directors:						
Yam Hon Ming, Tommy	200	–	–	–	–	200
Katsuaki Tanaka	200	396	–	–	–	596
Hirofumi Hori	200	–	–	–	–	200
Sadatoshi Inoue	200	–	–	–	–	200
	800	396	–	–	–	1,196
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.

Chairman
1 Resigned on 23 March 2017
2 Appointed on 23 March 2017

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 (2016: two) executive directors. Their emoluments are reflected in the analysis presented above. The aggregate of the emoluments in respect of the remaining three (2016: three) individuals during the year are as follows:

	2017 **$'000**	2016 $'000
Salaries, allowances and benefits in kind	**6,501**	5,827
Pension costs – defined contribution plans	**121**	146
Discretionary bonus	**4,478**	–
Share-based payments	**1,764**	–
	12,864	5,973

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

	Number of individuals **2017**	2016
$1,500,001 – $2,000,000	**–**	2
$2,000,001 – $2,500,000	**–**	1
$3,500,001 – $4,000,000	**1**	–
$4,000,001 – $4,500,000	**1**	–
$4,500,001 – $5,000,000	**1**	–
	3	3

(c) Senior management remuneration by band

Senior management remuneration by band included two (2016: two) executive directors:

	Number of individuals **2017**	2016
Below $2,000,000	**2**	9
$2,000,001 – $3,000,000	**3**	1
$3,000,001 – $4,000,000	**3**	–
Above $4,000,000	**4**	1
	12	11

10 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2017 $'000	2016 $'000
Current tax – Hong Kong Profits Tax		
– Provision for the year	**–**	–
– Over-provision in respect of prior years	**(30)**	(178)
	(30)	(178)
Current tax – PRC Income Tax		
– Provision for the year	**140,643**	19,086
– Under-provision in respect of prior years	**50**	7,273
	140,693	26,359
Deferred tax		
Origination and reversal of temporary differences (note 26(b))	**4,441**	(8,094)
	145,104	18,087

No provision for Hong Kong Profits Tax was made for 2016 and 2017 as the tax losses brought forward from previous years of the Hong Kong subsidiaries exceeded their estimated assessable profits.

PRC Income Tax represents PRC Corporate Income Tax calculated at 25% (2016: 25%) and PRC withholding income tax at the applicable rates. Pursuant to the income tax rules and regulations, a withholding tax of 5% is levied on the Hong Kong companies in respect of the dividend distributions arising from profits of foreign investment enterprises in PRC. In respect of the sale of shares in a PRC company, a withholding tax of 10% is levied on non-tax resident enterprises of PRC on the consideration, with certain allowable deductions.

10 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(b) Reconciliation between tax expense and profit before income tax at applicable tax rates:

	2017 **$'000**	2016 $'000
Profit before income tax	**1,200,653**	60,427
Notional tax on profit before income tax, calculated at the rates applicable to profits in the countries concerned	**17,152**	15,911
Tax effect of non-deductible expenses	**5,037**	4,577
Tax effect of non-taxable income	**(1,784)**	(1,978)
Tax effect of utilisation of tax losses not recognised in prior years	**–**	(4,744)
Tax effect of unused tax losses not recognised during the year	**1,289**	1,302
Tax effect of tax losses recognised in prior years but reversed in current year	**4,314**	4,058
Tax effect of recognition of previously unrecognised tax losses	**(7)**	(9,255)
Withholding tax on gain on disposal of a subsidiary company	**117,365**	–
Withholding tax on earnings remitted/expected to be remitted by PRC subsidiaries	**1,508**	1,020
Under-provision in prior years, net	**20**	7,095
Others	**210**	101
Actual tax expense	**145,104**	18,087

For the years ended 31 December 2017 and 2016, there was no tax charge relating to components of other comprehensive income.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $1,050,483,000 (2016: $37,785,000) and the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company.

	2017	2016
Profit attributable to equity shareholders of the Company ($'000)	**1,050,483**	37,785
Weighted average number of ordinary shares in issue ('000)	**907,865**	907,865
Weighted average number of own held shares for share award scheme ('000)	**(8,030)**	(1,633)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**899,835**	906,232
Basic earnings per share (HK cents per share)	**116.7**	4.2

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the adjusted 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. 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.

	2017
Profit attributable to equity shareholders of the Company ($'000)	**1,050,483**
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	**899,835**
Effect of dilutive potential ordinary shares in respect of own held shares for share award scheme ('000)	**3,266**
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share ('000)	**903,101**
Diluted earnings per share (HK cents per share)	**116.3**

For the year ended 31 December 2016, diluted earnings per share was the same as the basic earnings per share as there was no dilutive potential ordinary shares.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Total $'000
Year ended 31 December 2016					
Opening net book amount	437,475	708,711	5,329	32,290	1,183,805
Additions	2,483	43,949	4,908	4,629	55,969
Transfer from properties under construction (note 14)	3,747	–	–	–	3,747
Transfer from deposit for acquisition of non-current assets	–	15,272	–	–	15,272
Disposals	–	(11,869)	(124)	(217)	(12,210)
Depreciation (note 6)	(20,579)	(73,078)	(2,392)	(5,684)	(101,733)
Exchange differences	(12,420)	(18,460)	(3)	(452)	(31,335)
Closing net book amount	410,706	664,525	7,718	30,566	1,113,515
At 31 December 2016:					
Cost	692,249	1,801,385	33,067	132,486	2,659,187
Accumulated depreciation	(281,543)	(1,136,860)	(25,349)	(101,920)	(1,545,672)
Net book amount	410,706	664,525	7,718	30,566	1,113,515

