Smart Globe Holdings Limited
竣球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code:8485

ANNUAL REPORT
2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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The Report, for which the Directors (the "Directors") of Smart Globe Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Report misleading.

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Principal Place of Business in the PRC
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Heyuan, Guangdong Province
PRC

Compliance Adviser
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Hong Kong

Company Secretary
Mr. Cheung Sum Chin

Authorised Representatives (for the purposes of the GEM Listing Rules)
Mr. Lam Tak Ling Derek
Mr. Chan Yee Yeung

Compliance Officer
Ms. Tse Yuen Shan Ivy

Board of Directors
Executive Directors
Mr. Lam Tak Ling Derek *(Chairman)*
Mr. Chan Yee Yeung
Ms. Tse Yuen Shan Ivy

Independent Non-Executive Directors
Mr. Li Chun Hung
Mr. Ong Chor Wei
Mr. Yam Kam Kwong

Audit Committee
Mr. Li Chun Hung *(Chairperson)*
Mr. Ong Chor Wei
Mr. Yam Kam Kwong

Remuneration Committee
Mr. Ong Chor Wei *(Chairperson)*
Ms. Tse Yuen Shan Ivy
Mr. Li Chun Hung
Mr. Yam Kam Kwong

Nomination Committee
Ms. Tse Yuen Shan Ivy *(Chairperson)*
Mr. Li Chun Hung
Mr. Ong Chor Wei
Mr. Yam Kam Kwong

Cayman Islands Share Registrar and Transfer Office
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Grand Cayman KY1-1108
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Stock code
8485

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I present to you our annual results for the year ended 31 December 2017 ("FY2017").

2017 was a landmark year in the Group's milestone as we were successfully listed on the GEM of the Stock Exchange ("GEM") on 28 December 2017 with the effort and support of all parties and business associates despite the challenging macroeconomic environment. The net proceeds from the issue of ordinary shares under placing and public offering of approximately HK$36.4 million have contributed the source of funding for the Group's long-term development and strengthened our ability to increase our production capacity through purchasing printing machines and further expand our sales and distribution network across the globe to mitigate the unfavourable business conditions amidst the volatile world economy.

During the year, the Group managed to achieve a healthy revenue growth and realised better sales performance towards the year. For FY2017, our total revenue increased by approximately 31.6% year on year to approximately HK$150.4 million, primarily attributed to the increase in the sales orders as a result of better competitive prices offered to customers received from a diverse international customer base covering Asia, Europe, North America and United States ("U.S."). Our top four largest market in the year remained to be the People's Republic of China ("PRC") (including Hong Kong), United Kingdom, the U.S. and Netherlands contributing to over 90% of our total revenues. The U.S. was our largest market and accounted for over 50% of our total revenue. In spite of the steady sales growth, the Group faced a profit margin squeeze during the year, mainly due to the favourable terms offered to two of our major customers for their high amount of purchase during the year, and the occurrence of one-off listing expenses.

Lastly, on behalf of the Board, I would like to take this opportunity to thank the Group's management and employees for their dedicated contributions and unwavering commitment to deliver the best service to our customers over the years. My appreciation also goes to all shareholders, business associates, partners and valued customers for their generous support and confidence in the Company, and to the Board members for their leadership and guidance. I look forward to your commitment and continued support as we continue to generate satisfactory returns to our shareholders.

Yours faithfully,
Mr. Lam Tak Ling Derek
Chairman
Smart Globe Holdings Limited

29 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group managed to achieve healthy revenue growth and realised better sales performance towards the year. In view of the uncertain global economy, the Group will strive to launch various credit controls, and further tighten the control over operating expenses, while streamlining production control and improving manufacturing efficiency with advanced machinery to minimise the labour cost and maximise the facility utilisation rate.

Business Review

As one of the leading printing service providers, the Group is engaged in its core business of printing books products and novelty and packaging products. It provides a full suite of services from pre-press to printing to finishing services, as well as producing custom-made and value added printing products.

For FY2017, the Group recorded an increase in its total revenue by approximately 31.6% to approximately HK$150.4 million from approximately HK$114.3 million in the year ended 31 December 2016 ("FY2016"). This is mainly due to the fact that we have been providing good quality services and products to our customers since incorporation. Stable customers reflected their confidence in us by continuing their business relationship and placing more purchase orders with us. Besides, we were particularly successful in securing more orders from customers based in the U.S.. Loss attributable to owners of the Company was approximately HK$0.2 million, a decrease of 101.9% from approximately profit attributable to owners of HK$10.7 million accrued last year. The decrease in profit was primarily due to one-off listing expenses of approximately HK$17.2 million incurred in FY2017.

During FY2017, approximately 91.5% of total revenue was contributed by the book products segment amounting to approximately HK$137.5 million (2016: approximately HK$92.9 million), as our Group devoted our resources to book products to digest the increase in demand for our services. This segment's improved performance was mainly due to the increase in orders placed by U.S. customers with us as a result of the growth in their local demand of book products.

As a strategy to maintain competitiveness in the current operating environment, the Group continue to extend its geographical reach of customers during FY2017. Revenues were generated from areas such as the U.S., the PRC (including Hong Kong), the United Kingdom and Netherlands, representing 54.0%, 32.6%, 5.7% and 5.3% of our total revenue, respectively.

Financial Review

Revenue

Our revenue increased by approximately 31.6% from approximately HK$114.3 million for FY2016 to approximately HK$150.4 million for FY2017. This was mainly due to our combined provision of good quality services and products to our customers since the commencement of our business. As such, our previous customers continue to maintain their business relationship with us and at the same time, we were also able to attract new customers by providing good quality services and products. Stable customers reflected their confidence in us by continuing their business relationship and placing more purchase orders with us. Besides, we were particularly successful in securing more orders from customers based in U.S..

Gross profit margin

Our overall gross profit margin decreased from approximately 34.7% in FY2016 to approximately 32.3% in FY2017. This was mainly due to the favourable terms offered to two of our major customers for their large amount of purchase in FY2017, and the higher proportion (approximately 91.5%) of book products to our revenue, which the production is relatively simpler than the novelty and packaging products.

Other income

Our other income increased by approximately 112.5% from approximately HK$0.8 million in FY2016 to approximately HK$1.7 million in FY2017. The increase was mainly due to the receipt of newly granted government grants in a total amount of HK$1.0 million in FY2017.

Other gains and losses

Our other gains and losses slightly decreased by approximately 5.0% from approximately HK$2.0 million in FY2016 to approximately HK$1.9 million in FY2017. Not much fluctuation in our other gains and losses was noted by us.

Selling and distribution costs

Our distribution costs increased by approximately 7.7% from approximately HK$7.8 million in FY2016 to approximately HK$8.4 million in FY2017. This was mainly due to the increase of approximately HK$0.4 million in transportation and freight charges resulting from higher sales volume.

Administrative expenses

Our administrative expenses increased slightly by approximately 3.6% from approximately HK$16.5 million in FY2016 to approximately HK$17.1 million in FY2017.

Listing expenses

A one-off listing expense of approximately HK$17.2 million was incurred in FY2017 in light of the listing of the Company's shares on GEM on 28 December 2017.

Finance costs

Our finance costs increased by approximately 41.7% from approximately HK$1.2 million in FY2016 to approximately HK$1.7 million in FY2017. This was mainly due to the increase in (i) numberof chargeable month for interest payment of other borrowing; and (ii) the interest expense on trade finance loan to cater the expansion of operation during the year.

Income tax expense

Our income tax expense increased by approximately 83.3% from approximately HK$2.4 million in FY2016 to approximately HK$4.4 million in FY2017. It was mainly due to the increase in assessable profit that is subject to Hong Kong profits tax.

The applicable rate of Hong Kong Profits tax on the estimated assessable profits tax in FY2017 was 16.5% (2016: 16.5%). Tax on overseas profits has been calculated on the estimated assessable profits for FY2017 at the rates of tax prevailing in the countries in which the Group operates.

Loss for the year and attributable to owners of the Company

As a result of the above factors, loss for the year attributable to owners of the Company stood at approximately HK$0.2 million.

The above financial data were chosen to be presented in this annual report as they represent a material financial impact on the financial statements of the Group for FY2016 and/or FY2017. It is believed by presenting the changes of these financial data can effectively explain the financial performance of the Group for FY2017.

FUTURE DEVELOPMENT AND PROSPECTS

In the year ahead, the Group remains to capture the growth potential, the Group will continue to explore new business opportunities for existing products in different markets so as to promote a diversified quality customer base by implementing strategic initiatives and enhancing marketing efforts. In addition, the Group will strive to further tighten control over its operating expenses and streamline the production processes.

Meanwhile, by leveraging its leading one-stop printing platform, the Group will continue to invest in enhancing its capabilities. Improved production efficiency and the enhancement of manufacturing flexibility are expected to add a competitive advantage to the Group and hence may result in the growing sales orders from both existing and new customers.

The Group will also cautiously explore viable investment and acquisition opportunities that can enhance shareholders' value.

CAPITAL STRUCTURE

The Company's shares were listed on GEM on 28 December 2017 and 250,000,000 new shares were issued since then.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, cash generated from operations and bank and other borrowings.

The Group maintained bank deposits, bank balances and cash amounting to approximately HK$22.4 million as at 31 December 2017 (2016: approximately HK$8.2 million), increased by approximately 173.2% as compared with that as at 31 December 2016.

The Group's non-current assets decreased to approximately HK$35.9 million (2016: approximately HK$41.3 million), primarily due to depreciation of property, plant and equipment.

As at 31 December 2017, the Group's current assets amounted to approximately HK$122.5 million, mainly comprised of inventories of approximately HK$8.6 million (2016: approximately HK$7.7 million), trade and other receivables of approximately HK$88.5 million (2016: approximately HK$41.3 million), certificates of deposit of approximately HK$3.0 million (2016: nil) and cash and cash equivalents of approximately HK$22.4 million (2016: approximately HK$8.2 million).

The Group's current liabilities amounted to approximately HK$54.4 million, mainly comprised of trade and other payables of approximately HK$35.8 million (2016: approximately HK$31.5 million), taxation payable of approximately HK$1.5 million (2016: approximately HK$0.7 million), obligations under finance leases of approximately HK$5.4 million (2016: approximately HK$5.3 million), bank borrowing of approximately HK$6.7 million (2016: approximately HK$8.5 million) and other borrowing of approximately HK$5.0 million (2016: approximately HK$0.8 million).

As at 31 December 2017, the net current assets of the Group increased by approximately HK$62.6 million or approximately 1,132.2% to approximately HK$68.1 million (2016: approximately HK$5.5 million).

The Group had total bank borrowings, other borrowing and obligations under finance leases of approximately HK$38.7 million as at 31 December 2017 (2016: approximately HK$44.8 million).

As at 31 December 2017, the Group's borrowings were secured by (i) corporate guarantee provided by the Company, (ii) letters of undertaking from its subsidiaries, namely CP Printing Limited; and (iii) pledging of certain plant and machinery, certificates of deposit and assignment of trade receivables as set out in notes 14, 15 and 17 to the financial statements. As at 31 December 2016, the Group's borrowings were secured by (i) personal guarantees provided by Mr. Lam and Mr. Chan, (ii) letters of undertaking from its subsidiaries, namely CP Printing Limited; and (iii) pledging of certain plant and machinery, certificates of deposit and assignment of trade receivables.

The Group's gearing ratio, which is total interest-bearing liabilities divided by total equity was approximately 47.0% (2016: approximately 269.1%). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) stood at approximately 2.3 as at 31 December 2017 (2016: approximately 1.1).

CHARGES ON GROUP ASSETS

Details of the Group's assets pledged are set out in notes 14, 15 and 22 to the financial statements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

As its revenue is mainly denominated in United States dollars ("US$") and Hong Kong dollars ("HK$"), and HK$ is pegged to US$, the Group's exposure to fluctuations in exchange rate in relation to the Group's revenue is relatively low.

The Group is also exposed to foreign exchange risks as the Group's production is mainly in the PRC. The continuing appreciation of Renminbi ("RMB") may lead to an increase of our cost of production. During FY2017, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks. The Group will keep on reviewing and monitoring the exchange fluctuation between RMB and HK$, and will consider entering into hedging arrangement as and when appropriate.

CAPITAL EXPENDITURE

During the year, the Group had acquired property, plant and equipment at approximately HK$1.4 million (2016: HK$12.1 million). The acquisition of property, plant and equipment in 2016 was mainly financed by other borrowing and obligations under finance leases.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

On 28 December 2017, the Company's shares were listed on GEM and 250,000,000 new shares of HK$0.01 each were issued at HK$0.25. The net proceeds from the HK IPO was approximately HK$36.4 million after payment of transaction costs and listing expenses. As at the date of this report, HK$10.9 million was utilised as loan repayment. We repaid loans in the order of their effective interest rates, (i) two term loans of approximately HK$2.3 million in total from The Hongkong and Shanghai Banking Corporation Limited with an effective interest rate of 5% were fully repaid; and (ii) approximately HK$8.6 million as part of the loan repayment to an Independent Third Party which carries an effective interest rate of 3.91%.

SIGNIFICANT INVESTMENTS

The Group had not made any significant investments during FY2017.

SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During FY2017, the Group had not made any significant acquisition or disposal of subsidiaries or associated companies.

EMPLOYEES' INFORMATION

Employees of the Group

Our employees are based in Hong Kong and He Yuan, Guangdong Province, the PRC. As at 31 December 2017, there were 377 (2016: 365) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

Employees of He Yuan Factory

The workers working at He Yuan Factory are employed by the He Yuan Factory as at 31 December 2017, there were 363 (2016: 349) employees in the He Yuan Factory.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY2017.

UPDATE ON DIRECTORS' INFORMATION

During FY2017, there was no change in the information of the Directors pursuant to Rule 17.50A(1) of the GEM Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lam Tak Ling Derek (Mr. Lam), aged 47, is the chairman of our Board and was appointed as an executive Director on 5 May 2017. Mr. Lam is primarily responsible for overall strategic planning and overseeing the general management of our Group. Mr. Lam has more than 23 years of experience in the printing industry. During the period from July 1994 to July 2012, he worked in a company principally engaged in the printing of books, as a sales director. He joined our Group as a sales and marketing manager in August 2012 and has been a director of CP Printing since August 2014.

Mr. Chan Yee Yeung (Mr. Chan), aged 44, is the chief operations officer of our Group and was appointed as an executive Director on 5 May 2017. Mr. Chan is primarily responsible for overseeing the manufacturing activities of our Group. Mr. Chan has more than 20 years of experience in the printing industry. He worked in a company principally engaged in the manufacturing and exporting of paper products, as a production controller from August 1996 to August 2000. He then worked in a company principally engaged in the manufacturing and sales of personalized products, as a coordinator from September 2000 to May 2001, and in a printing service provider, as a project management consultant manager from June 2001 to September 2014. He joined our Group as a production manager and a director of CP Printing in August 2014.

Ms. Tse Yuen Shan Ivy (Ms. Tse), aged 45, is the general manager of our Group and was appointed as an executive Director on 5 May 2017. Ms. Tse is primarily responsible for overseeing the procurement activities as well as administrative, human resources and logistics matters of our Group. Ms. Tse has more than 18 years of experience in the printing industry. She worked in a company principally engaged in the provision of exhibition services, as a project secretary from May 1997 to July 1998. She then worked in a company principally engaged in the manufacturing and exporting of paper products, as a production controller from November 1998 to March 2001, and in a printing service provider, as a general manager from May 2001 to March 2012. She established our Group in 2012 and served as a director of CP Printing from March 2012 to August 2014 and as our general manager from March 2012 to September 2014. She then served as a director in a printing service provider from September 2014 to November 2015. She re-joined our Group as a general manager in November 2015 and has been a director of CP Printing since April 2017.

Independent non-executive Directors

Mr. Li Chun Hung (Mr. Li), aged 56, was appointed as an independent non-executive Director on 4 December 2017. He is a certified public accountant in Hong Kong and has over 20 years of experience in professional accounting. Mr. Li is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of International Accountants, a member of the Institute of Certified Management Accountants, a fellow member of the Taxation Institute of Hong Kong, a member of the Society of Chinese Accountants and Auditors as well as a member of the Chartered Institute of Arbitrators.

Mr. Ong Chor Wei (Mr. Ong), aged 48, was appointed as an independent non-executive Director on 4 December 2017. He is a certified public accountant in Hong Kong and has extensive experience in finance and accounting. Mr. Ong has been an associate of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Institute of Certified Public Accountants since December 1993 and October 1995, respectively.

Mr. Yam Kam Kwong (Mr. Yam), *JP*, aged 66, was appointed as an independent non-executive Director on 4 December 2017. He is a qualified solicitor in Hong Kong and has more than 30 years of experience in legal services. Mr Yam was also qualified as a solicitor in England & Wales in October 1986, a solicitor and barrister in Australia in February 1989, a solicitor and barrister in the Republic of Singapore in March 1995, as well as a solicitor in New South Wales in November 1995.

Senior Management

Mr. Cheung Sum Chin (Mr. Cheung), aged 32, is the financial controller and company secretary of the Group. He is primarily responsible for overseeing our accounting and finance department as well as our company secretarial matters. Mr. Cheung was an assistant manager in an audit firm where he advised clients in areas of finance, audit and tax. Mr. Cheung graduated from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in accounting in 2011. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants.

FINANCIAL HIGHLIGHTS

Loss/earnings per share (HK cents)

Loss/earnings per ordinary share based on (loss) profit attributable to owners of the company	Group 2017	2016
(i) Based on existing issued share capital	**(HK 0.02 cent)**	HK 1.58 cents
(ii) On a fully diluted basis	**Not applicable**	Not applicable

The calculation of basic loss/earnings per share is based on the loss attributable to owners of the Company of approximately HK$177,000 (2016: profit of approximately HK$10,694,000) and on the weighted average number of 734,658,000 (2016: 675,000,000) ordinary shares in issue during the year.

Diluted (loss)/earnings per share for the years ended 31 December 2017 and 2016 are not presented as there is no dilutive potential ordinary share.

Revenue (HK$'000)

	Year ended 31 December 2013	2014	2015	2016	2017
Revenue	29,276	36,385	67,985	114,260	**150,367**

Net (Loss) Profit for the Year (HK$'000)

	Year ended 31 December 2013	2014	2015	2016	2017
(Loss) Profit for the year attributable to owners of the Company	(662)	894	7,239	10,694	**(177)**

SCOPE AND BOUNDARY

This is the first Environmental, Social and Governance ("ESG") report published which is prepared and compiled in accordance with the Environment, Social and Governance Reporting Guide stated on Appendix 20 of the GEM Listing Rule of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and approved by the Board on 29 March 2018.

This ESG report covers the operating activities of the Group from 1 January to 31 December 2017 (the "Reporting Period") in our factory located in Heyuan, Guang Dong Province, PRC. (the "Heyuan Factory") and Hong Kong.

APPROACH

The Company is committed to implementation of sustainable development and social corporate responsibility. While we are actively developing and expanding our business, we also take environmental and social needs into serious consideration so as to strike a balance and achieve unity among profitability, environmental and social impacts. We also pay great attention to our stakeholders, including but not limited to our customers, investors, suppliers, employees and the government etc., to establish a good relationship through better understanding and quicker response to their expectations. As a result, we will continue to maintain close contact with our stakeholders to meet the expectations and needs of our stakeholders with an aim to continuously improve our environmental, social and governance strategies to create an efficient and effective business organisation.

We believe that prudent management of environmental and social issues is one of the key factors to accomplish long-term success under this rapidly changing world. To better understand the risks and opportunities for environmental protection, we closely follow with the requirements and expectations of regulatory authorities through efficient operation management, well-established policies and procedures as well as higher standard of energy efficient measures and waste treatment. We believe that our expertise, capabilities and ownership patterns can be part of the solution to some of the challenges we are facing.

To achieve sustainable development, we incorporate business goals with social, economic and environmental vision, taking into account the impact on future generations with regard to those environmental, technical and social problems they may face in the long term.

Our Stakeholders

We strongly believe that our stakeholders play a crucial role in sustaining the success of our business. We are actively searching for every opportunity to understand and engage our stakeholders to ensure that improvement can be implemented to our products and services.

Stakeholders	Possible points of concern	Communication and responses
HKEx	Compliance with listing rules, timely and accurate announcements.	Meetings, training, roadshows, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and promoting social welfare.	Interaction and visits, government inspections, tax returns and registration of other information.
Suppliers	Payment schedule, and stable demand.	Site visits.
Investors	Corporate governance system, business strategies and performance, and investment returns.	Organizing and participating in seminars, interviews, shareholders' meetings, financial reports or operation reports for investors, media and analysts.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of newsletters on the Group's website.
Customers	Product quality, service delivery schedule, reasonable prices, service value, labour protection and work safety.	Site visits, after-sales services.

Stakeholders	Possible points of concern	Communication and responses
Employees	Rights and benefits, employee compensation, training and development, work hours, and working environment.	Conducting team building activities, training, interviews with employees, and internal memos.
Community	Community environment, employment and community development, and social welfare.	Participating in community activities, employees voluntary activities and community welfare subsidies and donations.

ENVIRONMENTAL PROTECTION

We place great emphasis on the impact of our commercial activities on the environment and natural resources. Our production can be broadly divided into pre-press, printing and post-press processes. Pre-press activities generally involve a series of steps such as color proofing, imposition and plate-making. We conduct our printing process with our multiple-color printing presses ranging from 2-colour to 8-colour capacities for products of various colour specifications. Post-press process typically includes folding, collating, sewing, trimming, binding and other finishing operations. During the production process, we consume paper, dyes and some packaging materials. Being a responsible printing service provider, we integrate the concept of environmental protection into our internal management and daily operation activities and successfully passes the ISO 14001 environmental management certification to achieve goal of environmental sustainability.

AIR EMISSION

During our daily operations, goods delivery is one of the major activities that generates air pollutants. During the Reporting Period, the air emission data with regard to our vehicle emission is as follows:

Year ended 31 December 2017	
NOx emission *(in g)*[1]	**92,195.76**
S0x emission *(in g)*	**68.25917**
PM emission *(in g)*	**8,834.12**

1 The vehicle used by the Group is a light goods vehicle that consumes diesel as the major fuel.

ENVIRONMENTAL COMPLIANCE

We have fully complied with all applicable legal and regulatory requirements regarding air and greenhouse gas emission, including but not limited to the "Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法)" (the "PRC Environmental Protection Law"), "Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國污染防治法)", "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)" and "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法)".

GREENHOUSE GAS EMISSION

Greenhouse gas generated from human activities is one of the significant drivers of global warming which affects the living of present and future generation. Therefore, we are highly concerned about the importance of monitoring and mitigating the greenhouse gas emission in our operations. As mentioned, vehicle fuel combustion is the major activity that generate direct emission from operations. In addition, indirect greenhouse gas emission mainly results from the generation of electricity consumed. As greening plays a vital role in creating a more environmental friendly working environment, and we have been planting 356 trees in the Heyuan Factory with a view to reducing greenhouse gas emission.

The greenhouse gases emission generated from the mobile combustion of vehicle fuel is shown as follow:

Year ended 31 December 2017	
CO2 emission (Scope 1 only) *(in tonnes)*	**11.08258**
CH4 emission (Scope 1 only) *(in tonnes)*	**0.00641**
N2O emission (Scope 1 only) *(in tonnes)*	**0.66504**

On the other hand, the following is the greenhouse gas generated through purchases of electricity used to support the operation of the equipment.

Year ended 31 December 2017	
Electricity consumption *(in kWh)*	**8,188,519.00**
Electricity consumption intensity *(kWh/m² floor area)*	**275.58**
Carbon emission *(Scope 2 only)*[2] *tonnes CO_2-e)*	**7,121.33**
Carbon intensity *(tonnes CO_2-e/m² floor area)*	**0.24**

2 The Group is accounting for Scope 2 carbon emission (indirect emission from consumption of purchased electricity) only. According to the emission factor of China's regional grid reference line released by the National Development and Reform Commission, the emission coefficient of the southern regional power grid in Guangdong is 0.87 kg/kwh in 2016. While the emission coefficient of HK Electric is 0.79 according to HK Electric Sustainability Report 2016.