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Total $'000
Year ended 31 December 2017					
Opening net book amount	410,706	664,525	7,718	30,566	1,113,515
Additions	2,124	49,221	4,269	6,562	62,176
Transfer from deposit for acquisition of non-current assets	-	25,403	185	759	26,347
Disposals/write-off	(37)	(20,655)	(221)	(788)	(21,701)
Depreciation (note 6)	(19,500)	(69,219)	(2,736)	(5,541)	(96,996)
Disposal of a subsidiary company (note 34)	(13,852)	(6,059)	(148)	-	(20,059)
Exchange differences	12,564	17,930	101	355	30,950
Closing net book amount	392,005	661,146	9,168	31,913	1,094,232
At 31 December 2017:					
Cost	675,444	1,814,140	33,551	135,347	2,658,482
Accumulated depreciation	(283,439)	(1,152,994)	(24,383)	(103,434)	(1,564,250)
Net book amount	392,005	661,146	9,168	31,913	1,094,232

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The analysis of net book value of buildings is as follows:

	2017	2016
	$'000	$'000
Buildings in Hong Kong, held on lease of:		
Between 10–50 years	**54,644**	57,581
Buildings in the PRC, held on lease of:		
Between 10–50 years	**337,361**	353,125
	392,005	410,706

13 LAND USE RIGHTS

The movements of land use rights are as follows:

	2017	2016
	$'000	$'000
At 1 January	**77,736**	82,641
Amortisation (note 6)	**(2,538)**	(2,756)
Disposal of a subsidiary company (note 34)	**(14,115)**	–
Exchange differences	**2,168**	(2,149)
At 31 December	**63,251**	77,736

13 LAND USE RIGHTS (CONTINUED)

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

	2017	2016
	$'000	$'000
Land use rights in Hong Kong, held on lease of:		
Between 10–50 years	**15,246**	15,785
Land use rights in the PRC, held on lease of:		
Between 10–50 years	**48,005**	61,951
	63,251	77,736

14 PROPERTIES UNDER CONSTRUCTION

	2017	2016
	$'000	$'000
At 1 January	**517**	1,219
Additions	**5,178**	3,061
Transfer to property, plant and equipment (note 12)	**–**	(3,747)
Exchange differences	**4**	(16)
At 31 December	**5,699**	517

The properties under construction are located in the PRC.

15 INTANGIBLE ASSETS

	Goodwill $'000	Club debentures $'000	Software $'000	Total $'000
Year ended 31 December 2016				
Opening net book amount	1,634	6,000	2,101	9,735
Additions	–	–	414	414
Amortisation (note 6)	–	–	(948)	(948)
Write-off	–	–	(31)	(31)
Fair value changes	–	(200)	–	(200)
Closing net book amount	1,634	5,800	1,536	8,970
At 31 December 2016:				
Cost or valuation	1,634	5,800	6,530	13,964
Accumulated amortisation	–	–	(4,994)	(4,994)
Net book amount	1,634	5,800	1,536	8,970
Year ended 31 December 2017				
Opening net book amount	**1,634**	**5,800**	**1,536**	**8,970**
Additions	**–**	**–**	**2,464**	**2,464**
Transfer from deposits for acquisition of non-current assets	**–**	**–**	**583**	**583**
Amortisation (note 6)	**–**	**–**	**(1,297)**	**(1,297)**
Write-off	**–**	**–**	**(63)**	**(63)**
Fair value changes	**–**	**700**	**–**	**700**
Closing net book amount	**1,634**	**6,500**	**3,223**	**11,357**
At 31 December 2017:				
Cost or valuation	**1,634**	**6,500**	**9,246**	**17,380**
Accumulated amortisation	**–**	**–**	**(6,023)**	**(6,023)**
Net book amount	**1,634**	**6,500**	**3,223**	**11,357**

15 INTANGIBLE ASSETS (CONTINUED)

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

	Goodwill $'000	Club debentures $'000	Software $'000	Total $'000
At 31 December 2016:				
At cost	1,634	–	6,530	8,164
At valuation	–	5,800	–	5,800
	1,634	5,800	6,530	13,964
At 31 December 2017:				
At cost	**1,634**	**–**	**9,246**	**10,880**
At valuation	**–**	**6,500**	**–**	**6,500**
	1,634	**6,500**	**9,246**	**17,380**

Goodwill is attributable to the consumer product packaging segment.

16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and fully paid up shares/ registered capital	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	100 ordinary shares	100%	100%	–
Sun Hing Paper Company Limited	Hong Kong/Limited liability company	Paper trading/Hong Kong	100 ordinary shares	100%	100%	–
Hung Hing Printing (China) Company Limited§§	The PRC/Limited liability company	Production and colour printing of paper products/The PRC	HK$566,000,000	–	100%	–