WASTE MANAGEMENT

In order to prevent hazardous wastes from polluting the environment and strengthen the management of hazardous wastes, we have formulated a "Hazardous wastes management policy (危險廢物污染規範管理制度)" in accordance with the PRC Environmental Protection Law". We have an established policy in collecting, storing, transferring and disposing hazardous waste separately; hazardous waste is stored in special container with a clear label. The hazardous waste generated during the operation process such as organic solvent waste (HW06), waste mineral oils (HW08), waste dyes and paints (HW12) is hazardous wastes as stated in the National Catalogue of Hazardous Waste (國家危險廢物名錄). We have contracted a waste collection company listed in the "Construction Program for Hazardous Waste and Medical Waste Treatment Facilities in China (全國危險和醫療廢物處置設施建設規則)" to handle those hazardous wastes in accordance with the relevant laws and regulations.

Year ended 31 December 2017	
Total hazardous consumed waste *(in tonnes)*[3]	**4.3**
Total non-hazardous waste consumed *(in tonnes)*[4]	**461.54**
Total gross floor area *(m^2)*	**29,517.1**
Intensity of hazardous waste consumed *(tonnes/m^2)*	**0.00015**
Intensity of non-hazardous waste consumed *(tonnes/m^2)*	**0.01564**

In order to reduce the waste generation, we put our utmost effort into decreasing our usage of the sources of these wastes, such as waste dyes and paints. Our employees receive daily briefing before starting their work, and they fully understand their job nature and requirements so that it reduces the chance of making unnecessary wastage of raw materials as well as hazardous materials.

PACKAGING

We engage in the packaging business especially in paper packaging. Packaging is specially designed based on the type of end products due to specific quality and safety requirement as requested by clients. The following shows the usage of packaging materials during the Reporting Period:

Year ended 31 December 2017	
Total packaging material used *(in tonnes)*	**1,299.97**
Total gross floor area *(in m^2)*	**29,517.10**
Intensity *(tonnes/m^2)*	**0.04**

3 Total hazardous waste includes organic solvent waste (HW06), waste mineral oils (HW08), waste dyes and paints (HW12), containers and cleansing sundries that contain or taint with hazardous wastes (HW49) and waste activated carbon (HW49).

4 Total non-hazardous waste includes wrapping paper, paper core barrel and plastic tape.

ENERGY EFFICIENCY

We treasure the use of electricity. Through the implementation of a variety of measures established in the "Electricity and water saving management policy (節約用電用水管理規定)", we are committed to achieving electricity saving under the principles of saving, purifying and recycling:

- Air-conditioners are switched on only when the air temperature is above 28-degrees Celsius and should be turned off 30 minutes before day end of office hour;
- Electronic equipment with Grade 1 energy efficiency labelling is preferred when acquisition is made;
- All electronic equipment are switched off when they are not in operation; and
- Lighting facilities are recommended to be turned off during lunch time, and the last employee who leaves the office or factory must ensure that all lights are switched off.

WATER MANAGEMENT

We comply with the "Prevention and Control of Water Pollution Law (水污染防治法)" with an aim to prevent and control water pollution, protect and improve the environment and make sure the supply of drinking water is preserved.

We treasure the preciousness of water resources. Through the implementation of a variety of measures established in the "Electricity and water saving management policy (節約用電用水管理規定)", we are committed to achieving water conservation under the principles of saving, purifying and recycling:

- Any water wastage phenomenon is prohibited;
- Water used for washing hand or fruit is used to flush the toilet;
- Any water leakage and breakage or other potential damage of water pipes are regularly inspected and identified;
- Meter reading is checked constantly for revealing any hidden leakage phenomena; and
- Water-saving education and ideas of water-saving are continuously promoted among our employees.

During the Reporting Period, the water consumption condition is shown as follows:

Year ended 31 December 2017	
Water Consumption *(in m^3)*	**115,297.44**
Gross Floor Area *(in m^2)*	**29,714.10**
Intensity *(m^3/m^2)*	**3.880226559**

EMPLOYMENT

We have put a lot of effort to make sure that we have strictly complied with a series of labour laws in People's Republic of China and Hong Kong, including but not limited to "the Employment Contract Law of the People's Republic of China (中華人民共和國勞動合同法)" (the "PRC Labour Contract Law"), "Labour Law of the People's Republic of China (中華人民共和國勞動法)" (the "PRC Labour Law") and "Employment Ordinance". With reference to those laws and regulations, we have established "Employment policy 招聘制度", "Remuneration calculation and compensation policy 工資計算與補償政策" and "Anti-discrimination policy 反歧視政策" to ensure that employment protection with regard to compensation and dismissal, recruitment and promotion, working hours and rest periods, equal opportunity, diversity and anti-discrimination.

We believe that employees are the key assets and important components to our business success, so we pay attention to personal growth of every employee and have set up various channels of communication with employees to enhance employees' sense of belonging. We are committed to improving human resources policies and workplace facilities so as to guarantee employees' health and safety at all time.

OCCUPATIONAL HEALTH AND SAFETY

We comply with the "Production Safety Law of the PRC (中華人民共和國生產法)", the "PRC Labour Law", the "PRC Labour Contract Law" and other relevant laws and regulations which stipulate requirements to maintain safe production conditions and to protect the occupational health of employees. We have been carrying out regular health examinations for employees engaging in potential occupational hazards, educating employees on occupational safety and sanitation, preventing accidents at work and reducing occupational hazards. In order to strengthen our occupational safety, improve working conditions and protect the personal interests of employees, we have developed a "Production Safety Management Policy (安全生產管理制度)" (the "Product Safety Management Policy").

The "production Safety Management Policy" defines the role and responsibilities of safety managers with regard to the implementation of all types of safety education, safety inspection and prevention of safety risk; and the safety manager should closely monitor the daily operations and make sure that all staff working in the factory have complied with those safety measures; moreover, employees should be punctual and attentive in all safety training and fire drill.

Furthermore, we have implemented safety measures at our production sites and established guidelines for work safety and occupational health safety including fire safety, warehouse safety, electricity safety, prevention of work-related injuries and emergency and evacuation procedures to minimize the risk of injury of employees. We maintain a general register with the records of accidents and dangerous occurrences. We have installed appropriate fire safety equipment with regular fire drills to provide fire prevention training to our staff. We also conduct training sessions on accident prevention and management for staff involved in production. We have been awarded quality standard certification of OHSAS 18001 in respect of the occupational health and safety in respect of our working environment.

DEVELOPMENT AND TRAINING

We provide a series of training to our employees in different kinds of orientation training, on-the-job training and specialised training, each of them caters for employees' personal growth and job requirements. Orientation training includes briefing on our Code of Conduct and Environmental, Health and Safety training. On-the-job training is provided to employees in various aspects including advanced knowledge and skills on machine operations, machinery and equipment safety training, and training on gas safety in confined space for technicians and factory employees. Specialised training is tailor-made for employees in different departments, for example, the ISO system training is provided for our system auditors.

In particular, all of our factory employees are well-trained for their upcoming job nature and requirements, while they are required to attend briefing session conducted by their seniors who explain about operations techniques and precautions measures to be taken. Those daily briefings are crucial in preventing operation accidents from happening, reducing unqualified products that lead to wastage and ensuring that the quality of the final outputs is maintained to enhance customers' satisfaction.

LABOUR STANDARD

We have strictly complied with a series of labour laws in People's Republic of China and Hong Kong including but not limited to the PRC Labour Contract Law, the PRC Labour Law and "Employment Ordinance".

With the aim of protecting, free labour rights and employees' rights and interests and to prevent children from inappropriate physical and manual work, we formulated our "Child labour policy (童工和未成年工政策)" and "Anti-forced labour policy (自由勞動與反對使用囚工政策)" which have strict requirements on our recruitment process. Upon receipt of the candidate's resume, the Human Resources Department will conduct a thorough background check to ensure that the personal data stated on the application form is true. During the job interview, the interviewer will carefully examine and verify the applicant's original identity card and will make detailed inquiries to applicants to ensure that we do not employ child labour and forced labour.

We strictly prohibit the uses of forced labour and child labour. If our management discovers any irregular employment of child labour or forced labour, we will immediately terminate the contract and investigate into such incident. During the Reporting Period, we did not employ any child labour and forced labour.

SUPPLY CHAIN MANAGEMENT

We have established a "Purchase quotation process (採購部報價流程)" to closely monitor the performance of the supplier to ensure the quality of raw materials. We believe that supply chain management can maximise customer value and achieve sustainable competitive advantages. Our goal is to maintain long-term strategic partnership with suppliers with high renown, high-quality service and strong sense of social responsibility. We also regularly review the suppliers' performance and obtain relevant licences in order to better control and guarantee the quality of their products and services.

We endeavor to work with FSC/CoC certified paper suppliers to ensure that the paper purchased and used in the production of printing products can be matched with all applicable environmental protection and social responsibility requirements. On the other hand, we also obtained the FSC/CoC certificate of relevant papers in order to promote and support the uses of FSC recycled paper, paperboard and printed paper products along the supply chain.

PRODUCT QUALITY ASSURANCE

We have regularly entrusted chemical inspection companies to conduct chemical analysis of the ink and paper used in the production process. Those reports are reviewed by quality control department so as to ensure the standard of the ink and paper and avoid affecting the quality of subsequent printing process.

In order to effectively control unqualified products and prevent the unintended sales and shipment of defective products, "Quality of products control procedures 不合格控制程序" is specially formulated. Our quality control department initiates corrective and preventive procedures to report unqualified samples selected from the production lines with clear explanations of the problems so as to notify relevant production lines to implement corrective measures such as full inspection, qualified goods selection, reproduction or scrap. Those corrective measures adopted by the production lines are recorded in the corrective and preventive report for future reference to avoid reoccurrence of similar mistakes.

Besides, we have formulated "Improvement procedures (持續改進程序)" with an aim to establish a sound improvement system to investigate and analyse the causes of occurrence of unqualified items, and to take timely measures to prevent potential or unqualified recurrence or occurrence of unqualified products, so that the quality of products and services can be controlled and continuously improved.

OUR PRODUCTS AND SERVICE

We comply with the "Regulations on the Administration of Printing Industry (印刷業管理條例)" promulgated by the State Council and obtains relevant licence for printing operations. We strictly follow the "Interim Provisions on the Qualifications of Printing Operations (印刷業經營者資格條件暫行規定)" promulgated by the General Administration of Press and Publication (the "GAPP") which specifies the qualifications required for the enterprises engaged in printing operations, and we use our best effort to ensure compliance of all relevant applicable laws and regulations related to the advertising of our products. According to this regulation, enterprises undertaking decoration and packaging printing shall have fixed production and operation place suitable for operation of printing. We integrate the concept of environmental protection into our internal management and daily operation activities and is honoured with the ISO 14001 environmental management certification to achieve the goal of environmental sustainability. We also respect and safeguard data privacy, both personal and business, of our employees, suppliers, business partners and customers.

In relation to export products, we strictly follow the requirements of the statutory authorities concerning the relevant laws and regulations which are set out in "Regulations for the Implementation of the Law of PRC on Import and Export Commodity Inspection (中華人民共和國進出商品檢驗法實施條例)" and accommodate the compulsory inspection of our products regarding the quality, quantity, packaging, labelling and requirements for safety, hygiene, health, environmental protection and anti-fraud protection.

ANTI-CORRUPTION

We observe the "Criminal Law of the People's Republic of China (中華人民共和國刑法)", "Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法)" and "Prevention of Bribery Ordinance" in Hong Kong. Employees are strictly prohibited from engaging in illegal activities, including but not limited to bribery, fraud and misappropriation of fund. Upon employment, all employees are requested to sign an "Anti-bribery & corruption commitment statement (反賄賂反腐敗承諾書)" and promise to reject and not to engage in any commercial bribery and corruption related activities.

We will actively combat any money laundering activities using either public or private bank accounts and ensure that there is no corruption and bribery. Our employees are encouraged to report any suspected corruption cases to our management.

COMMUNITY INVESTMENT

We understand that development of the enterprise depends on the support from the communities and therefore, we ensure that our activities take into consideration the communities. Meanwhile, we also show the spirit of serving the community and have been actively involved in community investment. We encourage our employees to participate in contributing to the society, as a sustainable business is dependent on the stability and wellbeing of our community.

FEEDBACK

For details in relation to our financial performance and corporate governance, please visit our website on http://www.smartglobehk.com, or see our annual report for the year ended 31 December 2017. We also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquires to our customer service at sales@cpprinting.com.hk.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for FY2017. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests for its Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the "CG Code").