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and fully paid up shares/ registered capital	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
Tai Hing Paper Products Company, Limited	Hong Kong/Limited liability company	Trading of corrugated cartons boxes/Hong Kong	100 ordinary shares	100%	100%	–
Beluga Limited	Hong Kong/Limited liability company	Design and production of "print + digital" products/Hong Kong	2 ordinary shares	100%	100%	–
Toppwork Limited	Hong Kong/Limited liability company	Professional services/Hong Kong	10,000 ordinary shares	100%	100%	–
Zhongshan Hung Hing Printing & Packaging Company Limited§	The PRC/Limited liability company	Printing and manufacturing of paper cartons/The PRC	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/The PRC	USD5,000,000	–	71%	29%
Hung Hing International Limited	British Virgin Islands/Limited liability company	Investment holding/Hong Kong	100 ordinary shares	100%	100%	–
South Gain Enterprises Limited	Hong Kong/Limited liability company	Selling and purchasing agent/ Hong Kong	1,700,000 ordinary shares	–	71%	29%
Po Hing Packaging (Shenzhen) Company Limited§§	The PRC/Limited liability company	Printing and manufacturing of paper cartons/The PRC	USD11,200,000	–	100%	–
Zhongshan South Gain Paper Products Company Limited§§	The PRC/Limited liability company	Printing and manufacturing of paper cartons/The PRC	USD15,000,000	–	71%	29%
Hung Hing Packaging (Wuxi) Company Limited§§	The PRC/Limited liability company	Production and colour printing of paper products/The PRC	USD31,050,000	100%	100%	–
Hung Hing Printing (Heshan) Company Limited§§	The PRC/Limited liability company	Production and colour printing of paper products/The PRC	HK$290,000,000	–	100%	–
Jun Hing Company Limited§§	The PRC/Limited liability company	Paper trading/The PRC	HK$19,200,000	–	100%	–

§ Sino-foreign equity joint venture

§§ Wholly foreign-owned enterprise

\# During the year ended 31 December 2017, the Company has disposed of 100% equity interest of Sun Hing Paper (Shenzhen) Company Limited, as set out in note 34.

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to South Gain Enterprises Limited Sub-group and Zhongshan Hung Hing Printing & Packaging Company Limited, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination except for the elimination within South Gain Enterprises Limited Sub-group.

	South Gain Enterprises Limited Sub-group		**Zhongshan Hung Hing Printing & Packaging Company Limited**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
NCI percentage	**29%**	29%	**29%**	29%
Current assets	**204,666**	204,151	**160,127**	125,386
Non-current assets	**126,257**	135,943	**187,724**	180,588
Current liabilities	**(82,192)**	(102,459)	**(95,204)**	(79,204)
Non-current liabilities	**(10,572)**	(10,237)	**(9,990)**	(9,111)
Net assets	**238,159**	227,398	**242,657**	217,659
Carrying amount of NCI	**69,066**	65,945	**70,371**	63,121
Revenue	**308,142**	261,103	**210,507**	189,641
Profit for the year	**7,976**	7,613	**9,297**	7,884
Total comprehensive income	**17,761**	(9,320)	**24,998**	(6,560)
Profit allocated to NCI	**2,313**	2,208	**2,696**	2,286
Dividend paid to NCI	**2,030**	4,060	**–**	–
Cash flows from operating activities	**(25,862)**	40,416	**18,702**	(8,972)
Cash flows from investing activities	**(6,580)**	(3,798)	**(7,762)**	(8,986)
Cash flows from financing activities	**(22,004)**	(4,858)	**(144)**	(9,754)

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	2017 **$'000**	2016 $'000
Unlisted equity investments, at fair value	**33,394**	31,969
Unlisted equity investments, at cost	**80**	80
Club debentures, at fair value	**788**	736
Hong Kong listed equity investments, at fair value	**14,938**	12,970
	49,200	45,755

Available-for-sale financial assets consist of investments in listed and unlisted ordinary shares and club debentures.

The fair values of listed equity investments are based on quoted market prices at the end of the reporting period.

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 significant assumptions and unobservable inputs utilised in valuation were as follows:

	2017	2016
– Discount rate	**14.7%**	12.0%
– Terminal growth rate	**3.5%**	3.5%

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017 **$'000**	2016 $'000
Raw materials*	**375,226**	415,587
Work in progress	**60,975**	71,443
Finished goods	**76,922**	55,980
	513,123	543,010
Less: Write-down of inventories	**(15,308)**	(19,540)
	497,815	523,470

* At 31 December 2017, $53,088,000 (2016: $152,508,000) of raw materials were designated for paper trading business.

18 INVENTORIES (CONTINUED)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2017 **$'000**	2016 $'000
Carrying amount of inventories sold	**2,668,017**	2,518,134
Reversal of write-down of inventories, net	**(1,793)**	(7,289)
	2,666,224	2,510,845

The reversal of write-down of inventories made in both years arose due to an increase in the estimated net realisable value of raw materials as a result of increase in the market price of paper.

19 TRADE AND BILLS RECEIVABLES

	2017 **$'000**	2016 $'000
Trade receivables	**840,557**	782,034
Less: Provision for impairment loss of trade receivables	**(8,140)**	(7,314)
	832,417	774,720
Trade receivables due from related parties	**1,020**	5,988
Total trade receivables, net	**833,437**	780,708
Bills receivables	**4,605**	6,488
	838,042	787,196

All of the trade and bills receivables are expected to be recovered or recognised as expense within one year.

19 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	2017 $'000	2016 $'000
1-30 days	**305,826**	287,219
31-60 days	**204,956**	173,693
61-90 days	**94,420**	108,902
Over 90 days	**228,235**	210,894
	833,437	780,708

Trade receivables are normally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 35(c).

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 $'000	2016 $'000
Neither past due nor impaired	**583,682**	540,261
Less than 1 month past due	**104,299**	118,240
1 to 3 months past due	**102,693**	85,143
Over 3 months past due	**42,763**	37,064
	249,755	240,447
	833,437	780,708

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

As of 31 December 2017, trade receivables of approximately $249,755,000 (2016: $240,447,000) 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 loss 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.

19 TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(m)(i)).

As of 31 December 2017, trade receivables of approximately $8,140,000 (2016: $7,314,000) were past due and fully provided for. The individually impaired receivables were mainly related to customers who were in financial difficulties.

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

	2017	2016
	$'000	$'000
At 1 January	**7,314**	12,481
Provision for impairment loss of trade receivables, net (note 6)	**1,393**	32
Amount written off as uncollectible	**(798)**	(4,880)
Exchange differences	**231**	(319)
At 31 December	**8,140**	7,314

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Prepayments and deposits		
Prepayment for purchase of raw materials and services	**17,751**	17,815
Value-added tax recoverable	**22,977**	20,217
Others	**5,215**	5,074
	45,943	43,106
Other receivables		
Bank interest receivables	**3,551**	626
Other receivable from an escrow account (note 34)	**390,339**	–
Other receivable from the disposed subsidiary company	**40,910**	–
Others	**5,750**	3,910
	440,550	4,536
	486,493	47,642

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

21 PLEDGED TIME DEPOSITS

At 31 December 2017, time deposits of $125,938,000 (2016: $136,395,000) were pledged as collaterals for the issuance of bills payable (see note 23).

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2017 $'000	2016 $'000
Cash at banks and on hand	**314,657**	432,099
Time deposits with original maturity less than three months	**984,752**	252,732
	1,299,409	684,831

22 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Note	2017 $'000	2016 $'000
Profit before income tax		**1,200,653**	60,427
Adjustments for:			
Finance costs	7	**6,192**	5,972
Gain on disposal of a subsidiary company	34	**(1,143,809)**	–
Bank interest income	5	**(13,366)**	(13,388)
Dividend income from available-for-sale financial assets	5	**(404)**	(404)
Restricted share award scheme expenses	29	**6,508**	–
Fair value (gain)/loss on derivative financial instruments not qualified as hedges	5	**(2,195)**	1,921
Depreciation	6	**96,996**	101,733
Amortisation of land use rights	6	**2,538**	2,756
Amortisation of intangible assets	6	**1,297**	948
Provision for impairment loss of trade receivables, net	6	**1,393**	32
Reversal of write-down of inventories, net	18	**(1,793)**	(7,289)
Loss on disposal/write-off of property, plant and equipment	5	**14,466**	6,696
Write-off of intangible assets – software	5	**63**	31
		168,539	159,435
Decrease in inventories		**10,173**	6,147
Increase in trade and bills receivables		**(52,115)**	(11,723)
Decrease/(increase) in prepayments, deposits and other receivables		**14,781**	(1,278)
Increase in trade and bills payables		**19,542**	10,280
Increase in other payables and accrued liabilities		**16,770**	6,592
Cash generated from operations		**177,690**	169,453

22 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings $'000 (Note 25)
At 1 January 2017	265,655
Changes from financing cash flows:	
Proceeds from bank borrowings	95,715
Repayments of bank borrowings	(153,618)
Interest paid	(6,248)
Total changes from financing cash flows	(64,151)
Other changes:	
Interest expenses (note 7)	6,192
Decrease in interest payable	56
Total other changes	6,248
At 31 December 2017	207,752

Note: Bank borrowings consist of bank loans as disclosed in note 25.

23 TRADE AND BILLS PAYABLES

	2017	2016
	$'000	$'000
Trade payables	**183,830**	175,132
Bills payable	**40,855**	26,798
	224,685	201,930

At 31 December 2017, the bills payable of $36,011,000 (2016: $22,826,000) are secured by the pledged time deposits of $125,938,000 (2016: $136,395,000).

All of the trade and bills payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2017	2016
	$'000	$'000
1-30 days	**143,410**	128,603
31-60 days	**27,874**	32,736
61-90 days	**6,301**	4,876
Over 90 days	**6,245**	8,917
	183,830	175,132

24 OTHER PAYABLES AND ACCRUED LIABILITIES

	2017 $'000	2016 $'000
Other payables		
Staff benefits fund	**1,397**	1,334
Deposits received from customers	**14,302**	13,963
Other taxes payables	**5,688**	7,387
Other payables to the disposed subsidiary company	**5,892**	–
Others	**27,807**	28,444
	55,086	51,128
Accrued liabilities		
Employee benefits expenses	**84,844**	62,638
Commission	**32,308**	31,119
Social security insurances	**20,720**	17,417
Audit fee	**2,518**	2,193
Others	**19,802**	20,151
	160,192	133,518
Financial liabilities-subtotal	**215,278**	184,646
Provision for long service payments	**1,930**	1,187
Provision for annual leave	**3,259**	2,756
	220,467	188,589

All of the above balances are expected to be settled or recognised as income within one year or are repayable on demand, except for provision for long service payment of $1,930,000 (2016: $1,187,000) which are expected to be settled or recognised as income after one year.

25 BANK BORROWINGS

	Effective interest rate		Maturity			
	2017	2016	**2017**	2016	**2017** **$'000**	2016 $'000
Current						
Bank loans – guaranteed	**2%-3%**	1%-3%	**2018**	2017	**76,752**	110,655
Non-current						
Bank loans – guaranteed	**3%**	3%	**2019-2021**	2018-2021	**131,000**	155,000
Total bank loans					**207,752**	265,655

All of the above bank loans are secured by the corporate guarantees issued by the Company.

The Group had bank loan and trade facilities of $745,077,000 (2016: $804,000,000), of which $207,752,000 (2016: $265,655,000) 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. Further details of the Group's management of liquidity risk are set out in note 35(e).