Between the date of Listing on 28 December 2017 and 31 December 2017, the Company has complied with the code provisions set out in the CG Code, except that Mr. Lam is currently performing the roles of chairman and chief executive officer of our Company. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Lam's strong expertise in the printing industry, our Board considered that the roles of chairman and chief executive officer being performed by Mr. Lam enables more effective and efficient overall business planning, decision making and implementation thereof by our Group. In order to maintain good corporate governance and fully comply with such code provision, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

The board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

The Board conducted reviews of the system of internal controls of the Group to ensure an effective and adequate internal control system is in place. The Board also converted meetings to discuss financial, operational and risk management control.

BOARD OF DIRECTORS

Board responsibilities and Delegation

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, as well as continuously monitoring and improving the internal control policies of the Group and evaluating the financial performance of the Group. The Board sets the overall strategies and directions for the Group with a view to developing its business and enhancing the Shareholders' value. The independent non-executive Directors serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings. They are also serving on the Audit Committee, Remuneration Committee and Nomination Committee.

The Board has adopted a set of guidelines on matters that require its approval to achieve a clear division of the responsibilities of the Board and the management. Matters requiring the Board's approval include, among others, review of overall policies and objectives for corporate contributions and approval of corporate plan of the Company and any significant changes thereto, investment plans which would involve significant commitments of financial, technological or human resources, or would involve significant risks for the Company, significant sales, transfers, or other dispositions of property or assets, significant changes in policies of broad application, major organizational changes, approval of annual reports, and review of semi-annual and quarterly financial and operating results, other matters relating to the Company's business which in the judgment of the management are of such significance as to merit the Board's consideration, and adoption of such policies and the taking of such other actions as the Board deems to be in the best interests of the Company.

Minutes of Board meetings and Board committees meetings are kept by duly appointed secretaries of the respective meetings. All Directors have unrestricted access to Board papers and related materials and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

The Company has arranged appropriate insurance cover in respect of possible legal actions against its Directors and senior officers.

Responsibilities and Delegation

The Board is accountable to the Shareholders for the development of the Group with the goal of maximising Shareholders' value in the long run. The Board also takes the responsibility for the overall strategies and policies of the Group, approves and monitors the strategic plans, investment and funding decisions, and reviews the Group's financial and operational performance and internal controls. The Group's day-to-day operations and administration are overseen by the executive Directors and the management.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management of the Company. Some functions including the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial Shareholder or Director of the Company, the approval of interim and annual results, declaration of interim dividends and proposal of final dividends and other disclosures to the public or regulators are reserved by the Board for consideration and approval. Matters not specifically reserved to the Board and necessary for the daily management and operation of the Company are delegated to the executive Directors and the management of the Company.

Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the operations and business, constitutional documents, the latest published financial reports of the Company, "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong and the Guidelines for Directors and the Guide for independent non-executive Directors published by the Hong Kong Institute of Directors to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the GEM Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizing seminars on the professional knowledge and latest development of regulatory requirements related to directors' duties and responsibilities. During the year and up to the date of this report, all Directors have received a directors' training hosted by the legal advisor to the Company, which was about, inter alia, the GEM Listing Rules, Companies Ordinance and Securities and Futures Ordinance.

Relevant details are set out below:

Name of Directors	Training on Director's responsibilities provided by the Company's legal advisor prior to the Listing
Executive Directors:	
Mr. Lam Tak Ling Derek	Attended
Mr. Chan Yee Yeung	Attended
Ms. Tse Yuen Shan Ivy	Attended
Independent non-executive Directors:	
Mr. Li Chung Hung	Attended
Mr. Ong Chor Wei	Attended
Mr. Yam Kam Kwong	Attended

Board Composition

The Board currently comprises three executive Directors and three independent non-executive Directors. The individual attendance records of each Director at the Board and Committees' meetings since the Listing Date to the date of the annual report are set out as follows:

Name of Director	Meeting attended / Meetings held: Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Annual general meeting	Extraordinary general meeting
Lam Tak Ling Derek	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Chan Yee Yeung	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Tse Yuen Shan Ivy	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Li Chun Hung	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Ong Chor Wei	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*
Yam Kam Kwong	1/1	1/1	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*	N/A *(note 1)*

Note 1: Due to the fact that the Shares had been listed on 28 December 2017, no Remuneration Committee meeting, Nomination Committee meeting, annual general meeting and extraordinary general meeting had been held. These meetings will be held in 2018 accordingly.

In compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed a sufficient number of independent non-executive Directors with at least one of them having appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation from each independent non-executive Director confirming his independence pursuant to rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors to be independent. The independent non-executive Directors and executive Directors ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards, rules and regulations, and that appropriate systems are in place to protect the interests of the Company and its Shareholders.

The term of appointment of each independent non-executive Director is three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. Due to the fact that the Company listed on 28 December 2017, no annual general meeting had been held. It will be held in 2018.

The biographical details of the Directors are set out in the section “Biographical Details of Directors” in the Report of the Directors. To the best knowledge of the Company, there are no financial, business, family or other material/relevant relationships between the Board members.

The Board has maintained a balance of skills and experiences appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounts and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. It is the opinion of the Directors that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company.

BOARD COMPOSITION AND DIVERSITY POLICY

The Company has adopted the board diversity policy. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board is reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and need. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board is to review the policy concerning diversity of Board members, and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

During the year of 2017, the Board has reviewed the diversity of the Board and considered the Board composition and diversity policy appropriate.

CHAIRMAN AND CHIEF EXECUTIVES

The Board considered that it was important for the Chairman to have extensive experience in the field of printing industry, which is the most important business sector of the Group. The Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

EXECUTIVE DIRECTORS

The executive Directors namely Mr. Lam Tak Ling Derek, Mr. Chan Yee Yeung, Ms. Tse Yuen Shan Ivy are responsible for evaluating new potential business opportunities and investment opportunities and formulating and implementing business strategies to enhance the revenue growth of the Company. The management is responsible for implementing the business strategies formulated by the executive directors. There is no material relationship between the Board members.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Chun Hung is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company for a period of three years subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association effected from 28 December 2017.

Mr. Ong Chor Wei is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company for a period of three years subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association effected from 28 December 2017.

Mr. Yam Kam Kwong is an independent non-executive Director of the Company. He has entered into a letter of appointment with the Company for a period of three years subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association effected from 28 December 2017.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standards of Dealings"). The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Required Standards of Dealings during FY2017.

COMMITTEES

As part of the corporate governance practices, the Board has established the Remuneration Committee, Nomination Committee and Audit Committee. The compositions of all the committees are set out below. The terms of reference of all committees are established in accordance with the principles set out in the CG Code.

REMUNERATION COMMITTEE

The Company established a Remuneration committee on 4 December 2017 with written terms of reference. The Remuneration Committee currently comprises one executive Director and three independent non-executive Directors, namely Ms. Tse Yuen Shan Ivy, Mr. Ong Chor Wei (Chairperson), Mr. Li Chun Hung and Mr. Yam Kam Kwong.

The primary duties of the Remuneration Committee are formulating remuneration policies, determining specific remuneration packages of the executive Directors and senior management, making recommendations to the Board on the remuneration of all Directors, and to review and approve the management's remuneration with reference to the Board's Corporate goals and objective.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 4 December 2017 with written terms of reference. The Nomination Committee currently comprises one executive Director and three independent non-executive Directors, namely Ms. Tse Yuen Shan Ivy (Chairperson), Mr. Li Chung Hung, Mr. Ong Chor Wei and Mr. Yam Kam Kwong.

The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board, formulating relevant procedures for nomination of Directors, identifying qualified individuals to become members of the Board and making recommendations to the Board on the appointment or re-appointment of Directors.

AUDIT COMMITTEE

The Company established an Audit Committee on 4 December 2017 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee currently comprises all the three independent non-executive Directors, namely Mr. Li Chung Hung (Chairperson), Mr. Ong Chor Wei and Mr. Yam Kam Kwong.

Audit Committee had complied with the amendment to the risk management and internal control section of the Corporate Governance Code and Corporate Governance Report of the GEM Board Listing Rules (Appendix 15) (the “Amended CG Code”) of the Hong Kong Exchange, which comes into effect for the accounting periods beginning on or after 1 January 2016.

The Audit Committee should reviewed the annual, half-year and quarterly results of the Group for FY2017. The Audit Committee has reviewed the annual results of the Group for FY2017. The Audit Committee considered that the relevant consolidated financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been properly made.

The primary duties of the Audit Committee are to review the internal control policies annually, the financial reporting systems and procedures of the Group, to review consolidated financial statements and reports of the Group, and to review the terms of engagement and scope of audit work of the external auditors.

The Audit Committee, from time to time, will also conduct interviews with the Chairman and CEO and executive Directors for the effectiveness of internal controls and any potential enhancement to the internal control policies because of changes in rules and regulations as well as new developments in existing and new businesses.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for FY2017, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable. As at 31 December 2017, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern, and accordingly prepared the accounts on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Company engaged Deloitte Touche Tohmatsu ("DTT") as the Group's external auditors to conduct audit of the financial results of the Group for FY2017.

The statement of DTT in respect of their reporting responsibilities on the consolidated financial statements for the Financial Year is set out in the Independent Auditor's Report included in the Report.

Details of the fee paid or payable to DTT for the year are as follows:

	HK$'000
2017 annual audit	**1,000**
Non-audit related service	**2,500**
	3,500

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the Shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Audit Committee reviewed the overall effectiveness of the internal control system and reported its findings and made recommendations to the Board. The Directors have conducted a review of the effectiveness of the Group's internal control system for FY2017. The Board would continue to assess the effectiveness of internal controls by considering the reviews performed by the Audit Committee and executive management.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management and Internal Control Systems

The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, of failure to achieve the business objectives of the Company and can only provide reasonable and not absolute assurance against material misstatement or loss. We have employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include keeping track of and documentation of identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives.

Process used to identify, evaluate and manage significant risks

During the process of risk assessment, the Board captures and identifies the key inherent risks that affect the achievements of its objectives by performing the followings:

- understanding organisational objectives and business processes
- determining the risk appetite and establishing the risk assessment criteria
- identifying the risks associated with achieving or not achieving the objectives and assessing the likelihood and potential impact of particular risks; and
- monitoring and evaluating the risks and the arrangements in place to address them

The Board reviews the effectiveness of the Risk management and Internal Control Systems by considering factors including but not limited to the followings:

- the changes since the last annual review in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment.
- the scope and quality of managements' monitoring of risk and of the internal control system, and where applicable, the work of its internal audit function and other third party consultants.
- the extent and frequency of the communication of the results of the monitoring to the Board or the audit committee
- the incidence of significant control failings or weakness that has been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have a material impact on the Group's financial performance or condition; and
- the effectiveness of the Group's processes relating to financial reporting and Listing Rules Compliance given the Group's business and scale of operations and in order to adapt the most cost-effective method of conducting periodic revenues of the Group's internal controls, the Board has engaged on independent consultant Baker Tilly Hong Kong Risk Assurance Limited ("BT") to execute the internal control function. BT has conducted an internal control review of the effectiveness of the Group's financial reporting procedures, systems and control for the period from 1 January 2017 to 31 December 2017 in accordance with the requirements under Code Provision C.2 of the Corporate Governance Code, according to the scope of review agreed and approved by the Audit Committee.

BT responded to the Audit Committee and the Audit Committee was satisfied that there had been no major deficiency noted in the areas of the Group's risk management and internal control systems being reviewed after implementation of the recommendations on the internal control defects reported by BT. The Audit Committee reviews annually the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures and has access to information necessary to fulfil its duties and responsibilities with respect to risk assessment and risk management. Accordingly, the Audit Committee and the Board considered the risk management and internal control systems to be effective and have been implemented with adequate resources during the year.

In the coming year, the Audit Committee continues to monitor the implementation and follow-up action on those suggestions and recommendations made by BT as part of its follow-up review on the internal control and risk prevention measures.