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017 **$'000**	2016 $'000
Provision for Hong Kong profits tax for the year	**–**	–
Provisional profits tax paid	**(15)**	(3,511)
	(15)	(3,511)
Taxation outside Hong Kong – PRC corporate income tax payable	**19,087**	21,915
	19,072	18,404

	2017 **$'000**	2016 $'000
Income tax recoverable	**(15)**	(3,511)
Income tax payable	**19,087**	21,915
	19,072	18,404

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	Differences between depreciation allowances and related depreciation	Provision for impairment loss of trade receivables	Withholding tax	Other temporary differences	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax arising from:						
At 1 January 2016	(15,895)	69,860	(2,302)	8,803	(10,669)	49,797
(Credited)/charged to profit or loss (note 10(a))	(7,770)	(486)	793	438	(1,069)	(8,094)
Exchange differences	489	(2,488)	79	(577)	163	(2,334)
At 31 December 2016	(23,176)	66,886	(1,430)	8,664	(11,575)	39,369
At 1 January 2017	**(23,176)**	**66,886**	**(1,430)**	**8,664**	**(11,575)**	**39,369**
Charged/(credited) to profit or loss (note 10(a))	**7,245**	**(2,173)**	**(65)**	**52**	**(618)**	**4,441**
Disposal of a subsidiary company (note 34)	**-**	**-**	**-**	**-**	**42**	**42**
Exchange differences	**(388)**	**2,533**	**(85)**	**609**	**(243)**	**2,426**
At 31 December 2017	**(16,319)**	**67,246**	**(1,580)**	**9,325**	**(12,394)**	**46,278**

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2017 **$'000**	2016 $'000
Net deferred tax assets recognised in the consolidated statement of financial position	**(10,521)**	(16,065)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**56,799**	55,434
	46,278	39,369

(c) Deferred tax assets not recognised

The Group has tax losses arising in Hong Kong of $115,295,000 (2016: $131,822,000) and the PRC of $52,547,000 (2016: $62,378,000), 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 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 the PRC and Hong Kong, tax losses amounting $84,004,000 (2016: $121,660,000) have been recognised as deferred tax assets of $16,319,000 (2016: $23,176,000) 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.

The Group has not recognised deferred tax assets in respect of cumulative tax losses, whose expiry dates are:

	2017 **$'000**	2016 $'000
Within 1 year	**11,113**	5,824
More than 1 year but within 5 years	**12,535**	20,045
Do not expire under current tax legislation	**60,190**	46,671
	83,838	72,540

Deferred tax liabilities of $24,552,000 (2016: $19,957,000) have not been recognised at 31 December 2017 for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries established in the PRC.

27 SHARE CAPITAL

	2017 No. of shares '000	**2017** $'000	2016 No. of shares '000	2016 $'000
At 1 January and 31 December	**907,865**	**1,652,854**	907,865	1,652,854

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The Company's issued and fully paid shares as at 31 December 2017 included 13,932,944 shares (2016: 1,632,944 shares) held in trust by the trustee under Restricted Share Award Scheme, details of which are set out in note 29.

During the years ended 31 December 2017 and 2016, neither the Company nor any of its subsidiaries purchased any of the Company's shares, except that the trustee of the Restricted Share Award Scheme, pursuant to the terms of the rules and trust deed of the Restricted Share Award Scheme, purchased on the Stock Exchange a total of 12,300,000 shares (2016: nil share) of the Company (note 29).

28 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2017 $'000	2016 $'000
Interim dividend of HK2 cents (2016: HK1 cent) per ordinary share	**18,157**	9,079
Proposed special dividend of HK27 cents (2016: nil) per ordinary share	**245,124**	–
Proposed final dividend of HK3 cents (2016: HK3 cents) per ordinary share	**27,236**	27,236
	290,517	36,315

The Directors recommend a one-off special dividend of HK27 cents per ordinary share and a final dividend of HK3 cents per ordinary share. Such dividends are to be approved by the shareholders at the Annual General Meeting of the Company to be held on 24 May 2018. These consolidated financial statements do not reflect these as dividend payable but account for them as proposed dividends in reserves (note 30).

28 DIVIDENDS (CONTINUED)

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 $'000	2016 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents (2016: HK2.5 cents) per ordinary share	**27,236**	22,697

29 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 2018.

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

The awarded shares are the existing shares, which are purchased on the Stock Exchange by the independent trustee, Law Debenture Trust (Asia) Limited (the "Trustee"), with funds provided by the Company. The maximum number of shares that can be purchased by the trustee under the Scheme is limited to 2% of the shares in issue of the Company as at 1 July 2015.

Under the rules of the Scheme, share awards will be granted to the participants of the Scheme when certain performance target is met and on or before 30 June of each year.

Upon certain vesting conditions are fulfilled, the share awards granted to the participants will be vested in three equal tranches provided that the relevant awardees remained employed by the Group or retired on reaching normal retirement age.

For awardees who cease employment with the Group before vesting, the unvested shares are forfeited. The forfeited shares are held by the trustee of the Scheme.

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.

During the year ended 31 December 2017, a total of 9,101,970 shares at a fair value of $1.56 per share were granted to the participants. Share based payments of HK$6,508,000 has been recognised in the consolidated income statement as employee benefit expenses (notes 8 and 9). None of the shares granted was forfeited up to 31 December 2017. There was no movement in the Scheme for the year ended 31 December 2016.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 RESTRICTED SHARE AWARD SCHEME (CONTINUED)

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

	2017		2016	
	Average fair value per share $	**Number of shares awarded**	Average fair value per share $	Number of shares awarded
Beginning balance		**-**		–
Granted	**1.56**	**9,101,970**	–	–
Ending balance		**9,101,970**		–

All the shares held by Trustee for the purpose of the Scheme are listed below:

	Number of shares	
	2017	2016
Beginning balance	**1,632,944**	1,632,944
Purchase of shares	**12,300,000**	–
Ending balance	**13,932,944**	1,632,944

During the year ended 31 December 2017, the total consideration paid for the purchase of 12,300,000 shares was $19,462,000 (2016: nil).

30 RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the years are set out below:

	Share capital $'000	Other capital reserves $'000	Available-for-sale investment revaluation reserve $'000	Retained earnings $'000	Proposed dividend $'000	Total $'000
At 1 January 2016	1,652,854	(4,017)	8,966	422,480	22,697	2,102,980
Changes for the year						
Profit for the year	–	–	–	37,791	–	37,791
Other comprehensive income	–	–	(73)	–	–	(73)
Total comprehensive income	–	–	(73)	37,791	–	37,718
Dividend approved in respect of the previous year (note 28(b))	–	–	–	–	(22,697)	(22,697)
Interim dividend (note 28(a))	–	–	–	(9,079)	–	(9,079)
Proposed final dividend (note 28(a))	–	–	–	(27,236)	27,236	–
At 31 December 2016	1,652,854	(4,017)	8,893	423,956	27,236	2,108,922

30 RESERVES (CONTINUED)

(a) Movements in components of equity (continued)

	Share capital $'000	Other capital reserves $'000	Available-for-sale investment revaluation reserve $'000	Equity compensation reserves $'000	Retained earnings $'000	Proposed dividends $'000	Total $'000
At 1 January 2017	**1,652,854**	**(4,017)**	**8,893**	**-**	**423,956**	**27,236**	**2,108,922**
Changes for the year							
Profit for the year	-	-	-	-	1,019,484	-	1,019,484
Other comprehensive income	-	-	52	-	-	-	52
Total comprehensive income	**-**	**-**	**52**	**-**	**1,019,484**	**-**	**1,019,536**
Dividend approved in respect of the previous year (note 28(b))	-	-	-	-	-	(27,236)	(27,236)
Purchase of shares for share award scheme (note 29)	-	(19,462)	-	-	-	-	(19,462)
Equity compensation expenses (note 29)	-	-	-	6,508	-	-	6,508
Interim dividend (note 28(a))	-	-	-	-	(18,157)	-	(18,157)
Proposed special dividend (note 28(a))	-	-	-	-	(245,124)	245,124	-
Proposed final dividend (note 28(a))	-	-	-	-	(27,236)	27,236	-
At 31 December 2017	**1,652,854**	**(23,479)**	**8,945**	**6,508**	**1,152,923**	**272,360**	**3,070,111**

30 RESERVES (CONTINUED)

(b) Nature and purpose of reserves

(i) Legal reserves

Subsidiaries of the Group in the PRC, which are wholly foreign-owned enterprises, follow the accounting principles and relevant financial regulations of the PRC applicable to wholly foreign-owned enterprises ("PRC GAAP – WFOE"), in the preparation of its accounting records and financial statements. Pursuant to the accounting regulations for business enterprises, the subsidiaries are required to appropriate 10% of the profit arrived at in accordance with PRC GAAP – WFOE for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to equity owners. The appropriation is required until the statutory reserve reaches 50% of the registered capital. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in capital.

(ii) Intangible asset revaluation reserve

The intangible asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies in notes 2(i) and (m).

(iii) Available-for-sale investment revaluation reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(j) and (m).

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(f).

31 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.

31 CAPITAL RISK MANAGEMENT (CONTINUED)

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 bank 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 2017 and 2016, the Group had net cash position as follows:

	2017 **$'000**	2016 $'000
Cash and cash equivalents, time deposits with original maturity over three months and pledged time deposits	**1,431,422**	826,816
Total bank borrowings (note 25)	**(207,752)**	(265,655)
	1,223,670	561,161

As the Group had a net cash position, the net debt gearing ratio as at 31 December 2017 was nil (2016: nil).

32 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:

	2017 **$'000**	2016 $'000
A former related company	**27,515**	25,713

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

	2017 **$'000**	2016 $'000
A former related company	**27,515**	25,713

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

33 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 had total future aggregate minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	$'000	$'000
Not later than one year	**9,378**	4,492
Later than one year and not later than five years	**19,614**	11,326
Later than five years	**52,122**	49,155
	81,114	64,973

(b) Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	2017	2016
	$'000	$'000
Contracted for, but not provided for	**61,505**	8,549

34 GAIN ON DISPOSAL OF A SUBSIDIARY COMPANY

During the year ended 31 December 2017, the Group entered into an agreement to dispose of its wholly owned subsidiary, Sun Hing Paper (Shenzhen) Company Limited (the "Disposal"), to an independent third party at a consideration of RMB1,026,000,000 (equivalent to $1,211,221,000). The disposal was completed on 14 December 2017. The principal activity of the former subsidiary company is paper trading.

34 GAIN ON DISPOSAL OF A SUBSIDIARY COMPANY (CONTINUED)

An analysis on gain on disposal is as follows:

	$'000
Net assets of Disposal:	
Property, plant and equipment	20,059
Land use right	14,115
Inventories	17,233
Deferred tax asset	42
Trade receivables	48,715
Prepayments, deposits and other receivables	9,860
Cash and cash equivalents	19,054
Other payables and accrued liabilities	(96,467)
Net assets disposed of	32,611
Gain on disposal of a subsidiary company:	
Consideration, pre-tax	1,211,221
Expenses in connection with the Disposal	(34,801)
Net assets disposed of	(32,611)
Gain on disposal, pre-tax	1,143,809
Less: Income tax	(117,365)
Gain on disposal, net of tax	1,026,444
Net cash inflow arising on the Disposal during the year:	
Cash consideration received	820,882
Bank balances and cash disposed of	(19,054)
Expenses paid in connection with the Disposal	(32,282)
Net proceeds received from the Disposal	769,546
Income tax paid	(117,365)
	652,181

At 31 December 2017, $390,339,000 of the consideration was held in an escrow account and recorded as other receivables as disclosed in note 20. Up to 28 February 2018, all the consideration of $1,093,856,000, net of income tax of $117,365,000, was received by the Group.