Procedures and internal controls for the handling and dissemination of inside Information

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every member of the senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Financial Controller, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

COMPANY SECRETARY

Mr. Cheung Sum Chin ("Mr. Cheung") was appointed as the Company Secretary on 10 July 2017. Mr. Cheung has adequate knowledge on the Company to discharge his duty as the Company Secretary. Mr. Cheung is also responsible for advising the Board on corporate governance matters. In compliance with Rule 5.15 of the GEM Listing Rules, Mr. Cheung confirmed that he has taken no less than 15 hours of relevant professional training during FY2017.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During FY2017, the Company has encouraged all Directors to attend at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they are kept abreast with the latest requirements under the GEM Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

CORPORATE GOVERNANCE FUNCTIONS

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to communicate with various level of staff to ascertain the implementation of policies and procedures on corporate governance; and

(f) to review the Company's compliance with the code and disclosure on the Corporate Governance Report.

THE PROCEDURES BY WHICH ENQUIRES MAY BE PUT TO THE BOARD AND SUFFICIENT CONTACT DETAILS TO ENABLE THESE ENQUIRIES TO BE PROPERLY TREATED

Shareholders may send their enquiries and concerns to the principal place of business of the Company in Hong Kong at Flat 8, 17/F., Kodak House II, 39 Healthy Street East, North Point, Hong Kong, by post or by fax to (852) 2154 4242, for the attention of the Company Secretary and the Company Secretary will direct all enquiries and concerns to the Board.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Company Law (Revised) of Cayman Islands. However, Shareholders are welcome to suggest proposals relating to the operations, strategy and/or management of the group to be discussed at shareholders' meeting. Proposal shall be sent to the Board by written requisition.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update them with the latest business development and financial performance including the publication of quarterly, interim and annual reports, the publish and posting of notices, announcements and circulars on the GEM website and the Company's website in order to maintain a high level of transparency.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and timely manner by the Board is to facilitate the Shareholders as well as the investors to have a better understanding in relation to the business performance, operations and strategies of the Group.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

Save for the adoption of the amended and restated Memorandum and Articles of Association for the purpose of the listing of the Shares on the GEM during FY2017, there had been no significant changes in the constitutional documents of the Company.

USE OF IPO PROCEEDS

The net proceeds from the Hong Kong IPO is approximately HK$36.4 million after payment of transaction costs and listing expenses. Up to 29 March 2018, utilisation of the IPO net proceeds is as follows:

	Planned utilization per Prospectus	**Utilisation**	**Balance**
	HK$'000	*HK$'000*	*HK$'000*
Expansion of production capacity	12,755	—	12,755
Loan repayment	10,933	10,933	—
Expansion of sale and distribution network	5,466	—	5,466
Potential investment	3,644	—	3,644
General working capital	3,644	3,644	—

The directors have pleasure in presenting to the Shareholders their annual report and the audited consolidated financial statements of the Group for 2017.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in the Cayman Islands on 5 May 2017.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on GEM, the Company became the holding company of the companies now comprising the Group on 24 May 2017.

Details of the reorganisation are set out in note 1 to the consolidated financial statements.

The shares of the Company were listed on GEM with effect from 28 December 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in production, distribution and printing of books, novelty and packaging products. Details of the principal activities of the subsidiaries are set out in note 34 to the consolidated financial statements. There were no significant changes to the Group's principal activities during the current year.

BUSINESS REVIEW

A review of the Company's business, a discussion and analysis of the Group's performance during the year, the principal risks and uncertainties facing the Group, the material factors underlying its results and financial position, and the future development of the Company's business have been set out in the Chairman's Statement and the Management Discussion and Analysis of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2017 are set out in the consolidated statement of profit and loss and other comprehensive income on page 48.

The dividend of HK$2,000,000 was paid to the then shareholders of CP Printing Limited ("CP Printing") on 27 February 2017.

The Directors do not recommend the payment of dividend for FY2017. (2016: Nil)

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 8 May 2018 to 11 May 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Tricor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 pm on 7 May 2018.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 11 May 2018. A notice convening the meeting will be issued and sent to the shareholders in due course.

RESERVES

Movements in the reserves of the Group and of the Company during FY2017 are set out in the consolidated statement of changes in equity on page 51 and note 33 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2017 amounted to approximately HK$61,406,000, as calculated in accordance with the Companies Law of the Cayman Islands.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") which was adopted pursuant to a resolution of the Shareholders passed on 4 December 2017. The purpose of the Scheme is to attract, retain and motivate talented eligible participants (as defined below), to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of the Group and allow the Participants to enjoy the results of the Group attained through their efforts and contributions.

The Scheme became effective on 4 December 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme. The terms of the Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

ELIGIBLE PARTICIPANTS

Eligible participants refer to (i) any executive director or manager of or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "Executive"); (ii) any director or proposed director (including an independent non-executive director) of any member of our Group; (iii) a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (iv) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group; or a close associate (as defined under the GEM Listing Rules) of any of the foregoing persons.

No share options under the share option scheme were granted or exercised during the year nor remained outstanding as at 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY2017.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2017 are set out in notes 34 to the consolidated financial statements.

DIRECTORS

The directors who have held office during the year and up to the date of this report are as follows:

Executive Directors

Lam Tak Ling Derek	(appointed on 5 May 2017)
Chan Yee Yeung	(appointed on 5 May 2017)
Tse Yuen Shan Ivy	(appointed on 5 May 2017)

Independent non-executive Directors

Li Chun Hung	(appointment effective on 28 December 2017)
Ong Chor Wei	(appointment effective on 28 December 2017)
Yam Kam Kong, *JP*	(appointment effective on 28 December 2017)

DIRECTORS' SERVICE CONTRACTS

Our Company has entered into a service contract with each of our executive Directors, and a letter of appointment each of our independent non-executive Directors. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date, unless terminated by our Company by giving a notice of not less than six months in advance.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2017, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of the share capital of the Company
Lam Tak Ling Derek ("Mr. Lam")	Held by controlled corporation *(note 1)*	675,000,000	67.5
Chan Yee Yeung ("Mr. Chan")	Held by controlled corporation *(note 1)*	675,000,000	67.5
Tse Yuen Shan Ivy ("Ms. Tse")	Held by controlled corporation *(note 2)*	75,000,000	7.5

Notes:

(1) Our Company is directly owned as to 67.5% by Master Sage Limited. Master Sage Limited is directly owned as to 50% and 50% by Mr. Lam and Mr. Chan, respectively. By virtue of the SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the Shares held by Master Sage Limited.

(2) Our Company is directly owned as to 7.5% by Fortune Corner Holdings Limited. Fortune Corner Holdings Limited is wholly owned by Ms. Tse. By virtue of the SFO, Ms. Tse is deemed to be interested in the Shares held by Fortune Corner Holdings Limited.

Other than as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2017.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its holding companies or subsidiary, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to note 10 to the consolidated financial statements on for details of the emoluments of the Directors and the five highest paid individuals of the Company.

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

So far as the Directors are aware, as at 31 December 2017, no entities or persons (not being a Director or Chief Executive of the Company) had an interest and short position of 5% or more in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which are required to be disclosed pursuant to section 336 of the SFO.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2017.

CHARITABLE DONATION

During the year, the total charitable contribution made by the Group amounted to HK$33,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 66.6% of the total sales for the year and sales to the largest customer included therein amounted to 42.0%. Purchases from the Group's five largest suppliers accounted for 51.1% of the total purchases for the year and purchases from the largest supplier included therein amounted to 15.7%. None of the Directors or any of their associates or any Shareholders (which, to the best 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 and customers.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest suppliers or customers.

CONNECTED TRANSACTIONS

The Group had not entered into any connected transaction during FY2017, which is not required to be disclosed under Chapter 20 of the Listing Rules. Related party transactions entered into by the Group during the year, are disclosed in Note 32 to the consolidated financial statements.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

As for as the Directors are aware, at no time during FY2017 had the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries entered into any contract of significant or any contracts of significance for the provision of services by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out above, no equity-linked agreements were entered into by the Group during the year or subsisting at the end of the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 10 to the consolidated financial statements, no contracts of significance to which the Company, or any of its holding companies or subsidiary, was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws/articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the securities of the Company during FY2017.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout FY2017.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the financial years is set out on page 95 to 96 of the annual report.

COMPETING BUSINESS

Neither of the Directors and the controlling Shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during FY2017.

EMOLUMENTS POLICY

The emolument policy for the employee of the Group is set up by the management on the basis of their merit, qualifications and competence. Under the emolument policy, the basis of determining the emolument payable to Directors is subject to the decision of the Remuneration Committee of the Company.

The emoluments of the Directors for FY2017 are decided by the Board, having regard to the Group's operating results, their duties and responsibilities of the Group, individual performance and comparable market statistics, and have been reviewed by the Remuneration Committee of the Company during FY2017.

PERMITTED INDEMNITY PROVISIONS

At no time during FY2017 and up to the date of this Directors' Report, there was or is, any permitted indemnity provisions being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2017, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

AUDITOR

The consolidated financial statements of the Company for the year have been audited by DTT.

A resolution will be submitted to the annual general meeting to re-appoint Deloitte as auditor of the Company.

On behalf of the Board
LAM TAK LING DEREK
CHAIRMAN

29 March 2018

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Smart Globe Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 48 to 94, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR 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.

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS

Key audit matter are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables	
We identified the valuation of trade receivables as a key audit matter due to the use of significant judgement and estimates in assessing the allowance of impairment. As at 31 December 2017 and as disclosed in notes 4 and 17 to the consolidated financial statements, the carrying amount of trade receivables is HK$29,623,000 (net of allowance for doubtful debts of HK$1,607,000).	Our procedures in relation to evaluating the appropriateness of the assessment of the recoverability of trade receivables included: • Understanding the key controls over credit risk assessment and evaluating management's process on reviewing the recoverability of trade receivables; • Obtaining an understanding of how the allowance for impairment loss is estimated by the management and testing the key controls of the Group relating to the impairment assessment of trade receivables; • Assessing the reasonableness of allowance for and reversal of allowance for trade receivables with reference to credit history, including default or delay in payments, settlement history and aging analysis of the trade receivables; • Evaluating the historical accuracy of the allowance estimation by management by comparing historical allowance made to the actual settlement and actual loss incurred; and • Testing, on a sample basis, the accuracy and completeness of the aging analysis and the details of the subsequent settlements to source documents.

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 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, 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 disclosure requirements of 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 those charged with governance 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.

TO THE MEMBERS OF SMART GLOBE HOLDINGS LIMITED (continued)
(incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter 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 the independent auditor's report is Chu, Johnny Chun Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**150,367**	114,260
Cost of sales		**(101,732)**	(74,556)
Gross profit		**48,635**	39,704
Other income	6	**1,731**	812
Other gains and losses	7	**(1,857)**	(1,970)
Selling and distribution costs		**(8,363)**	(7,767)
Administrative expenses		**(17,051)**	(16,549)
Listing expenses		**(17,203)**	—
Finance costs	8	**(1,673)**	(1,157)
Profit before taxation	9	**4,219**	13,073
Taxation	11	**(4,396)**	(2,379)
(Loss) profit for the year		**(177)**	10,694
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**1,986**	(1,065)
Total comprehensive income for the year		**1,809**	9,629
(Loss) earnings per share			
Basic *(HK cents)*	13	**(0.02)**	1.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**35,884**	39,296
Certificate of deposit	15	**—**	2,000
		35,884	41,296
Current assets			
Inventories	16	**8,624**	7,747
Trade and other receivables	17	**88,500**	41,240
Certificates of deposit	15	**3,003**	—
Bank balances and cash	18	**22,398**	8,194
		122,525	57,181
Current liabilities			
Trade and other payables	19	**35,819**	31,504
Amounts due to directors	20	**—**	4,931
Taxation payable		**1,473**	711
Obligations under finance leases			
— due within one year	21	**5,355**	5,265
Bank borrowings	22	**6,743**	8,460
Other borrowing	23	**5,044**	784
		54,434	51,655
Net current assets		**68,091**	5,526
Total assets less current liabilities		**103,975**	46,822
Non-current liabilities			
Obligations under finance leases			
— due after one year	21	**5,642**	10,997
Other borrowing	23	**15,972**	19,208
		21,614	30,205
Net assets		**82,361**	16,617

At 31 December 2017

	NOTE	**2017** **HK$'000**	2016 *HK$'000*
Capital and reserves			
Share capital	24	**10,000**	—
Reserves		**72,361**	16,617
		82,361	16,617

The consolidated financial statements on pages 48 to 94 were approved and authorised for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