A pre-tax gain of $1,143,809,000 and related income tax expenses of $117,365,000 were recognised in the consolidated income statement for the year ended 31 December 2017.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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 bank borrowings. The main purpose of these financial instruments is to raise finance for 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(k) to the financial statements.

(a) Interest rate risk

The Group's exposure to interest rate risk arises mainly from its bank deposits and bank borrowings ("net borrowings"). Bank borrowings issued at variable rates exposed the Group to cash flow interest rate risk. Bank 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 bank borrowings which bear floating interest rates.

During the year ended 31 December 2017, interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 December 2017, the fair value of interest rate swaps is immaterial to the Group.

At 31 December 2017, approximately HK$82 million (2016: HK$94 million) of the variable rate bank borrowings, which is grouped as fixed rate borrowings in note 35(a)(i), effectively bear fixed interest rates as a result of the interest rate swaps.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period.

	2017 Effective interest rate %	**2017** $'000	2016 Effective interest rate %	2016 $'000
Net fixed rate borrowings:				
Bank borrowings	**3.0**	**155,000**	3.0	179,000
Variable rate borrowings/ (cash and bank deposits):				
Bank borrowings	**2.3**	**52,752**	1.3–1.8	86,655
Less: Pledged time deposits	**1.4–3.7**	**(125,938)**	1.4–3.0	(136,395)
Time deposits with original maturity over three months	**1.6**	**(6,075)**	1.6	(5,590)
Time deposits with original maturity less than three months	**0.6–4.5**	**(984,752)**	0.4–4.0	(252,732)
Cash at bank and on hand	**0–1.5**	**(314,657)**	0–1.5	(432,099)
		(1,378,670)		(740,161)
Total net cash and bank deposits		**(1,223,670)**		(561,161)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit before income tax by approximately $5,320,000 (2016: $2,982,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit before income tax that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit before income tax is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2016.

(b) Foreign currency risk

The Group is exposed to foreign currency risk primarily through its business transactions, assets and liabilities denominated in various foreign currencies primarily Renminbi ("RMB"), Hong Kong dollars ("HKD") and United States dollars ("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 the functional currency of the operations to which the transactions relate.

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. At 31 December 2017, the fair value of forward currency contract is immaterial to the Group.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Foreign currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HKD, translated using the spot rate at the reporting period end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HKD)					
	2017			2016		
	RMB	**HKD**	**USD**	RMB	HKD	USD
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Trade and bills receivables	**12,914**	**-**	**373,434**	6,465	–	402,599
Prepayments, deposits and other receivables	**392,624**	**-**	**-**	–	–	–
Pledged time deposits	**125,938**	**-**	**-**	117,384	–	–
Cash and cash equivalents	**129,339**	**4,141**	**724,982**	199,501	3,687	283,444
Trade and bills payables	**(92,832)**	**(18)**	**(41,151)**	(79,313)	(18)	(27,551)
Other payables and accrued liabilities	**(2,519)**	**-**	**-**	–	–	–
Bank borrowings	**-**	**-**	**(12,752)**	–	–	(46,655)
Net exposure arising from recognised assets and liabilities	**565,464**	**4,123**	**1,044,513**	244,037	3,669	611,837

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Foreign currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit before income tax that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before income tax $'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before income tax $'000
RMB#	**2%**	**11,309**	2%	4,881
	(2%)	**(11,309)**	(2%)	(4,881)
HKD*	**2%**	**82**	2%	73
	(2%)	**(82)**	(2%)	(73)
USD*	**2%**	**837**	2%	1,441
	(2%)	**(837)**	(2%)	(1,441)

\# For the company and subsidiaries with functional currency as HKD

* For subsidiaries with functional currency as RMB

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit before income tax measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (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 19 to the financial statements.

(d) Equity price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified as available-for-sale financial assets (see note 17). The Group's listed investments are listed on the Stock Exchange of Hong Kong. The Group's unquoted investment are held for long term strategic purposes. The Group is not exposed to commodity price risk.

The Group does not actively trade in equity investments and in the opinion of the Board of Directors, the equity price risk related to trading activities to which the Group is exposed to is not material. Accordingly, no quantitative market risk disclosures for equity price risk have been prepared.

(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.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group'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 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.

		2017					2016				
	Note	**Carrying amount $'000**	**Total contractual undiscounted cash flow $'000**	**Within 1 year or on demand $'000**	**More than 1 year but within 2 years $'000**	**More than 2 years but within 5 years $'000**	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but within 2 years $'000	More than 2 years but within 5 years $'000
Bank borrowings	25	**207,752**	**218,392**	**80,602**	**27,552**	**110,238**	265,655	281,265	115,194	28,264	137,807
Trade and bills payables	23	**224,685**	**224,685**	**224,685**	**-**	**-**	201,930	201,930	201,930	–	–
Other payables and accrued liabilities	24	**215,278**	**215,278**	**215,278**	**-**	**-**	184,646	184,646	184,646	–	–
		647,715	**658,355**	**520,565**	**27,552**	**110,238**	652,231	667,841	501,770	28,264	137,807

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.

	2017 Maturity analysis – Term loans subject to a repayment on demand clause based on scheduled repayments					2016 Maturity analysis – Term loans subject to a repayment on demand clause based on scheduled repayments				
	Carrying amount $'000	**Total contractual undiscounted cash flow $'000**	**Within 1 year or on demand $'000**	**More than 1 year but within 2 years $'000**	**More than 2 years but within 5 years $'000**	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	More than 1 year but within 2 years $'000	More than 2 years but within 5 years $'000
Bank borrowings	**82,000**	**88,095**	**13,935**	**13,920**	**60,240**	94,000	102,669	14,238	14,271	74,160

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value estimation

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

– Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: 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 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017 and 2016:

	2017				2016			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets								
Available-for-sale financial assets:								
– Club debentures	**-**	**-**	**788**	**788**	–	–	736	736
– Unlisted equity securities	**-**	**-**	**33,394**	**33,394**	–	–	31,969	31,969
– Listed equity securities	**14,938**	**-**	**-**	**14,938**	12,970	–	–	12,970
	14,938	**-**	**34,182**	**49,120**	12,970	–	32,705	45,675

(i) Financial instruments in level 1

The fair value of listed equity instruments traded in active markets is based on quoted market prices at the end of the reporting period.

(ii) 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.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value estimation (continued)

(ii) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2017 and 2016:

	2017				2016			
	Club debentures $'000	**Unlisted equity investments $'000**	**Derivative financial instruments $'000**	**Total $'000**	Club debentures $'000	Unlisted equity investments $'000	Derivative financial instruments $'000	Total $'000
At 1 January	**736**	**31,969**	**-**	**32,705**	809	33,345	–	34,154
Gain/(loss) recognised in profit or loss	**-**	**-**	**2,195**	**2,195**	–	–	(1,921)	(1,921)
Net gain/(loss) transfer to equity	**52**	**-**	**-**	**52**	(73)	–	–	(73)
Settlement on maturity	**-**	**-**	**(2,195)**	**(2,195)**	–	–	1,921	1,921
Exchange differences	**-**	**1,425**	**-**	**1,425**	–	(1,376)	–	(1,376)
At 31 December	**788**	**33,394**	**-**	**34,182**	736	31,969	–	32,705
Total gain/(loss) for the year included in profit or loss	**-**	**-**	**2,195**	**2,195**	–	–	(1,921)	(1,921)

36 MATERIAL 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 year:

	2017 $'000	2016 $'000
Sales of raw materials or finished goods to:		
A substantial shareholder	**3,267**	8,548
Parties under control of a substantial shareholder	**3,636**	3,005

	2017 $'000	2016 $'000
Purchases of raw materials from:		
A substantial shareholder	**237**	–

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

36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

Save as disclosed in note 19, there were no outstanding balances with related parties as at 31 December 2017 (2016: nil).

(c) Compensation of key management personnel of the Group

	2017 $'000	2016 $'000
Short-term employment benefits (excluding discretionary bonus)	**20,936**	19,417
Discretionary bonus	**16,642**	–
Share-based payments	**6,508**	–
Post-employment benefits	**531**	505
	44,617	19,922

(d) Applicability of the Listing Rules relating to connected transactions

The related party transaction in respect of note 36(a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Directors' Report.

37 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	2017 $'000	2016 $'000
Non-current assets		
Property, plant and equipment	**172**	249
Land use rights	**4,474**	4,973
Intangible asset	**1,017**	194
Available-for-sale financial assets	**12,434**	12,383
Deposits for acquisition of non-current assets	**–**	570
Investments in subsidiaries	**241,935**	241,925
Deferred tax assets	**5,481**	9,266
	265,513	269,560

37 COMPANY LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2017 **$'000**	2016 $'000
Current assets		
Prepayments, deposits and other receivables	**2,528**	755
Amounts due from subsidiaries	**1,518,208**	1,751,645
Loans to subsidiaries	**30,000**	40,000
Dividend receivable from a subsidiary	**378,700**	–
Cash and cash equivalents	**895,791**	78,669
	2,825,227	1,871,069
Current liabilities		
Amounts due to subsidiaries	**8,545**	27,898
Other payables and accrued liabilities	**12,084**	3,809
	20,629	31,707
Net current assets	**2,804,598**	1,839,362
NET ASSETS	**3,070,111**	2,108,922
CAPITAL AND RESERVES		
Share capital	**1,652,854**	1,652,854
Reserves	**1,144,897**	428,832
Proposed dividends	**272,360**	27,236
TOTAL EQUITY	**3,070,111**	2,108,922

Approved and authorised for issue by the board of directors on 20 March 2018.

Yum Chak Ming, Matthew
Director

Sung Chee Keung
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

38 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 20 March 2018, the Group entered into an agreement to acquire the 100% equity interest in Guangdong Rengo Packaging Co., Ltd., a limited liability company incorporated under the laws of the PRC (the "Acquisition") at a total consideration of RMB60,000,000 (equivalent to HK$74,257,000). The seller was Rengo Co., Ltd., which was a substantial shareholder of the Company and the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The Acquisition is expected to be completed by the end of the first half of 2018.

39 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HK(IFRIC) Interpretation 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) Interpretation 23, *Uncertainty over income tax treatments*	1 January 2019

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

The Group does not plan to early adopt the above new standards or amendments.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(v). Currently, revenue arising from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract.

The Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from sales of goods.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

HKFRS 16, Leases

As disclosed in note 2(l), currently the Group classifies leases into operating leases as the lessee.

Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 33(a), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to $81,114,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

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