LAM TAK LING DEREK	**TSE YUEN SHAN IVY**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	—	—	—	(558)	7,546	6,988
Profit for the year	—	—	—	—	10,694	10,694
Other comprehensive expense						
— exchange differences arising from translation of a foreign operation	—	—	—	(1,065)	—	(1,065)
Total comprehensive (expense) income for the year	—	—	—	(1,065)	10,694	9,629
At 31 December 2016	—	—	—	(1,623)	18,240	16,617
Loss for the year	—	—	—	—	(177)	(177)
Other comprehensive expense						
— exchange differences arising from translation of a foreign operation	—	—	—	1,986	—	1,986
Total comprehensive income (expense) for the year	—	—	—	1,986	(177)	1,809
Issue of shares by CP Printing *(Note 28)*	12,290	—	—	—	—	12,290
Effect of group reorganisation	(12,290)	—	12,290	—	—	—
Dividend paid *(Note 12)*	—	—	—	—	(2,000)	(2,000)
Capitalisation issue *(Note 24)*	7,500	(7,500)	—	—	—	—
Issue of shares upon public offer and placing (the "Share Offer")	2,500	60,000	—	—	—	62,500
Costs incurred in connection with issue of share of the Company	—	(8,855)	—	—	—	(8,855)
At 31 December 2017	10,000	43,645	12,290	363	16,063	82,361

Note: The special reserve of the Group represented the difference between the nominal value of the share capital of the Company and the nominal value of the share capital of CP Printing Limited ("CP Printing") pursuant to the Reorganisation as defined in Note 1.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
Operating activities		
Profit before taxation	**4,219**	13,073
Adjustments for:		
Interest expenses	**1,673**	1,157
Interest income	**(24)**	(22)
Impairment losses recognised in respect of trade receivables	**38**	154
Depreciation of property, plant and equipment	**4,382**	3,683
Equity-settled share based payment	**2,290**	—
Gain on disposal of property, plant and equipment	**(104)**	—
Operating cash flows before movements in working capital	**12,474**	18,045
(Increase) decrease in inventories	**(306)**	261
Decrease (increase) in trade and other receivables	**9,289**	(13,737)
Increase (decrease) in trade and other payables	**3,621**	(237)
Cash generated from operations	**25,078**	4,332
People's Republic of China ("PRC") Enterprise Income Tax paid	**(898)**	—
Hong Kong Profits Tax paid	**(2,740)**	(3,046)
Net cash from operating activities	**21,440**	1,286
Investing activities		
Proceeds from disposal of property, plant and equipment	**3,132**	—
Interest received	**24**	22
Purchase of property, plant and equipment	**(1,396)**	(12,068)
Purchase of certificate of deposit	**(1,003)**	(2,000)
Net cash from (used in) investing activities	**757**	(14,046)

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
Financing activities		
Proceeds from issue of shares of CP Printing	**10,000**	—
Proceeds from the Share Offer	**6,250**	—
New bank borrowings raised	**7,821**	9,352
Repayments of bank borrowings	**(9,538)**	(892)
Principal payments on obligations under finance leases	**(5,265)**	(4,060)
Repayment to directors	**(4,947)**	(6,801)
Dividend paid	**(2,000)**	—
Share issue cost paid	**(8,855)**	—
Interests paid	**(1,673)**	(1,157)
Repayment of other borrowing	**(404)**	(3,528)
Other borrowing raised	**—**	23,520
Net cash (used in) from financing activities	**(8,611)**	16,434
Net increase in cash and cash equivalents	**13,586**	3,674
Cash and cash equivalents at beginning of the year	**8,194**	4,544
Effect of foreign exchange rate changes	**618**	(24)
Cash and cash equivalents at end of the year, representing bank balances and cash	**22,398**	8,194

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 December 2017.

The ultimate holding company is Master Sage Limited ("Master Sage"), a company incorporated in the British Virgin Islands ("BVI"), which is ultimately controlled by Mr. Lam Tak Ling Derek ("Mr. Lam") and Mr. Chan Yee Yeung ("Mr. Chan").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company and its subsidiaries are principally engaged in production, distribution and printing of books, novelty and packaging products.

In preparation for the listing of the Company's shares on GEM of the Stock Exchange, the companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the structure of the Group which involves the following major steps:

a. Before the Reorganisation, CP Printing was owned as to 50% and 50% by Mr. Lam and Mr. Chan. On 30 March 2017, CP Printing issued and allotted 10 shares to Ms. Tse Yuen Shan Ivy ("Ms. Tse"), a key management personnel of the Group, at a consideration of HK$10,000,000. Upon completion of the said allotment and issuance, CP Printing was owned as to 45%, 45% and 10% by Mr. Lam, Mr. Chan and Ms. Tse.

b. On 5 May 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each. On the date of its incorporation, (i) one share was issued to the initial subscriber, which was transferred to Master Sage, a company directly owned as to 50% and 50% by Mr. Lam and Mr. Chan. On the same day; (ii) 899 shares were issued to Master Sage; and (iii) 100 shares were issued to Fortune Corner Holdings Limited ("Fortune Corner"), a company wholly-owned by Ms. Tse.

c. On 15 May 2017, Wealthy Global Group Limited ("Wealthy Global") was incorporated as limited liability company in BVI by issuing a total of 100 shares of United States dollar ("US$") 1.00 each to the Company. Wealthy Global became a wholly-owned subsidiary of the Company.

d. Pursuant to a sale and purchase agreement dated 24 May 2017, Wealthy Global acquired the entire equity interests in CP Printing by issuing and allotting a total of 100 shares to the Company. On the same day, CP Printing became a directly wholly-owned subsidiary of Wealthy Global and the Reorganisation was completed.

1. GENERAL (continued)

The Group resulting from the Reorganisation, which involves interspersing the Company and Wealthy Global between CP Printing and its shareholders, is regarded as a continuing entity. Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation had been in existence throughout the year, or since their respective dates of incorporation where this is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of CP Printing as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has consistently applied all the new and revised HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2017 throughout both years.

The Group has not early applied the following new and revised HKFRSs and interpretations that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK (IFRIC) — Int 22	Foreign currency transactions and advance consideration[1]
HK (IFRIC) — Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Except for the new and revised HKFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and revised HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge amounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other financial assets are measured at their fair value at subsequent accounting period; and

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Company, the accumulated amount of impairment loss to be recognised by Company as at 1 January 2018 would not have material differences as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables, certificates of deposit, bank balances and cash.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows and the principal payment on obligations under finance lease as financing cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will all be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group as lessee has non-cancellable operating lease commitments of HK$523,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases" (continued)

In addition, the Group currently considered refundable rental deposit paid and refundable rental deposits received as right and obligation under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments. Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of reporting period as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/ or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follow:

- Level 1 inputs are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset and liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Inspection income is recognised when inspection services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss if not eligible for capitalisation.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method. In the case of work in progress and finished goods, cost comprises cost of direct materials, direct labour and an appropriate proportion of overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including certificates of deposit, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to directors, bank borrowings and other borrowing are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the foreign operation are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in which they become receivable.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment arrangement

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For share awards that vest immediately at the date of grant, the difference between the fair value of the shares to which the counterparty has received and the price the counterparty is required to pay for those shares is expensed immediately to profit or loss.

Borrowing costs

All borrowing costs which are not eligible for capitalisation to qualifying assets are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is described below.

Estimated impairment of trade receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for doubtful debts is required, the Group takes into consideration of the credit history including default or delay in payments, and aging analysis of the trade receivables. Following the identification of doubtful debts, the marketing team discusses with the relevant customers and reports to the management on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. As at 31 December 2017, the carrying amount of trade receivables is HK$29,623,000 (2016: HK$35,384,000) (net of HK$1,607,000 allowance for impairment loss as at 31 December 2017 (2016: HK$1,902,000)).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from production and printing of books, novelty and packaging products.

The information of revenue by types of products sold are as follows:

	2017 HK$'000	2016 HK$'000
Books products	137,542	92,938
Novelty and packaging products	12,825	21,322
	150,367	114,260

The Group's operating activities are attributable to a single operating segment focusing on production, distribution and printing of books, novelty and packaging products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to HKFRSs and are regularly reviewed by the directors of the Company, being the chief operating decision maker ("CODM"). Accordingly, the Group has only one operating segment. No further discrete financial information nor analysis of this single segment is presented as the CODM reviews the financial information of the Group as a whole.

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the geographical location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers	
	2017 HK$'000	2016 HK$'000
Hong Kong	41,947	47,058
United States	81,279	34,883
United Kingdom	8,590	9,232
Netherlands	7,994	7,269
The PRC	7,153	7,607
Belgium	773	1,512
Australia	642	1,850
Others	1,989	4,849
	150,367	114,260

5. REVENUE AND SEGMENT INFORMATION (continued)

	Non-current assets	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**31**	63
The PRC	**35,853**	39,233
	35,884	39,296

Note: Non-current assets excluding certificate of deposit.

Revenue from customers contributing over 10% of total revenue of the Group during the year are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer I	**63,095**	N/A[1]
Customer II	**N/A[1]**	16,728

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Government grant	**1,010**	—
Inspection income	**421**	740
Bank and other interest income	**24**	22
Sundry income	**276**	50
	1,731	812

7. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Exchange loss	**(1,923)**	(1,816)
Gain on disposal of property, plant and equipment	**104**	—
Impairment loss on trade receivables	**(38)**	(154)
	(1,857)	(1,970)

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on:		
Bank borrowings	**213**	203
Other borrowing	**946**	404
Finance leases	**514**	550
	1,673	1,157

9. PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 10)*	**3,554**	937
Other staff costs:		
— Salaries and allowances	**36,662**	30,624
— Retirement benefit schemes contributions	**2,735**	2,617
Total staff costs	**42,951**	34,178
Depreciation of property, plant and equipment	**4,382**	3,683
Auditor's remuneration	**1,036**	226
Cost of inventories recognised as an expense *(Note)*	**101,732**	74,556
Operating lease rentals in respect of rented premises	**2,031**	1,804

Note: Cost of inventories includes HK$34,492,000 (2016: HK$28,360,000) relating to the aggregate amount of staff costs, depreciation and operating lease expense, which are also included in the respective total amounts for each of these types of expenses as disclosed above.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable to the directors of the Company, including emoluments paid to them by the Group prior to becoming directors of the Company, during the reporting period are as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Equity-settled share based payment HK$'000	Retirement benefit schemes contributions HK$'000	Total HK$'000
For the year ended 31 December 2017						
Executive directors						
Mr. Lam	1	362	21	—	18	402
Mr. Chan	1	363	21	—	18	403
Ms. Tse	1	392	45	2,290	18	2,746
Independent non-executive directors						
Li Chun Hung ("Mr. Li")	1	—	—	—	—	1
Ong Chor Wei ("Mr. Ong")	1	—	—	—	—	1
Yam Kam Kwong, *JP* ("Mr. Yam")	1	—	—	—	—	1
	6	1,117	87	2,290	54	3,554
For the year ended 31 December 2016						
Executive directors						
Mr. Lam	—	249	20	—	13	282
Mr. Chan	—	245	20	—	12	277
Ms. Tse	—	360	—	—	18	378
	—	854	40	—	43	937

Note: For the year ended 31 December 2017, the equity-settled share-based payment represented the difference between the consideration of HK$10,000,000 paid by Ms. Tse to subscribe for 10 shares in CP Printing and the fair value of the shares issued of HK$12,290,000. Details of the share issue are set out in note 28.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and the chief executive's emoluments (continued)

The executive directors were appointed by the Company on 5 May 2017. Mr. Lam is also the chief executive of the Company.

The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group. The emoluments of the independent non-executive directors shown above were paid for their services as directors of the Company.

The discretionary bonus is determined with reference to the operating results, individual performance and market condition during the relevant year.

Mr. Li, Mr. Ong and Mr. Yam were appointed as independent non-executive directors of the Company on 4 December 2017.

Neither the chief executive nor any of the directors waived any emoluments in both years.

(b) Employees' emoluments

For the year ended 31 December 2017 of the five individuals with the highest emoluments in the Group, 3 (2016: 1) were directors of the Company, and whose emoluments are included in the disclosures above. The emoluments of the remaining individuals are as follows:

	2017	2016
	HK$'000	*HK$'000*
Employees		
— salaries and allowances	**700**	1,240
— discretionary bonus	**57**	—
— retirement benefit schemes contributions	**34**	62
	791	1,302

The number of the highest paid employees who are not directors of the Company have their emoluments within the following band:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**2**	4

During the year ended 31 December 2017, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the reporting period.

For the year ended 31 December 2017

11. TAXATION

	2017 HK$'000	2016 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Charge for the year	3,709	2,218
Overprovision in prior years	(20)	(20)
	3,689	2,198
PRC Enterprise Income Tax ("EIT")		
Charge for the year	681	181
Underprovision in prior year	26	—
	707	181
	4,396	2,379

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit before taxation	4,219	13,073
Tax charge at the Hong Kong Tax Rate of 16.5%	696	2,157
Tax effect of expenses not deductible for tax purpose	3,462	268
Tax effect of income not taxable for tax purpose	—	(3)
Tax effect of utilisation of tax losses previously not recognised	—	(128)
Under (over) provision in prior years	6	(20)
Effect of different tax rates of group entity operating in other jurisdiction	232	105
Taxation charge	4,396	2,379

No provision for deferred taxation has been recognised for temporary differences as the amount involved is insignificant.

12. DIVIDENDS

During the year ended 31 December 2017, total dividend of HK$2,000,000 (2016: nil) were declared and distributed by CP Printing to its then shareholders.

No dividend has been proposed by the directors of the Company up to date of issuance of these financial statements.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the year is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(177)**	10,694

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**734,658**	675,000

The number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 December 2017 and 2016 has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in note 24) has been effective from 1 January 2016.

No diluted earnings per share is presented as there were no potential ordinary shares in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Machineries *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
COST			
At 1 January 2016	14,202	619	14,821
Additions	29,688	127	29,815
Exchange adjustments	(835)	(3)	(838)
At 31 December 2016	43,055	743	43,798
Additions	1,338	58	1,396
Disposal	(3,439)	—	(3,439)
Exchange adjustments	3,028	12	3,040
At 31 December 2017	43,982	813	44,795
DEPRECIATION			
At 1 January 2016	409	435	844
Provided for the year	3,558	125	3,683
Exchange adjustments	(24)	(1)	(25)
At 31 December 2016	3,943	559	4,502
Provided for the year	4,314	68	4,382
Disposal	(411)	—	(411)
Exchange adjustments	436	2	438
At 31 December 2017	8,282	629	8,911
CARRYING VALUES			
At 31 December 2017	35,700	184	35,884
At 31 December 2016	39,112	184	39,296

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Machineries	10%
Furniture, fixtures and equipment	10% or 20%

The carrying value of machineries at 31 December 2017 included an amount of HK$19,241,000 (2016: HK$20,726,000), in respect of assets held under finance leases.

15. CERTIFICATES OF DEPOSIT

As at 31 December 2017, the certificates of deposit carry fixed interest from 1.2% to 1.6% per annum (2016: 1.2% per annum) with maturity on 21 February 2018 and 3 May 2018 (2016: 3 May 2018). The certificates of deposit have been pledged as security for the Group's bank borrowings, as set out in note 22.

16. INVENTORIES

	2017 ***HK$'000***	2016 *HK$'000*
Raw materials	**5,971**	3,744
Work in progress	**1,374**	1,383
Finished goods	**1,279**	2,620
	8,624	7,747

17. TRADE AND OTHER RECEIVABLES

	2017 ***HK$'000***	2016 *HK$'000*
Trade receivables	**31,230**	37,286
Less: Allowance for impairment loss	**(1,607)**	(1,902)
	29,623	35,384
Proceeds receivable from the Share Offer *(Note)*	**56,250**	—
Prepayments and deposits	**2,627**	5,856
Total trade and other receivables	**88,500**	41,240

Note: The amount represents the proceeds from the Share Offer collected by the bookrunner on behalf of the Company. The amount was fully settled on 10 January 2018.

The Group allows credit period ranging from 60 to 120 days. The following is an aged analysis of trade receivables, net of allowance of impairment loss, presented based on the goods delivery date, which were the respective revenue recognition dates, at the end of reporting period:

	2017 ***HK$'000***	2016 *HK$'000*
Within 30 days	**9,167**	12,854
31 to 60 days	**6,855**	5,746
61 to 90 days	**4,360**	5,776
Over 90 days	**9,241**	11,008
	29,623	35,384

17. TRADE AND OTHER RECEIVABLES (continued)

Included in the trade receivables balance as at 31 December 2017 is amount of HK$557,000 (2016: HK$1,021,000), which goods were delivered but invoices not yet issued.

Before accepting any new customer, the Group will internally assess the potential customer's credit quality and defines credit limits by customers. The directors of the Company closely monitor the credit quality and follow up actions will be taken if overdue debts are noted. Credit limits attributed to customers and credit term granted to customers are reviewed on a regular basis. To the extent available, the Group also maintains export credit insurance for customers. The majority of the trade receivables that are neither past due not impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance as at 31 December 2017 are debtors with aggregate carrying amount of HK$10,103,000 (2016: HK$9,278,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

Included in the Group's trade receivables as at 31 December 2017 are balances of HK$245,000 (2016: HK$310,000) due from related parties, which are companies either wholly-owned by Ms. Tse, the key management personnel of the Group, and/or her family (see note 32 for details). The amounts are repayable within three months from the goods delivery dates.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	2017 ***HK$'000***	2016 *HK$'000*
Overdue by:		
0 — 30 days	**8,632**	5,667
31 to 60 days	**1,168**	1,891
61 to 90 days	**68**	180
Over 90 days	**235**	1,540
	10,103	9,278

In determining the recoverability of a receivable, the Group considers whether there has been adverse change in the credit standing of the debtor from the date credit was initially granted. The directors of the Company believe that there is no further credit provision required in excess of the allowance for doubtful debts already provided.

17. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for impairment loss is as follows:

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**1,902**	1,748
Impairment loss recognised in respect of trade receivables	**38**	154
Amount written off as uncollectible	**(333)**	—
Balance at end of the year	**1,607**	1,902

The balance of the allowance for impairment loss are individually impaired trade receivables which have been overdue over 365 days.

18. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates of 0.001% to 2.2% per annum as at 31 December 2017 (2016: 0.001% to 2.2% per annum).

Included in bank balances are the following amounts denominated in currencies other than the functional currencies of the respective group entities:

	2017 HK$'000	2016 HK$'000
US$	**11,662**	4,181

19. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**14,855**	22,146
Accrued listing expenses	**9,947**	—
Accrued expenses	**5,878**	4,472
Other payables	**5,139**	4,886
Total trade and other payables	**35,819**	31,504

The credit period of trade payables is 30 to 90 days.

The following is an aged analysis of trade payables based on the invoice date at the end of reporting period:

	2017 HK$'000	2016 HK$'000
Within 30 days	**9,266**	3,605
31 to 60 days	**328**	2,080
61 to 90 days	**34**	3,041
Over 90 days	**5,227**	13,420
	14,855	22,146

20. AMOUNTS DUE TO DIRECTORS

As at 31 December 2016, amounts were due to Mr. Lam and Mr. Chan of HK$2,579,000 and HK$2,352,000, respectively.

All the amounts were unsecured, non-interest bearing and fully repaid in 2017.

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable under finance leases:				
Within one year	**5,672**	5,779	**5,355**	5,265
More than one year but not more than two years	**4,488**	5,779	**4,351**	5,355
More than two years but not more than five years	**1,301**	5,681	**1,291**	5,642
	11,461	17,239	**10,997**	16,262
Less: Future finance charges	**(464)**	(977)	**N/A**	N/A
Present value of lease obligations	**10,997**	16,262	**10,997**	16,262
Less: Amount due for settlement within one year (shown under current liabilities)			**(5,355)**	(5,265)
Amount due for settlement after one year			**5,642**	10,997

The Group has obligations under finance leases in respect of certain of its machineries. The lease terms ranges from 1 to 3 years. Interest rates underlying the obligations under these finance leases are at variable rates ranging from Hong Kong Dollar Best Lending Rate ("HKDBLR") less 1.8% per annum to HKDBLR less 1.5% per annum. These leases have no terms of renewal or escalation clauses. No arrangements have been entered into for contingent rental payments.

The effective interest rate ranged from 3.45% to 3.75% per annum for the year ended 31 December 2017 (2016: 3.45% to 3.75% per annum).

22. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured	**3,821**	4,352
Unsecured	**2,922**	4,108
	6,743	8,460
The carrying amounts of the above borrowings are repayable*:		
Within one year	**6,743**	7,352
More than one year but not more than two years	**—**	1,108
	6,743	8,460
Comprising:		
Amounts due within one year shown under current liabilities that contain on demand clause	**6,743**	7,352
Amounts that are not repayable within one year from the end of the reporting period but containing a repayment on demand clause	**—**	1,108
Total amount shown under current liabilities	**6,743**	8,460

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2017, the Group's bank borrowing that is denominated in currency other than the functional currency of the respective group entity, which is denominated in US$, amounted to HK$1,145,000 (2016: HK$1,055,000). The bank borrowing is interest bearing at variable rate at United State Dollar Best Lending Rate ("USDBLR") plus 0.25% per annum as at 31 December 2017 (2016: USDBLR plus 0.25%).

The secured bank borrowings were secured by the certificates of deposit and assignment of receivables of the respective group entity.

The bank borrowings amounting to HK$5,598,000 as at 31 December 2017 (2016: HK$7,405,000, respectively, were interest bearing at variable rates ranging from HKDBLR less 2.75% to HKDBLR per annum. (2016: HKDBLR less 2.75% to HKDBLR per annum).

The effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings were ranged from 2.25% to 5.00% per annum for the year ended 31 December 2017 (2016: 2.25% to 5.00% per annum).

23. OTHER BORROWING

	2017 HK$'000	2016 HK$'000
The carrying amount of the borrowing is repayable*:		
Within one year	**5,044**	784
More than one year but not more than two years	**5,044**	—
More than two years but not more than five years	**10,928**	18,816
More than five years	**—**	392
	21,016	19,992
Less: Amount due for settlement within one year (shown under current liabilities)	**(5,044)**	(784)
Amount due for settlement after one year	**15,972**	19,208

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's other borrowing was denominated in functional currency of respective group entity.

The other borrowing carries fixed interest with an effective interest rate of 3.91% per annum for the year ended 31 December 2017 (2016: 3.91%).

24. SHARE CAPITAL

The issued share capital as at 1 January 2016 and 31 December 2016 represented the issued share capital of CP Printing Limited. The share capital as at 31 December 2017 represents the issued share capital of the Company with details as follows:

	Notes	**Number of shares**	**Share capital** *HK$'000*
Authorised:			
At date of incorporation (ordinary shares of HK$0.01 each)	*(a)*	39,000,000	390
Increase in authorised share capital	*(b)*	1,961,000,000	19,610
At 31 December 2017		2,000,000,000	20,000
Issued and fully paid:			
At date of incorporation	*(a)*	1	—
Issue of shares on Reorganisation	*(a)*	999	—
Issue of shares on Capitalisation Issue	*(c)*	749,999,000	7,500
Issue of shares from the Share Offer	*(d)*	250,000,000	2,500
At 31 December 2017		1,000,000,000	10,000

24. SHARE CAPITAL (continued)

Notes:

(a) On 5 May 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each. On the date of its incorporation, (i) one share was issued to the initial subscriber, which was transferred to Master Sage, a company directly owned as to 50% and 50% by Mr. Lam and Mr. Chan. On the same day; (ii) 899 shares were issued to Master Sage; and (iii) 100 shares were issued to Fortune Corner, a company wholly owned by Ms. Tse.

(b) On 4 December 2017, the authorised share capital of the Company was increased from HK$390,000 divided into 39,000,000 shares to HK$20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,961,000,000 shares, ranking pari passu in all respect with the then existing shares.

(c) Pursuant to the written resolutions passed by the sole shareholder of the Company on 4 December 2017, upon completion of the public offer and placing on 28 December 2017, the Company was authorised to capitalise a sum of HK$7,500,000 standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 749,999,000 ordinary shares of the Company (the "Capitalisation Issue").

(d) In connection with the listing of the shares of the Company on GEM of the Stock Exchange on 28 December 2017, the Company allotted and issued a total of 250,000,000 new shares at HK$0.25 per share. The net proceeds from the Share Offer was HK$53,645,000 (net of share issue costs of HK$8,855,000), out of which net proceeds of HK$52,496,000 (net of share issue costs of HK$3,754,000) was collected on behalf of the Company by a bookrunner and was due payable to the Company as at 31 December 2017 (Note 17).

25. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**523**	873
In the second to fifth year inclusive	**—**	107
	523	980

Operating lease payments represent rentals payable by the Group for its plant and office. Leases are negotiated for terms of two to five years.

26. RETIREMENT BENEFITS SCHEME

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 per month for each employee.

The employees employed by the PRC subsidiary are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of the payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

During the year ended 31 December 2017, the amounts of contributions recognised by the Group are HK$2,789,000 (2016: HK$2,660,000).

27. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 4 December 2017, a share option scheme was adopted for the primary purpose of providing incentives to directors, employees and eligible participants. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 28 December 2017.

Under the scheme, the Board of Directors of the Company may grant options to directors, employees, consultants, advisers, agents, vendors, suppliers of goods or services and customers of the Company and its subsidiaries and entities in which the Group holds equity interest at the discretion of the Board pursuant to the terms of the scheme, to subscribe for shares of the Company at a price which shall not be less than the highest of (i) the closing price of a share of the Company listed on the Stock Exchange at the date of grant of the option; (ii) the average of the closing price of a share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company.

The maximum number of shares in respect of which options shall be granted under the scheme and any other share option schemes of the Company is 10% of the total number of shares in issue at the date of approval of adoption of the scheme. No director, employee or eligible participant may be granted options under the scheme which will enable him or her if exercise in full to subscribe for more than 1% of the issued share capital of the Company in any 12-month period. The option period for which the options granted can be exercisable, shall be such period as notified by the Board, save that it shall not be more than 10 years from the date of grant subject to the terms of the scheme. Nominal consideration of HK$1 is payable on acceptance of each grant and the share options granted shall be accepted within 28 days from the date of grant.

No share option was granted or remained outstanding under the scheme during year.

28. SHARE-BASED PAYMENT

As detailed in Note 10(a), Ms. Tse subscribed for 10% equity interest in CP Printing. The shares issued to Ms. Tse are measured at fair value at the grant date. In determining the fair value of the shares issued, the directors of the Company have engaged Messrs. Royson Valuation Advisory Limited, of which the registered office is at 9/F, Fung House, 19-20 Connaught Road Central, Central, Hong Kong, an independent qualified professional valuer, to determine the appropriate valuation techniques and inputs for the fair value measurements. The directors of the Company have adopted the market approach with reference to comparable companies engaged in the same business of the Group to derive the fair value on 30 March 2017. Significant assumptions on parameters, such as estimated net profit, P/E multiple and lack of marketability discount, are required to be made in applying the valuation. The lack of marketability discount used was 15%. The fair value of 10% equity interest in CP Printing was determined to be HK$12,290,000 on 30 March 2017. The difference between the consideration of HK$10,000,000 paid by Ms. Tse and the fair value of shares issued was HK$2,290,000, and is recognised as an equity- settled share-based payment to Ms. Tse, being a key management personnel of the Group, charged to the consolidated profit or loss.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the amounts due to directors, bank borrowings and other borrowing disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as the issue of new debts.

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**111,274**	45,578
Financial liabilities		
Amortised cost	**57,031**	56,361
Obligations under finance leases	**10,997**	16,262
	68,028	72,623

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, certificates of deposit, bank balances and cash, trade and other payables, amounts due to directors, bank and other borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The subsidiaries of the Company have sales and purchases denominated in currencies other than their functional currency, which exposes the Group to foreign currency risk.

The carrying amounts of the group entities' foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
RMB	**286**	32	**—**	2,782
USD	**25,678**	26,431	**1,145**	1,055

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Sensitivity analysis

The group entities are mainly exposed to the exchange rate risk on HKD against RMB for the foreign currency denominated monetary assets and liabilities. The sensitivity analysis excludes balances which are denominated in USD since HKD is pegged to USD.

The following table details the group entity's sensitivity to a 5% increase and decrease in functional currency of the relevant group entity against the relevant foreign currency (i.e. RMB). 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2016: a negative number indicates a decrease in post-tax profit where functional currency of the relevant group entity weaken 5% against the relevant foreign currency. For a 5% strengthening of functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on the post-tax loss (2016: post-tax profit).

	RMB impact	
	2017	2016
	HK$'000	*HK$'000*
Decrease in loss (2016: decrease in profit) for the year	**12**	(115)

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

In opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate other borrowing (see note 23 for details).

The Group's bank balances, bank borrowings and obligations under finance leases have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management considers the Group's exposure of the short-term bank balances to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HKDBLR and USDBLR arising from the Group's bank borrowings and obligations under finance leases.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for the bank borrowings and obligations under finance leases. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used for bank borrowings and obligations under finance leases when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2017 would increase/decrease by HK$74,000 (2016: post-tax profit would decrease/increase by HK$103,000).

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

As at 31 December 2017, the Group has concentration of credit risk on trade receivables from the Group's largest customer amounting to HK$566,000 (2016: HK$3,476,000), representing approximately 2% (2016: 10%) of the total trade receivables. As at 31 December 2017, trade receivables from the five largest customers amounts to HK$12,176,000 (2016: HK$15,131,000), representing approximately 41% (2016: 43%) of the total trade receivables. The Group reviews the recoverable amount of each individual trade receivable regularly to ensure that adequate impairment losses are made for irrecoverable amounts.

In order to minimise the credit risk, the management of the Group is responsible for 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 management of the Group reviews the recoverable amount of each individual trade receivable at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Credit risk on liquid funds is considered limited as such amounts are placed in banks with good reputation.

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also regularly monitors the operating cash flows of the Group to meet its liquidity requirements in short and long term. The management monitors the utilisation of banking facilities. As at 31 December 2017, the Group has available unutilised banking facilities of approximately HK$12,179,000 (2016: HK$698,000) to satisfy its existing liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of reporting period.

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1—5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017							
Trade and other payables	—	29,272	—	—	—	29,272	29,272
Bank borrowings	3.81	6,743	—	—	—	6,743	6,743
Other borrowing	3.91	1,387	4,161	17,569	—	23,117	21,016
Obligations under finance leases	3.71	1,445	4,227	5,789	—	11,461	10,997
		38,847	8,388	23,358	—	70,593	68,028
At 31 December 2016							
Trade and other payables	—	22,978	—	—	—	22,978	22,978
Amounts due to directors	—	4,931	—	—	—	4,931	4,931
Bank borrowings	3.10	8,460	—	—	—	8,460	8,460
Other borrowing	3.91	902	353	20,698	431	22,384	19,992
Obligations under finance leases	3.71	1,445	4,334	11,460	—	17,239	16,262
		38,716	4,687	32,158	431	75,992	72,623

30. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amounts of these bank borrowings amounted to HK$6,743,000 (2016: HK$8,460,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
31 December 2017	3.81	5,287	1,499	—	6,786	6,743
31 December 2016	3.10	5,124	2,317	1,117	8,558	8,460

Fair value

The fair values of financial assets and financial liabilities are determined based on discounted cash flow analysis.

The management of the Group considers that the carrying amount of financial asset and financial liabilities recorded at amortised cost in the consolidated financial statement approximate their fair values.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those 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.

			Non-cash changes					Non-cash changes				
	As at 1 January 2016	Financing cash flow	Acquisition of property, plant and equipment	Exchange realignment	Finance cost recognised	As at 31 December 2016	Financing cash flow	Exchange realignment	Finance cost recognised	Dividend declared	Share issue costs	**As at 31 December 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Obligations under finance leases	3,675	(4,060)	16,647	—	—	16,262	(5,265)	—	—	—	—	**10,997**
Amounts due to directors	12,135	(6,801)	—	(403)	—	4,931	(4,947)	16	—	—	—	**—**
Bank borrowings	—	8,460	—	—	—	8,460	(1,717)	—	—	—	—	**6,743**
Other borrowing	—	19,992	—	—	—	19,992	(404)	1,428	—	—	—	**21,016**
Dividend payable	—	—	—	—	—	—	(2,000)	—	—	2,000	—	**—**
Interest payables	—	(1,157)	—	—	1,157	—	(1,673)	—	1,673	—	—	**—**
Accrued expenses incurred in connection with issue of shares of the Company	—	—	—	—	—	—	(8,855)	—	—	—	12,609	**3,754**

Note: The cash flows represent the repayment of obligation under finance lease, addition and repayment of bank borrowings, addition and repayment of other borrowing, interest paid, dividend paid, repayment of amounts due to directors in the consolidated statement of cash flows.

32. RELATED PARTY DISCLOSURES

During the year, the Group entered into the following transactions with related parties:

(a) The remuneration of key management personnel who are the directors of the Company during the year was disclosed in note 10.

(b) During the year ended 31 December 2017, the Group received income for sales of novelty and packaging products totalling HK$1,109,000 (2016: HK$822,000), from Tse Wing Hang Limited (trading as Richmond Company), a company of which Ms. Tse, the key management personnel of the Group and her family, hold 100% equity interest.

(c) During the year ended 31 December 2016, the Group received income for sales of novelty and packaging products totalling to HK$4,000 from Crazy Women Limited, a company wholly-owned by Ms. Tse. There was no such income during the year ended 31 December 2017.

(d) As at 31 December 2016, Mr. Lam and Mr. Chan have jointly provided personal guarantee to certain banks in respect of the Group's total banking facilities of HK$26,700,000. The personal guarantee was released during the year ended 31 December 2017.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The financial information of the Company as at 31 December 2017 is as follows:

	2017 *HK$'000*
Non-current asset	
Investment in a subsidiary	25,001
Current assets	
Other receivables	56,250
Bank balances and cash	6,045
	62,295
Current liabilities	
Accruals	9,947
Amounts due to subsidiaries	15,943
	25,890
Net current assets	36,405
Net assets	61,406
Capital and reserves	
Share capital	10,000
Reserves *(Note)*	51,406
	61,406

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

	Share premium *HK$'000*	Other reserve *HK$'000*	Accumulated loss *HK$'000*	Total *HK$'000*
At 5 May 2017 (date of incorporation)	—	—	—	—
Capitalisation issue	(7,500)	—	—	(7,500)
Issue of share upon public offer and placing	60,000	—	—	60,000
Costs incurred in connection with issue of share	(8,855)	—	—	(8,855)
Effect of group reorganisation	—	25,000	—	25,000
Loss and total comprehensive expenses for the year	—	—	(17,239)	(17,239)
At 31 December 2017	43,645	25,000	(17,239)	51,406

34. PARTICULARS OF SUBSIDIARIES

The Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered	Equity interest attributable to the Group as at 31 December 2017	2016	Principal activities
Directly held					
Wealthy Global	BVI 15 May 2017	US$200	100%	N/A	Investment holding
Indirectly held					
CP Printing	Hong Kong 4 January 2012	HK$12,290,090	100%	100%	Distribution of books, novelty and packaging products
同利紙制品(河源)有限公司 (CP Printing (Heyuan))	The PRC, 20 July 2012	HK$18,200,000	100%	100%	Production and printing of books, novelty and packaging products

None of the subsidiaries had issued any debt securities at the end of the year.

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

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**150,367**	114,260	67,985	36,385	29,276
Profit (loss) before taxation	**4,219**	13,073	8,913	1,146	(615)
Taxation	**(4,396)**	(2,379)	(1,674)	(252)	(47)
(Loss) profit for the year	**(177)**	10,694	7,239	894	(662)
Other comprehensive income (expense)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of a foreign operation	**1,986**	(1,065)	(567)	(9)	18
Total comprehensive income (expense) for the year	**1,809**	9,629	6,672	885	(644)
(Loss) Profit attributable to:					
Equity shareholders of the Company	**(177)**	10,694	7,239	894	(662)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Non-current assets	**35,884**	41,296	15,077	1,449	1,777
Current assets	**118,771**	57,181	41,027	17,387	12,848
Total assets	**154,655**	98,477	56,104	18,836	14,625
Equity and liabilities					
Total equity	**82,361**	16,617	6,988	316	(568)
Non-current liabilities	**21,614**	30,205	5,784	—	2
Current liabilities	**50,680**	51,655	43,332	18,520	15,191
Total liabilities	**72,294**	81,860	49,116	18,520	15,193
Total equity and liabilities	**154,655**	98,477	56,104	18,836	14,625